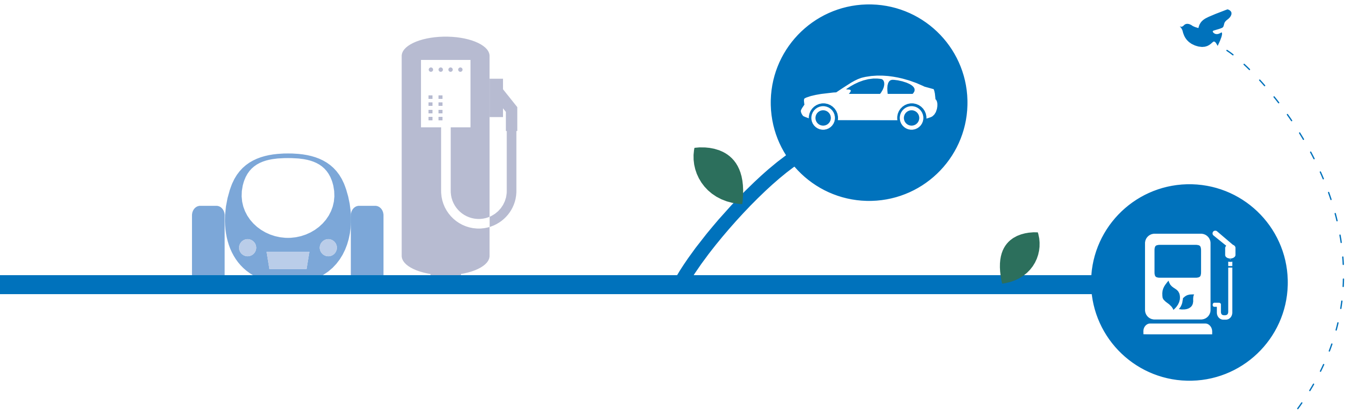
PHOENITRON

Phoenitron Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8066)

Seeing Further Going Forward

Annual Report 2017



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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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the "Directors") of Phoenitron 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, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Contents

Corporate Information

DIRECTORS

Executive Directors

Lily Wu *(Chairman and Chief Executive Officer)*
Chang Wei Wen
Yang Meng Hsiu
Wang Jia Hua *(ceased on 4 January 2017)*

Independent non-executive Directors

Chan Siu Wing, Raymond
Leung Ka Kui, Johnny
Wong Ka Wai, Jeanne

COMPLIANCE OFFICER

Lily Wu

QUALIFIED ACCOUNTANT

Lau Ka Chung *(FCPA, FCS)*

COMPANY SECRETARY

Lau Ka Chung *(FCPA, FCS)*

AUTHORISED REPRESENTATIVES

Lily Wu
Chang Wei Wen

AUDIT COMMITTEE

Wong Ka Wai, Jeanne *(Chairman)*
Chan Siu Wing, Raymond
Leung Ka Kui, Johnny

REMUNERATION COMMITTEE

Leung Ka Kui, Johnny *(Chairman)*
Chang Wei Wen
Chan Siu Wing, Raymond
Lily Wu
Wong Ka Wai, Jeanne

NOMINATION COMMITTEE

Lily Wu *(Chairman)*
Chan Siu Wing, Raymond
Leung Ka Kui, Johnny
Wong Ka Wai, Jeanne
Yang Meng Hsiu

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 302, Seapower Centre
73 Lei Muk Road
Kwai Chung
New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
3rd Floor, Royal Bank House
24 Shedden Road, PO Box 1586
Grand Cayman KY1-1110, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Nanyang Commercial Bank Limited

AUDITORS

Grant Thornton Hong Kong Limited

WEBSITE ADDRESS

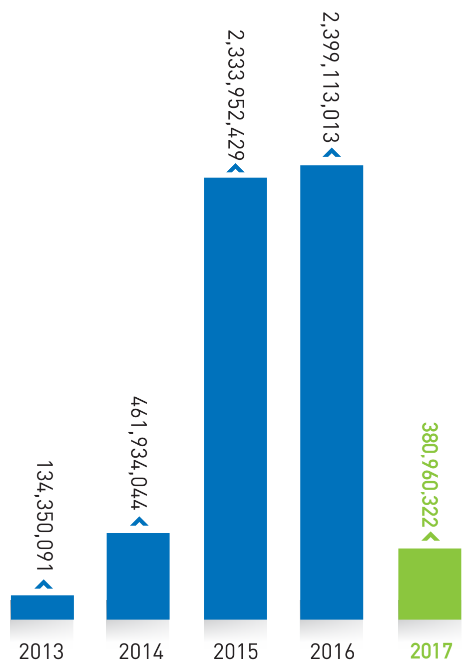
www.phoenitron.com

STOCK CODE

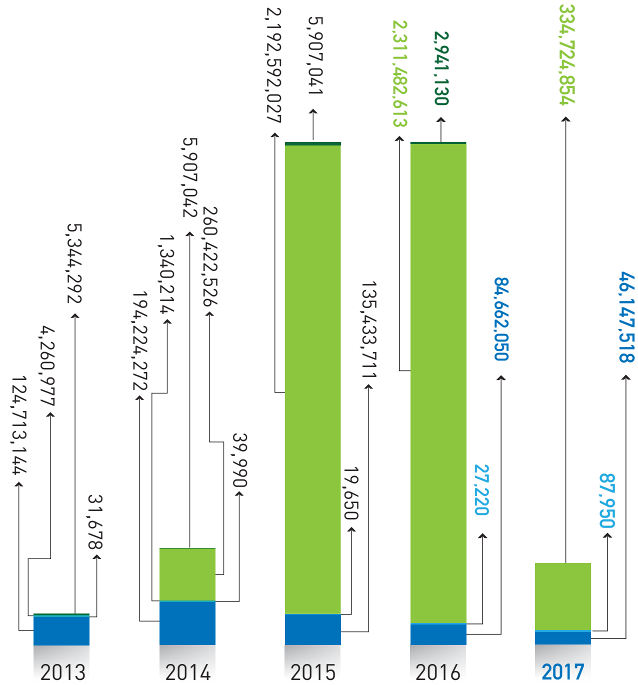
8066

Financial Highlights

TURNOVER

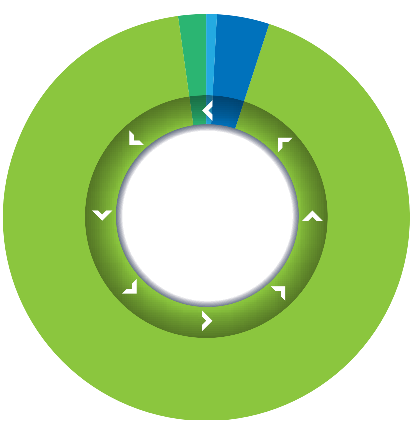


TURNOVER BY SEGMENTS



- Sales of smart cards
- Sales of smart card application systems
- Trading of scrap metals
- Sales of petro-chemical products
- Financial and management consultancy services

TOTAL ASSETS AT 31 DECEMBER 2017



1%	Other Assets
4%	Property, plant and equipment
93%	Trade and other receivables
2%	Bank balances and cash

Chairman's Statement

TO OUR SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to present to you the results of Phoenitron Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the financial year ended 31 December 2017 (the "Reporting Period").

RESULTS

For the year ended 31 December 2017, the Company recorded a consolidated revenue of approximately HK$380,960,000 (2016: approximately HK$2,399,113,000) and loss attributable to owners of the Company of approximately HK$19,770,000 (2016: approximately HK$234,002,000).

DIVIDEND

The Board of Directors (the "Board") of the Company does not recommend any payment of a final dividend for the Reporting Period.

BUSINESS AND OPERATION REVIEW

During the Reporting Period, the Group is principally engaged in the contract manufacturing and sales of smart cards, and the setting up of natural gas stations in Yangtze River Delta and other petro-chemical related businesses.

Contract manufacturing and sales of smart cards

During the Reporting Period, the Group's result on contract manufacturing and sales of overseas SIM cards business was not up to our expectations. Though we managed to complete the relocation of the SIM card plant from the Futian Free Trade Zone of Shenzhen City, to a 5,800m^2 new plant in the periphery Shenzhen City by the end of 2016 and early January 2017 and successfully completed the certification processes of our existing and potential customers as planned, the process of re-applying and granting of the import permits of certain raw materials took much longer than expected until early May. Due to this unexpected delay, the production plan was disrupted for the first half of 2017.

Meanwhile, revenue derived from the overseas SIM-card business segment during the Reporting Period was also adversely affected by unforeseen mergers and consolidation activity among the customers themselves and also by the operational restructuring of one of the largest customers. Fortunately, the management team was able to secure new customer orders to partially offset the negative effect brought by the above issues. For the first two months of 2018, the operational restructuring of the above-mentioned customer was still undergoing and yet to be completed. It is expected that the sales orders from this customer shall return to prior levels (or more) starting from March 2018.

Financially, due to the above-mentioned factors, a segment loss of approximately HK$4.8 million (2016: profit of approximately HK$7.7 million) was recorded for the overseas SIM card market segment.

Apart from the traditional SIM card services, we will also be providing certain higher-value-added SIM card services (e.g. multi-SIMs) as well as higher-value-added non-SIM card ancillary services (e.g. fulfilments) in the coming year.

During the Reporting Period, a segment loss of approximately HK$3.0 million (2016: approximately HK$8.7 million) was recorded for the PRC SIM-card business segment. Though the operations of this segment have already ceased, certain fixed overheads such as rental expense (as certain leases were expired by mid of 2017 only), depreciation charges (including write-offs or disposal during the Reporting Period) and certain staff costs (for assisting the complete closure of plants) were still incurred during the Reporting Period.

Setting up natural gas stations in the Yangtze River Delta region and other petro-chemical related businesses

The Group's joint venture in Shanghai, namely, Shanghai Phoenitron Petroleum & Chemical Company Limited ("Shanghai Phoenitron"), whose main business is the operation of natural gas filling stations in the Yangtze River Delta region and other petro-chemical related business, operated for another full financial year. During the Reporting Period, Shanghai Phoenitron, and 上海仁重新能源科技有限公司 ("Shanghai Renzhong"), a wholly-owned subsidiary of Shanghai Phoenitron, were principally engaged in the wholesale of petro-chemical products and retailing of oils products. Shanghai Phoenitron, together with Shanghai Renzhong, generated revenue of approximately HK$334.7 million (2016: approximately HK$2,311.5 million) during the Reporting Period and continued to be the key revenue generator for the Group.

Given the volatility of global oil prices during the Reporting Period (in particular, the first half of 2017), and having considered the risk exposures and rewards, we adopted a conservative approach towards the petro-chemical products business in our third full year of operations. For the coming year, our focus in this business segment will be on the development of the clean energy business (i.e. LNG) instead of sales of petro-chemical products. Hence we expect that the revenue contribution from the sales of petro-chemical products will further decline.

Provision of customised smart card application systems

Revenue generated from the provision of customised smart card application systems was approximately the same as in the previous year. The management will keep exploring new business opportunities in this segment.

Processing and sales of scrap metals

There was no revenue generated from this segment during the Reporting Period (2016: nil). In light of the prevailing industry situation and the growth in the domestic market of non-ferrous metal scrap in China, a joint venture has been formed with a view to re-activate the business in the coming year.

FINANCING OVERVIEW

During the Reporting Period, the Company completed a share consolidation (the "Share Consolidation"). The Share Consolidation increased the nominal value of the shares of the Company (the "Shares") and reduced the total number of Shares in issue. As such, the Share Consolidation brought about a corresponding upward adjustment in the trading price of the Shares. Prior, the trading price of the Shares dropped significantly from July 2016 to below HK$0.10, and remained at that level. The Directors considered that a higher trading price of the Consolidated Shares at a level above HK$0.10 would better reflect the potential of the Group. With a higher trading price of the Consolidated Shares and the reduction of the transaction and handling costs as a proportion of the market value of each board lot, the Company believes that the Share Consolidation makes investing in the Shares more attractive to a broader range of institutional and professional investors and other members of the investing public, and thus could broaden the shareholder base of the Company.

During the Reporting Period, the Company had entered into separate subscription agreements with four subscribers (the "Subscribers"), namely, Mr. Hsu Sheng Chin, Mr. Ku Feng Shou, Kantor Holdings Limited and Clear Win Investments Limited, in relation to the subscription of a total of 75,000,000 new shares of the Company at the subscription price of HK$0.20 per subscription share (the "Subscriptions") and with the aggregate nominal value of HK$15.0 million. The market price on 9 May 2017 (being the date on which the terms of the Subscriptions were fixed) was HK$0.228. Completion of the Subscriptions took place on 5 June 2017. The net subscription price, after deducting relevant expenses of approximately HK$25,000, is HK$0.1997 per subscription share. The net proceeds of approximately HK$15.0 million has been applied (as intended) for (i) general working capital of the Group of approximately HK$6.8 million and (ii) repayment of certain loans of a total of approximately HK$8.2 million.

Chairman's Statement

As mentioned in previous announcements of the Company, in view of the former SIM card plant in Shenzhen running at full capacity and was no longer be able to meet the expected increase in orders from the overseas SIM card customers, we completed the relocation from the old plant to a new, larger plant by early January 2017. Hence, more working capital was needed to finance the Group's SIM card business and operations. The Directors considered that the Subscriptions represented opportunities to raise additional funding for the Group's business operations and would strengthen the capital base and financial position for the Group (by lowering the gearing ratio and reducing the finance costs). In addition, the Directors considered that the Subscriptions were the preferred method of fund raising as compared with other equity fund raising exercises based on the time and costs involved.

For more details, please refer to the Company's announcements dated 9 May 2017 and 5 June 2017.

PROSPECTS

Looking forward, we expect the Group will gradually move back towards profitability in 2018. The Board will place greater emphasis on developing its LNG projects as well as the processing and sales of scrap metals business so as to bring more stable and substantial profit to the Group. Meanwhile, the Company will continue to explore the potential to both increase SIM card revenue from the overseas market with the added capacity, and to also increase profit through better and more efficient utilisation of the Group's assets and lowering of the operating costs of production. We are hopeful that the results of this segment will turn to profit again in the coming year. We believe, by applying the Company's funds in an appropriate manner and by utilizing the unique investment opportunities of the Company, we will bring stable revenues and profits for our shareholders. The Board believes the diversification and synthesis of our businesses will facilitate the long term development of the Group and enhance our shareholder value.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to extend our gratitude to all members of the Board and staff for their dedication and contribution to the Group throughout the year 2017. I would also like to express my heartfelt appreciation to our shareholders, business partners, investors and customers for their continuous support.

Lily WU
Chairman

Hong Kong, 20 March 2018

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's financial result was principally derived from the sales of petro-chemical products and the contract manufacturing and sales of smart cards.

Sales of petro-chemical products

During the Reporting Period, Shanghai Phoenitron continued to conduct petro-chemical products sales, however, due to the volatile and falling crude oil price (in particular, during the first half of 2017), the Group has adopted a conservative approach which includes delaying the execution of some contracts and avoid entering into some short-term, potentially loss-making contracts. As a result, revenue recorded during the reporting period amounted to approximately HK$334.7 million only, representing a decrease of approximately HK$1,976.8 million, or 85.5%, as compared to the corresponding period in 2016 of approximately HK$2,311.5 million.

Contract manufacturing and sales of smart cards

During the Reporting Period, revenue derived from contract manufacturing and sales of smart cards composed of the SIM cards manufacturing business only, as opposed to the revenue for corresponding period in last year which consisted of the revenue derived from both (i) the SIM card manufacturing business; and (ii) the module packaging and testing service business that had been disposed of by the end of 2016 (revenue for 2016: approximately HK$21.2 million).

During the Reporting Period, the Group's revenue generated from the SIM card manufacturing business amounted to approximately HK$46.1 million, down by approximately HK$17.4 million or 27.4% as compared to the corresponding period in 2016 of approximately HK$63.5 million.

Provision of financial and management consultancy services

No revenue was generated from the provision of financial and management consultancy services during the Reporting Period (2016: approximately HK$2.94 million) as no such income had been charged to Hota Group since the third quarter of 2016.

Cost of Sales ("COS") and Gross Profit

During the Reporting Period, the Group's COS comprised of the COS from each of the sales of petro-chemical products business segment and the contract manufacturing and sales of smart cards business segment.

Sales of petro-chemical products

During the Reporting Period, COS in relation to the sales of petro-chemical products amounted to approximately HK$334.2 million, representing a decrease of approximately HK$1,972.2 million, or 85.5%, as compared to the corresponding period in 2016 of approximately HK$2,306.4 million. Gross profit dropped from approximately HK$5.1 million for the corresponding period in 2016 to approximately HK$0.5 million due to the reduced sales and also the fluctuations in the international crude oil price that reduced the profit margin during the Reporting Period.

Contract manufacturing and sales of smart cards

Similar to the revenue situation, COS incurred for the contract manufacturing and sales of smart cards during the Reporting Period composed only of the SIM cards manufacturing business, as opposed to the COS for corresponding period in last year which consisted of the COS incurred in relation to (i) the SIM cards manufacturing business; and (ii) the module packaging and testing services business that had been disposed of by end of 2016 (COS and gross loss for 2016: approximately HK$31.3 million and approximately HK$10.1 million respectively).

During the Reporting Period, cost of sales incurred for the SIM card manufacturing business amounted to approximately HK$35.3 million, down by approximately HK$8.3 million or 19.0% as compared to the corresponding period in 2016 of approximately HK$43.6 million. The drop in COS was due primarily to drop in revenue as compared to the corresponding period in last year. As a result, gross profit generated from the SIM card manufacturing business segment amounted to approximately HK$10.8 million, representing a decrease of approximately HK$9.1 million, or 45.7%, as compared to the corresponding period in 2016 of approximately HK$19.9 million.

Due to the above-mentioned, gross profit of the Group dropped by approximately HK$6.5 million or 36.5%, from the corresponding period in 2016 of approximately HK$17.8 million, to approximately HK$11.3 million.

Other Income

Other income of approximately HK$0.2 million (2016: approximately HK$19.0 million) was mainly comprised of sundry income. The significant drop in other income during the Reporting Period was wholly attributable to the fact that the Group has ceased to accrue interest income chargeable to Hota Group since the third quarter of 2016 as the whole amount due by Hota Group has been fully impaired.

Other (Losses)/Gains, Net

During the Reporting Period, other losses amounted to approximately HK$0.5 million (2016: gains of approximately HK$10.2 million) which was attributable to the exchange losses arising from foreign currency-based transactions of approximately HK$0.8 million but partially offset by a gain on disposal of certain fixed assets in relation to the Shenzhen SIM card plant of approximately HK$0.3 million.

Selling and Distribution Costs

During the Reporting Period, selling and distribution costs amounted to approximately HK$4.1 million, representing a drop of approximately HK$3.4 million, or 45.3%, as compared to the corresponding period in 2016 of approximately HK$7.5 million. The decrease was mainly due to the decrease in expenses like transportation costs, freight charge and staff costs by a total of approximately HK$1.7 million that were attributable to the dropped in sales of each of the petro-chemical products segment and the overseas SIM card segment, and also partly due to the drop in various selling expenses of a total of about HK$1.7 million resulted from the disposal of Beijing module packaging and testing service plant by end of 2016 and the closure of the PRC SIM card plant.

Administrative Expenses

Administrative expenses recorded a decrease of approximately HK$10.1 million, or 28.4% during the Reporting Period, from approximately HK$35.6 million for the corresponding period in 2016, to approximately HK$25.5 million. The decrease was largely due to (i) the decline in various general administrative expenses of a total of approximately HK$9.0 million resulting from the closing of the Beijing SIM card plant since early 2016 and the disposal of Beijing module packaging and testing service plant by end of 2016; and (ii) the decreases in various administrative expenses of approximately HK$1.6 million that were attributable to the sales decline in the petro-chemical products segment.

Impairment Loss on Other Receivables and Prepayments

During the Reporting Period, an impairment loss on other receivables and prepayments of approximately HK$0.64 million in respect of certain other receivables and prepayment attributable to the sales of scrap metals business segment was recognised (2016: approximately HK$1.1 million).

Finance Costs

During the Reporting Period, the Group's finance costs amounted to approximately HK$0.79 million (2016: approximately HK$0.65 million). The increase was due to the average borrowings level (other than from banks) increased on year-on-year basis and that the interest rates charged on such borrowings were higher.

Income Tax Credit/(Expense)

During the period under review, a net income tax credit amounted to approximately HK$0.01 million was recognised (2016: income tax expense of approximately HK$0.88 million).

As a result of the foregoing, loss attributable to owners of the Company the Reporting Period amounted to approximately HK$19.8 million (2016: approximately HK$234.0 million).

LIQUIDITY AND FINANCIAL RESOURCES/CAPITAL STRUCTURE

During the year under review, the Group financed its business operations and investments with cash revenue generated from operating activities, proceeds from subscription of new shares, bank loans and other borrowings. As at 31 December 2017, the Group had cash and bank balances and pledged bank deposits of approximately HK$4.5 million (31 December 2016: approximately HK$4.2 million), secured bank loans and other borrowings of approximately HK$13.9 million (31 December 2016: approximately HK$12.5 million).

As at 31 December 2017, the Group had current assets of approximately HK$237.1 million (2016: approximately HK$129.2 million) and current liabilities of approximately HK$153.9 million (2016: approximately HK$49.6 million). The current ratio, expressed as current assets over current liabilities, was 1.5 (2016: 2.6).

Management Discussion and Analysis

EMPLOYEE INFORMATION

As at 31 December 2017, the Group employed a total of 164 employees (2016: 204 employees), of which 16 were located in Hong Kong and the rest were located in the PRC and Taiwan. Employee cost, including Directors' remuneration, was approximately HK$22.7 million (2016: approximately HK$31.5 million) for the year under review. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. In addition to basic salaries and participation in mandatory provident fund scheme, staff benefits include medical scheme and share options.

SIGNIFICANT INVESTMENTS

There was no other significant investments for the year ended 31 December 2017.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group made no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2017.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the "Chairman's Statement" sections, there were no future plans for material investments or capital assets.

CHARGE ON GROUP ASSETS

At 31 December 2017, bank deposits of approximately HK$2.2 million was pledged by a Company's subsidiary as collaterals to secure general banking facilities granted to the Group (2016: approximately HK$9.3 thousand).

GEARING RATIO

The gearing ratio of the Group, expressed as a percentage of total borrowings to total assets of the Group, was 5.6% as at 31 December 2017 (2016: 8.9%).

FINAL DIVIDEND

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

COMPETING INTERESTS

As at 31 December 2017, none of the Directors or the management shareholders or any of its respective associates (as defined under the GEM Listing Rules) of the Company had any interest in a business that competed or might compete with the business of the Group directly or indirectly.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

ANNUAL GENERAL MEETING

The annual general meeting (the "AGM") of the shareholders of the Company will be held at 10:00 a.m., on Wednesday, 9 May 2018, at Unit 302, 3rd Floor, Seapower Centre, 73 Lei Muk Road, Kwai Chung, New Territories, Hong Kong and the notice of AGM will be published and dispatched to the shareholders in the manner as required by the GEM Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlements to attend the AGM, the register of members of the Company will be closed from Friday, 4 May 2018 to Wednesday, 9 May 2018 (both dates inclusive) during which period no transfer of shares of the Company will be registered. In order to qualify for attending the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 3 May 2018.

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2017.

INTRODUCTION

The Board believes that good corporate governance practices are essential for effective management and enhancement of shareholder value and investor confidence. The Company has taken a proactive approach in strengthening corporate governance practices, increasing transparency and sustaining accountability to shareholders through effective internal controls, under the leadership of its experienced and committed Board.

The Company has applied the principles set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 to the GEM Listing Rules.

In the opinion of the Board, the Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 December 2017 with the exception of the code provision A.2.1 which requires that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Details relating to the foregoing deviation are summarised below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2017.

BOARD OF DIRECTORS

The Board is responsible for overseeing the management of the business and affairs of the Group with the overriding objective of enhancing share value. With delegating authorities from the Board, management of the Company is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

Code provision A.2.1. stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

Ms. Lily Wu ("Ms. Wu") serves as the Chairman of the Board since 1 April 2006. Mr. Anton Ho, the former Chief Executive Officer, resigned from the post with effect from 1 January 2009 and the position was left vacant since his resignation. After due and careful consideration by the Board, Ms. Wu was further appointed as the Chief Executive Officer on 23 March 2009. The reasons for not splitting the roles of chairman and chief executive officer are (i) the size of the Group is still relatively small and thus not justified in separating the roles of chairman and chief executive officer; and (ii) the Group has in place an internal control system to perform the check and balance function. Ms. Wu is primarily responsible for leadership of the Group and the Board, setting strategic direction, ensuring the effectiveness of management in execution of the strategy approved by the Board. Execution responsibilities lie with another executive Director and senior management of the Company.

The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company.

Board composition

Up to the date of this annual report, the Board comprises six Directors, including three executive Directors and three Independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors
Ms. Lily Wu *(Chairman and Chief Executive Officer)*
Mr. Chang Wei Wen
Mr. Yang Meng Hsiu

Independent non-executive Directors
Mr. Chan Siu Wing, Raymond
Mr. Leung Ka Kui, Johnny
Ms. Wong Ka Wai, Jeanne

Biographical details of Directors are set out on pages 20 to 21 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 to the significant issues of overall business planning, management and strategic development of the Group.

Board and general meetings

The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. During the year ended 31 December 2017, there were four board meetings and two general meetings held. The Directors can attend meetings in person or via telephone conference as permitted under the articles of association of the Company.

Details of individual attendance of all Directors at the board meetings and general meeting are as follows:

Name of Directors	Attendance of Board meetings	Attendance of general meeting
Executive Directors		
Ms. Lily Wu	4/4	2/2
Mr. Chang Wei Wen	4/4	2/2
Mr. Yang Meng Hsiu	4/4	2/2
Independent Non-executive Directors		
Mr. Chan Siu Wing, Raymond	4/4	0/2
Mr. Leung Ka Kui, Johnny	4/4	0/2
Ms. Wong Ka Wai, Jeanne	4/4	0/2

Information of material issues, due notice of meeting and minutes of each Directors' meeting have been sent to each of the Directors for their information, comment and review.

The Board is responsible to set strategic plans, formulates policies and provides effective oversight over the management on the operational affairs, and members of the Board are individually and collectively accountable to the shareholders of the Company. The management is responsible for the daily operations of the Group. For significant matters that are specifically delegated by the Board, the management must report back to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group.

Independent non-executive Directors

Each Director is required to keep abreast of his responsibilities as a director of the Company and of the Company's conduct, business activities and development. Given the essential unitary nature of the Board, independent non-executive Director has the same duties of care and skill and fiduciary duties as executive Directors. Independent non-executive Director brings a wide range of business and financial expertise, experience and independent judgment to the Board. Functions of independent non-executive Director include but should not be limited to the following:

i. participating in Board meetings to bring independent judgment;

ii. taking the lead where potential conflict of interests may arise;

iii. serving on the audit, nomination and remuneration committees if invited; and

iv. scrutinizing the Group's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

Pursuant to Rule 5.05 of the GEM Listing Rules, the Board has appointed three independent non-executive Directors, representing half of the Board and all of them have appropriate professional accounting qualifications or related experiences on financial management which is in compliance with Rule 5.05A and 5.05 of the GEM Listing Rules. Currently, there is no specific terms of service for each of the independent non-executive Directors and the appointment may continue thereafter unless and until terminated by either the Company or the independent non-executive Director by giving not less than one month's prior notice in writing and such appointment is subject at all times to the Articles of Association.

The Company strongly supports the principle of Board independence. Mr. Leung Ka Kui, Johnny, Mr. Chan Siu Wing, Raymond and Ms. Wong Ka Wai Jeanne have been serving the Board as independent non-executive Directors for more than nine years and have consistently demonstrated their willingness to exercise independent judgments and provide objective challenges to management. They have actively participated in board meetings and board committee meetings held during the year and have shown themselves able to give constructive and independent advice to the Board over significant issues. Therefore, the Board considers that all of them remain independent, notwithstanding the length of their tenure as independent non-executive Directors. The Board has assessed their independence and considers that all independent non-executive Directors are independent as required under the GEM Listing Rules. All independent non-executive Directors have also confirmed their independence pursuant to Rule 5.09 of the GEM Listing Rules by providing an annual confirmation of their independence.

Continuous Professional Development

Pursuant to Code Provision A.6.5, which has come into effect from 1 April 2012, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by attending training course or reading relevant materials on the topics related to corporate governance and regulations.

The individual training record of each Director received for the year ended 31 December 2017 is summarised below:

Name of Directors	Attending seminar(s)/ Programme(s)/ relevant materials in relation to the business or Directors' duties
Executive Directors	
Ms. Lily Wu	Yes
Mr. Chang Wei Wen	Yes
Mr. Yang Meng Hsiu	Yes
Independent non-executive Directors	
Mr. Chan Siu Wing, Raymond	Yes
Mr. Leung Ka Kui, Johnny	Yes
Ms. Wong Ka Wai, Jeanne	Yes

All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training or reading relevant materials in order to develop and refresh their knowledge and skills.

BOARD COMMITTEES

Audit committee

The audit committee currently comprises three independent non-executive Directors and is chaired by Ms. Wong Ka Wai, Jeanne. The rest of members are Mr. Leung Ka Kui, Johnny and Mr. Chan Siu Wing, Raymond. At the discretion of the audit committee, executive Directors and/or senior management personnel, overseeing the Group's finance and internal control functions, may be invited to attend meeting. The primary role and function of the audit committee are to review the Company's financial controls, internal control and risk management systems; to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; to review the Company's financial statements, annual reports, interim reports and quarterly reports, and to provide advice and comment thereon to the Board.

The audit committee held four meetings to review the quarterly, interim and annual results during the year ended 31 December 2017 as well as discussed and reviewed the Group's internal control and audit works with the auditor of the Group. Details of the attendance of the audit committee meetings are as follows:

Members	Attendance
Mr. Leung Ka Kui, Johnny	4/4
Ms. Wong Ka Wai, Jeanne	4/4
Mr. Chan Siu Wing, Raymond	4/4

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 December 2017 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

Nomination committee

The nomination committee comprises two executive Directors and three independent non-executive Directors and is chaired by Ms. Lily Wu. The rest of the members are Mr. Chan Siu Wing, Raymond, Mr. Leung Ka Kui, Johnny, Ms. Wong Ka Wai, Jeanne and Mr. Yang Meng Hsiu. The primary role and function of the nomination committee are to review and monitor the structure, size and composition of the Board at least once a year and make recommendations on any proposed changes to the Board to carry out the Company's corporate strategies; to assess the independence of independent non-executive Directors; and to make recommendations to the Board succession planning.

Diversity of the Board

The nomination committee is also responsible for the review of the Board's diversity policy, considering factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service of Board members, and review the measurable objectives that the Board has set for implementing the Board's diversity policy, and monitor the progress on achieving the measurable objectives.

The nomination committee held one meeting during the year ended 31 December 2017. Details of the attendance of the nomination committee meetings are as follows:

Members	Attendance
Ms. Lily Wu	1/1
Mr. Chan Siu Wing, Raymond	1/1
Mr. Leung Ka Kui, Johnny	1/1
Ms. Wong Ka Wai, Jeanne	1/1
Mr. Yang Meng Hsiu	1/1

Remuneration committee

The remuneration committee comprises two executive Directors and three independent non-executive Directors and is chaired by Mr. Leung Ka Kui, Johnny. The rest of the members are Mr. Chan Siu Wing, Raymond, Mr. Chang Wei Wen, Ms. Lily Wu and Ms. Wong Ka Wai, Jeanne. The primary role and function of the remuneration committee are to review and make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration; and to review and make recommendations to the Board the remuneration packages of all Directors and senior management.

The remuneration committee held one meeting during the year under review. Details of the attendance of the remuneration committee meetings are as follows:

Members	Attendance
Mr. Leung Ka Kui, Johnny	1/1
Mr. Chan Siu Wing, Raymond	1/1
Mr. Chang Wei Wen	1/1
Ms. Lily Wu	1/1
Ms. Wong Ka Wai, Jeanne	1/1

Compliance Officer

Ms. Lily Wu was appointed as the Compliance Officer of the Company on 28 December 2005. Details of her qualifications and experience are set out in the section headed “Profiles of Directors and Senior Management” on page 20 of this annual report.

Company Secretary

Mr. Lau Ka Chung is the Company Secretary of our Company. Details of his qualifications and experience are set out in the section headed “Profiles of Directors and Senior Management” on page 21 of this annual report.

Directors’ and auditor’s responsibilities for the consolidated financial statements

All Directors acknowledge their responsibility to prepare the Group’s consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2017, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements of the Group on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor’s Report on pages 29 to 32. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern.

AUDITORS’ REMUNERATION

During the year ended 31 December 2017, the fees paid/payable to the auditors of the Company in respect of audit and non-audit services provided by the auditors of the Company were as follows:

Nature of services	Amount HK$’000
Audit services	618
Non-audit services	120

INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges its responsibility for the effectiveness of the Group’s internal control and risk management systems. Such internal control and risk management systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board had conducted a review on the effectiveness of the Group’s internal control and risk management systems once during the year ended 31 December 2017 which covered financial, operational, compliance procedural and risk management functions and had considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company’s accounting and financial reporting function. In light of the size and scale of the Group’s businesses, the Board is also delegated with the responsibilities for the internal control of the Group and for reviewing its effectiveness. As such, the Group currently does not have an internal audit department. The Board will review and consider to establish such department as and when it thinks necessary.

The Group believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Group has therefore made continued efforts to uplift its quality of corporate governance. It has established a highly effective system of internal controls and adopted a series of measures to ensure its safety and effectiveness. As a result, the Group is able to safeguard its assets and protect the interests of its Shareholders.

Corporate Governance Report

The Board is of the view that the systems of internal control and risk management are effective and there are no irregularities, improprieties, fraud or other deficiencies that suggest material deficiency in the effectiveness of the Group's internal control system.

Principal risks and uncertainties

A number of factors may affect the results and business operations of the Group, major risks are summarised below.

Reliance on limited number of customers

The Group derived a significant portion of our revenue from a limited number of customers. For the year ended 31 December 2017, the five largest customers of the Group contributed 98.5% of total revenue to the Group. There is no assurance that these significant customers will continue their business relationship with the Group or that the revenue generated from the customers will increase or be maintained in the future. The Group will continue to expand the customer base to mitigate the risk.

Default Risks

The revenue generated from the wholesales of petro-chemical product is derived from a relatively small number of transaction with each transaction amount is significant. If there is any default in payment, it would have significant impact on the results and position of the Group. In this regards, the Group has adopted a conservative approach, that is, we will only conduct the wholesale business with customers who are large-scaled enterprises with good credit ratings (though the profit margin for transactions of this kind is usually lower), and to keep monitoring the payment status of each customer.

Handling and Dissemination of Inside Information

The Company has established and maintained the procedures and internal controls for the handling and dissemination inside information. The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. The Group has strictly prohibited unauthorised use of confidential or inside information or any use of such information for the advantage of himself or others. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and for the Board to decide on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the GEM Listing Rules will be announced on the respective websites of GEM and the Company in due course.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting

Pursuant to article 58 of the articles of association of the Company (the "Articles of Association"), the Directors of the Company, notwithstanding anything in its bye-laws shall, on the requisition of Shareholders of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene an extraordinary general meeting ("EGM") of the Company.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the Company Secretary at the Company's principal place of business in Hong Kong, and may consist of several documents in like form each signed by one or more requisitionists.

The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board of Directors to include the resolution in the agenda for the EGM.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists may themselves convene a meeting.

Enquiries put to the Board

The enquiries must be in writing with contact information of the requisitionists and deposited at the Company Secretary at the Company's principal place of business in Hong Kong.

Procedures for putting forward proposals at shareholders' meetings

Pursuant to article 59(1) of the Articles of Association, in order to put forward proposals at an annual general meeting ("AGM"), or EGM, the Shareholders should submit a written notice of those proposals with the detail contact information to the Company Secretary at the Company's principal place of business in Hong Kong. The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

The notice period to be given to all the Shareholders for consideration of the proposal raised by the Shareholders concerned at AGM or EGM varies according to the nature of the proposal, as follows:

- At least 21 clear days' notice in writing if the proposal constitutes a special resolution of the Company in AGM or EGM
- At least 14 clear days' notice in writing for all other EGMs

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include (i) the publication of quarterly, interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the websites of GEM and the Company; (iv) the Company's website offering communication channel between the Company and its shareholders and investors; and (v) the Company's share registrars in Hong Kong serving the shareholders in respect of all share registration matters.

The Company aims to provide its shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear, detailed, timely manner and on a regular basis information of the Group to shareholders through the publication of quarterly, interim and annual reports and/or dispatching circulars, notices, and other announcements.

Significant Changes in Constitutional Documents

There were no significant changes in the constitutional documents of the Company for the year ended 31 December 2017.

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Lily WU, aged 55, is an executive Director and the Chairman of the Company. She was appointed as Director of the Company in June 2005. Ms. Wu has 31 years of experience in the technology sector investment research and industry analysis. She is currently an independent investment analyst on technology companies for private equity firms, and has previously worked as a director in equity research for Salomon Smith Barney, and as a vice president in equity research for Bankers Trust. Ms. Wu earned a Bachelor of Science degree with Honors in Engineering from the California Institute of Technology.

CHANG Wei Wen, aged 41, is an executive Director. He was appointed as a non-executive Director of the Company in May 2006 and was re-designated as an executive Director of the Company in December 2006 when he assumed key management and operating responsibilities for the Group. He formerly worked as an assistant to directors of a Taiwan company, which is principally engaged in international trade and wholesale of information software and electronic materials. Mr. Chang obtained a Bachelor of Organization Management degree from Patten University.

YANG Meng Hsiu, aged 41, is an executive Director. He was appointed as Director of the Company in March 2011. Mr. Yang graduated from The Leader University of Taiwan (currently known as The University of Kang Ning) with a bachelor degree in leisure management. Mr. Yang had more than 12 years of experience in product planning and brand name marketing business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEUNG Ka Kui, Johnny, aged 61, is an independent non-executive Director. He is the chairman of the remuneration committee and one of the members of the audit committee and the nomination committee of the Company. Mr. Leung is a qualified solicitor in Hong Kong, the United Kingdom and Singapore. He has over 33 years of experience in the legal field. Currently, he is the managing partner of Messrs. Johnny K. K. Leung & Co, a law firm in Hong Kong. Mr. Leung is currently an independent non-executive director of each of Celestial Asia Securities Holdings Limited and Ban Loong Holdings Limited, companies whose shares are listed on the Main Board of the Stock Exchange. Mr. Leung was formerly an independent non-executive director of Aeso Holding Limited, a company whose shares are listed on GEM of the Stock Exchange and has resigned on 8 June 2017. Mr. Leung holds a Bachelor of Laws from the University of London, United Kingdom. Mr. Leung joined the Company in September 2001.

WONG Ka Wai, Jeanne, aged 53, is an independent non-executive Director. She is the chairman of the audit committee and one of the members of the remuneration committee and the nomination committee of the Company. Ms. Wong has over 30 years of experience in finance, accounting, taxation and corporate affairs. Ms. Wong is a member of the Chartered Accountants Australia and New Zealand, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong and a member of the Society of Trust and Estate Practitioners. She holds a Bachelor Degree in Economics from the University of Sydney, Australia. Ms. Wong is currently the Managing Director of Wellex Consultancy Limited as well as the Chief Financial Officer and Consultant of a local law firm and CPA firm. Ms. Wong is also an independent non-executive director of Hua Xia Healthcare Holdings Limited, a company whose shares are listed on GEM of the Stock Exchange. Ms. Wong joined the Company in September 2001.

CHAN Siu Wing, Raymond, aged 53, is an independent non-executive Director. He is one of the members of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Chan has over 27 years of experience in the field of accounting, taxation, finance and trust. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a founding member of the Macau Society of Certified Practising Accountants. Mr. Chan holds a Bachelor of Economics degree from the University of Sydney. Mr. Chan holds the position of independent non-executive director of each of Nature Home Holding Company Limited, Hong Kong Finance Group Limited and Quali-Smart Holdings Limited, companies whose shares are listed on the Main Board of the Stock Exchange. Mr. Chan was formerly an independent non-executive director of each of China Kingstone Mining Holdings Limited and National Agricultural Holdings Limited, companies whose shares are listed on the Main Board of the Stock Exchange and has resigned on 23 December 2015 and on 31 March 2016 respectively. Mr. Chan joined the Company in February 2007.

SENIOR MANAGEMENT

LAU Ka Chung, aged 45, is the financial controller and the Company Secretary of the Group. Mr. Lau has over 21 years of experience in auditing, accounting & finance, taxation and corporate compliance. Mr. Lau holds a Master degree in Corporate Governance from the Hong Kong Polytechnic University and a Bachelor Degree in Business Administration (majoring in Finance) from the Hong Kong University of Science and Technology. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, as well as a fellow member of The Hong Kong Institute of Chartered Secretaries in Hong Kong. Mr. Lau joined the Group in May 2003.

Directors' Report

The Directors have pleasure in submitting the annual report of the Company together with its audited consolidated financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. Details of the principal activities of its subsidiaries are set out in note 35 to the consolidated financial statements.

The revenue of the Group is derived principally from the contract manufacturing and sales of smart cards and sales of petro-chemical products.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 33.

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

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 33 to the consolidated financial statements respectively.

DIRECTORS

The Directors who held office during the financial year and up to the date of this report were:

Executive Directors

Lily Wu *(Chairman and Chief Executive Officer)*
Chang Wei Wen
Yang Meng Hsiu
Wang Jia Hua *(ceased on 4 January 2017)*

Independent non-executive Directors

Chan Siu Wing, Raymond
Leung Ka Kui, Johnny
Wong Ka Wai, Jeanne

In accordance with Article 87(1) of the Articles of Association, Mr. Chan Siu Wing, Raymond and Mr. Leung Ka Kui, Johnny retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 18 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance (as defined in rule 18.25 of the GEM Listing Rules) 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.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movement in the Company's authorised and issued share capital and share option scheme during the year are set out in notes 31 and 32 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's reserve available for distribution represents the contributed surplus, share premium, other reserves and accumulated losses. At the balance sheet date, the Company had no reserves available for distribution.

DIRECTORS' INTERESTS AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL AND OPTIONS

As at 31 December 2017, the interests or short position of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rules 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Nature of interest	Long/short position	Number of shares of the Company	Number of Underlying shares of the Company	Approximate percentage of interest in the Company's issued share capital
Lily Wu *(Note)*	Beneficial owner	Long	100,000	500,000	0.13
Chang Wei Wen	Beneficial owner	Long	525,000	–	0.12
Yang Meng Hsiu	Beneficial owner	Long	4,300,000	–	0.95

Note:

1. These include 500,000 Share Options conferring rights to subscribe for 500,000 Shares.

Save as disclosed above, as at 31 December 2017, none of the Directors and chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rules 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, the following persons/companies had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying voting rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Name of shareholders	Type of interests	Long/short position	Number of shares of the Company	Approximate percentage of Interests
Golden Dice Co., Ltd *(Note 1)*	Beneficial	Long	51,927,512	11.51
Best Heaven Limited *(Note 1)*	Beneficial	Long	31,586,500	7.00
Mr. Tsai Chi Yuan *(Note 1)*	Interests in controlled company	Long	83,514,012	18.51

Note:

1. Mr. Tsai Chi Yuan is deemed to be a substantial shareholder of the Company by virtue of his 100% beneficial interest in Golden Dice Co., Ltd and Best Heaven Limited.

Save as disclosed above, as at 31 December 2017, the Directors are not aware of any other persons or corporation (other than the Directors and chief executive of the Company) having an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, significant related party transactions entered into by the Group are disclosed in note 37 to the consolidated financial statements. Transactions constituted continuing connected transaction under the GEM Listing Rules is identified below:

(a) On 8 January 2015, Shanghai Phoenitron, a non-wholly owned subsidiary of the Company, entered into the deposit agreement (the "Deposit Agreement") (as supplemented by the Supplemental Agreement dated 4 May 2016) with Shanghai Jianzhou Petroleum & Chemical Company Limited ("Shanghai Jianzhou"), pursuant to which Shanghai Jianzhou agreed to act as the Shanghai Phoenitron's local industry reference in Shanghai to provide comfort to the Shanghai Phoenitron's suppliers to extend local market credit limit and credit terms despite that Shanghai Phoenitron was a newly established entity in 2014 with less than one year operating history. Under the terms of the Deposit Agreement, Shanghai Phoenitron may make a security deposit (the "Security Payment") to Shanghai Jianzhou in a sum of not more than RMB85,000,000 at its sole discretion based on its business needs from time to time, and due to this Deposit Agreement, Shanghai Phoenitron's suppliers offered credit limit of not less than 200% of the security deposit as well as provided a credit term of not less than 30 days from the date of receipt of the products by Shanghai Phoenitron. During the year ended 31 December 2015, Shanghai Phoenitron had deposited Security Payment of approximately RMB81,320,000 (equivalent to HK$96,809,524) to Shanghai Jianzhou during its ordinary course of business. In mid-March 2016, all the Security Payment has been withdrawn by Shanghai Phoenitron and no Security Payment is deposited with Shanghai Jianzhou thereafter and up to the date of this annual report.

(b) In 2014, Shanghai Phoenitron entered into two purchase contracts with Shanghai Jianzhou in relation to the purchase of fuel oil from Shanghai Jianzhou for an aggregated contract sum of approximately RMB41,384,615 (equivalent to approximately HK$52,281,427).

    In 2016, Shanghai Phoenitron and its wholly owned subsidiary, Shanghai Renzhong, entered into sale contracts with Shanghai Jianzhou respectively in relation to the sales of diesel oil and mixed aromatics to Shanghai Jianzhou for an aggregated contract sum of approximately RMB64,285,128 (equivalent to approximately HK$76,348,132 using the respective monthly exchange rate RMB0.842 to HK$1.00 or equivalent to approximately HK$76,613,487 using the yearly average rate).

(c) Shanghai Renzhong has also entered into various purchase contracts with Shanghai Jianzhou in relation to the purchase of diesel oil from Shanghai Jianzhou during the year ended 31 December 2016 for an aggregated contract sum of approximately RMB722,436 (equivalent to approximately HK$858,533). Such transaction will constitute de minimus continuing connected transactions and were fully exempted pursuant to Rule 20.74 of the GEM Listing Rules given that all the percentage ratios (other than the profits ratio) are less than 1% and the transaction is connected transaction only because it involves connected person(s) at the subsidiary level.

(d) In August 2017, Shanghai Renzhong has entered into a sale contract with Shanghai Jianzhou in relation to the sale of diesel oil to Shanghai Jianzhou for a contract sum of RMB1,443,000 (equivalent to approximately HK$1,434,109). However, since Mr. Zhang Zixiang, who is the beneficial shareholder of Shanghai Jianzhou, has resigned as a director of Shanghai Phoenitron on 15 March 2016. Shanghai Jianzhou is not considered as a connected person at the time of entering into of the sale contract. Besides, the transaction would have constituted a de minimus continuing connected transaction even had Shanghai Jianzhou been regarded as a connected person and would have been fully exempted pursuant to Rule 20.74 of the GEM Listing Rules given that all the percentage ratios (other than the profits ratio) are less than 5% and the total consideration is less than HK$3,000,000.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of businesses of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Grant Thornton Hong Kong Limited, the Company's auditor, has been appointed to report on the Group's continuing connected transactions for the year ended 31 December 2016 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. Grant Thornton Hong Kong Limited has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

SENIOR MANAGEMENT

The Group regards the executive Directors, independent non-executive Directors and financial controller of the Company as members of the senior management team.

The emoluments paid or payable to members of senior management were within the following brands:

	Number of individuals	
	2017	2016
Emolument bands		
Nil – HK$1,000,000	6	7
HK$1,000,001 – HK$1,500,000	1	1

The biographies of members of the senior management team at the date of this annual report are disclosed in the section headed "Profiles of Directors and Senior Management" in this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report of the Company prepared in accordance with Appendix 20 to the GEM Listing Rules will be published within three months after the publication of the annual report of the Company.

EVENTS AFTER THE REPORTING PERIOD

The events after the reporting period of the Group are set out in note 43 to the consolidated financial statements of this annual report.

EQUITY LINKED AGREEMENTS

Save as disclosed in the sections headed "Chairman's Statement" and "Share Option Scheme", no equity-linked agreements were entered into by the Company at any time during the year ended 31 December 2017 or subsisted at the end of the year.

Compliance with Relevant Laws and Regulations

The Group recognises the importance of compliance with legal and regulatory requirements and the risk of non-compliance with such requirements. The Group conducts on-going reviews of newly enacted/revised laws and regulations affecting its operations. The Company is not aware of any non-compliance in any material respect with the relevant laws and regulations that have a significant impact on the business and operation of the Group for the year ended 31 December 2017.

Relationship with Employees, Suppliers, Customers and Other Stakeholders

The Group understands that the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

MAJOR CUSTOMERS AND SUPPLIERS

Information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

Sales

– the largest customer	64.6%
– five largest customers in aggregate	98.5%

Purchases

– the largest supplier	89.7%
– five largest suppliers in aggregate	98.0%

At no time during the year have the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in the Group's five largest suppliers or customers during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association, or the laws and regulations of the Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

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

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 100 of the annual report.

INDEPENDENT AUDITOR

Grant Thornton Hong Kong Limited was appointed as auditor of the Company on 18 January 2017 to fill the casual vacancy following the resignation of BDO Limited on 25 November 2016.

The consolidated financial statements of the Company for the Reporting Period have been audited by Grant Thornton Hong Kong Limited. A resolution to re-appoint Grant Thornton Hong Kong Limited as auditor of the Company will be proposed at the forthcoming AGM.

Save as disclosed above, there has been no change in auditor of the Company in any of the preceding three years.

For and on behalf of the Board
Lily Wu
Chairman

Hong Kong, 20 March 2018

Grant Thornton
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To the members of Phoenitron Holdings Limited
(incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Phoenitron Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 33 to 99, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Prior year's audit scope limitation affecting comparative figures

As disclosed in notes 21 and 24, respectively, to the consolidated financial statements, the Group has reclassified cumulative fair value loss on the preferred shares of Hota (USA) Holding Corp. ("Hota (USA)") from the equity to profit or loss of HK$11,739,442 and made impairment provision of HK$223,020,200 for the amount due from the joint venture during the year ended 31 December 2016. As detailed in our auditor's report dated 22 March 2017, we were unable to obtain sufficient appropriate audit evidence in relation to the impairment assessment of the Group's interest in and the amount due from a joint venture and the preferred shares of Hota (USA) as at 1 January 2016 and we were unable to determine whether any adjustments as to its impairment loss as mentioned above recognised during the year ended 31 December 2016 were necessary, which may have significant impact on the Group's financial position as at 1 January 2016 and on the Group's financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2016. Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2016 was modified accordingly.

Our audit opinion on the consolidated financial statements for the year ended 31 December 2017 is also modified because of the possible effects of the abovementioned matter on the comparability of the corresponding figures in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows.

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 qualified opinion.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2017 annual report of the Company, 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. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence in relation to the impairment assessment of the Group's interest in and the amount due from a joint venture and the preferred shares of Hota (USA) as at 1 January 2016 and we were unable to determine whether any adjustments as to its impairment loss as mentioned above recognised during the year ended 31 December 2016 were necessary. Accordingly, we were unable to conclude whether or not the other information is materially misstated with respect to this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matter described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables *Refer to notes 2.7 (summary of significant accounting policies), 4(i) (critical accounting estimates and judgments) and 23 to the consolidated financial statements* The impairment of trade receivables is estimated by the management through the application of judgment and use of subjective assumptions in assessing the recoverability of trade receivables. In determining the allowance for trade receivables, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and ageing analysis of the trade receivables. As at 31 December 2017, the Group had trade receivables amounting to HK$111,988,394. Due to the significance of trade receivables (representing 45.3% of total assets) and the corresponding uncertainty inherent in such an estimate, we considered this as a key audit matter.	Our procedures in relation to impairment assessment of trade receivables included the following: – Obtaining an understanding of the Group's procedures on credit limits and credit periods given to customers; – Assessing the factors considered by the management for determining whether an impairment event had occurred and thus impairment provision is required which includes: – Re-computing and testing the ageing analysis of the trade receivables, on a sample basis, to the source documents; – Checking subsequent settlement of trade receivables and assessed the adequacy of the impairment provision against the remaining outstanding trade receivables; – Evaluating management's judgments on the recoverability of trade receivables, taking into account specific customer circumstances with reference to the credit history including default or delay in payments, settlement records and the financial condition of each individual customer. We found the management's judgments and assumptions used in the impairment assessment of trade receivables were supported by the available evidence.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities 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. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

- 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 the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, 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.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

20 March 2018

Lee Lai Lan, Joyce
Practising Certificate No.: P06409

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 HK$	2016 HK$
Revenue	6	**380,960,322**	2,399,113,013
Cost of sales		**(369,634,249)**	(2,381,299,603)
Gross profit		**11,326,073**	17,813,410
Other income	7	**235,382**	19,049,036
Other (losses)/gains, net	8	**(485,489)**	10,231,328
Selling and distribution costs		**(4,064,191)**	(7,487,860)
Administrative expenses		**(25,537,837)**	(35,567,985)
Impairment loss on available-for-sale financial assets	21	**–**	(11,739,442)
Impairment loss on amount due from a joint venture	24	**–**	(223,020,200)
Impairment loss on amount due from non-controlling interests		**–**	(500,000)
Impairment loss on other receivables and prepayments		**(641,026)**	(1,095,000)
Finance costs	9	**(786,638)**	(647,613)
Loss before income tax	10	**(19,953,726)**	(232,964,326)
Income tax credit/(expense)	11	**11,163**	(880,361)
Loss for the year		**(19,942,563)**	(233,844,687)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain/(loss) on translation of financial statements of foreign operations		**7,770,938**	(6,615,324)
Release of translation reserve on disposal of subsidiaries	29	**–**	(1,636,158)
Reclassification adjustment of available-for-sale financial assets revaluation reserve upon impairment	21	**–**	11,739,442
Other comprehensive income for the year		**7,770,938**	3,487,960
Total comprehensive loss for the year		**(12,171,625)**	(230,356,727)
(Loss)/Profit for the year attributable to:			
Owners of the Company		**(19,770,206)**	(234,001,534)
Non-controlling interests		**(172,357)**	156,847
		(19,942,563)	(233,844,687)
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(13,795,403)**	(228,946,329)
Non-controlling interests		**1,623,778**	(1,410,398)
		(12,171,625)	(230,356,727)
		HK cents	HK cents
Loss per share	13		
– Basic		**(4.713)**	(62.181)
– Diluted		**(4.713)**	(62.181)

The notes on pages 38 to 99 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK$	2016 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	18	9,804,732	8,408,272
Intangible asset	19	420,000	420,000
Prepayments for acquisition of property, plant and equipment		–	2,121,143
Interests in associates	20	–	–
Long-term financial assets	21	–	–
		10,224,732	10,949,415
Current assets			
Inventories	22	1,551,977	186,768
Trade and other receivables	23	230,048,287	123,654,580
Amount due from a joint venture	24	–	–
Tax recoverable		965,896	1,188,401
Pledged bank deposits	25	2,212,324	9,295
Cash and cash equivalents	26	2,283,931	4,199,398
		237,062,415	129,238,442
Current liabilities			
Trade and other payables	27	139,947,030	37,121,793
Borrowings	28	13,923,034	12,452,356
		153,870,064	49,574,149
Net current assets		83,192,351	79,664,293
Total assets less current liabilities		93,417,083	90,613,708
Non-current liabilities			
Deferred tax liabilities	30	4,707	4,707
Net assets		93,412,376	90,609,001
EQUITY			
Share capital	31	90,258,500	75,258,500
Reserves	33	(22,516,275)	(8,695,872)
Equity attributable to owners of the Company		67,742,225	66,562,628
Non-controlling interests	36	25,670,151	24,046,373
Total equity		93,412,376	90,609,001

Lily Wu
Director

Chang Wei Wen
Director

The notes on pages 38 to 99 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company										
	Share capital HK$	Share premium* HK$	Contributed surplus* HK$	Share option reserve* HK$	Other reserves* HK$	Translation reserve* HK$	Available-for-sale financial assets revaluation reserve* HK$	Accumulated losses* HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
Balance at 1 January 2016	75,283,900	363,524,409	13,985,669	1,360,008	7	8,834,474	(11,739,442)	(155,557,975)	295,691,050	25,456,771	321,147,821
Repurchase of shares *(note 31(a))*	(25,400)	(156,693)	–	–	–	–	–	–	(182,093)	–	(182,093)
Transactions with owners	(25,400)	(156,693)	–	–	–	–	–	–	(182,093)	–	(182,093)
(Loss)/Profit for the year	–	–	–	–	–	–	–	(234,001,534)	(234,001,534)	156,847	(233,844,687)
Other comprehensive (loss)/income											
– Translation of financial statements of foreign operations	–	–	–	–	–	(5,048,079)	–	–	(5,048,079)	(1,567,245)	(6,615,324)
– Release of translation reserve on disposal of subsidiaries *(note 29)*	–	–	–	–	–	(1,636,158)	–	–	(1,636,158)	–	(1,636,158)
– Reclassification adjustment of available-for-sale financial assets revaluation reserve upon impairment	–	–	–	–	–	–	11,739,442	–	11,739,442	–	11,739,442
Total comprehensive (loss)/income for the year	–	–	–	–	–	(6,684,237)	11,739,442	(234,001,534)	(228,946,329)	(1,410,398)	(230,356,727)
Balance at 31 December 2016 and 1 January 2017	75,258,500	363,367,716	13,985,669	1,360,008	7	2,150,237	–	(389,559,509)	66,562,628	24,046,373	90,609,001
Issue of shares upon shares subscription *(note 31(c))*	15,000,000	(25,000)	–	–	–	–	–	–	14,975,000	–	14,975,000
Transactions with owners	15,000,000	(25,000)	–	–	–	–	–	–	14,975,000	–	14,975,000
Loss for the year	–	–	–	–	–	–	–	(19,770,206)	(19,770,206)	(172,357)	(19,942,563)
Other comprehensive income											
– Translation of financial statements of foreign operations	–	–	–	–	–	5,974,803	–	–	5,974,803	1,796,135	7,770,938
Total comprehensive income/(loss) for the year	–	–	–	–	–	5,974,803	–	(19,770,206)	(13,795,403)	1,623,778	(12,171,625)
Balance at 31 December 2017	90,258,500	363,342,716	13,985,669	1,360,008	7	8,125,040	–	(409,329,715)	67,742,225	25,670,151	93,412,376

* The total of these accounts as at the reporting date represents "Reserves" of HK$22,516,275 (2016: HK$8,695,872) in deficit in the consolidated statement of financial position.

The notes on pages 38 to 99 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 HK$	2016 HK$
Cash flows from operating activities			
Loss before income tax		**(19,953,726)**	(232,964,326)
Adjustments for:			
Bad debts written off		**393,634**	3,241,722
Depreciation		**3,492,309**	13,759,749
Finance costs		**786,638**	647,613
Gain on disposal of subsidiaries	*29*	**–**	(8,389,411)
Gain on disposal of property, plant and equipment		**(345,175)**	(2,241,729)
Written-off of property, plant and equipment		**185,831**	584,567
Interest income		**(1,931)**	(18,008,833)
Impairment loss on amount due from a joint venture		**–**	223,020,200
Impairment loss on amount due from non-controlling interests		**–**	500,000
Impairment loss on available-for-sale financial assets		**–**	11,739,442
Impairment loss on other receivables and prepayments		**641,026**	1,095,000
Operating loss before working capital changes		**(14,801,394)**	(7,016,006)
(Increase)/Decrease in inventories		**(1,364,170)**	8,420,585
Increase in trade and other receivables		**(97,364,622)**	(97,882,909)
Increase in trade and other payables		**101,161,239**	4,357,457
Cash used in operations		**(12,368,947)**	(92,120,873)
Interest paid		**(755,072)**	(511,128)
Income tax refund/(paid)		**255,036**	(1,961,967)
Net cash used in operating activities		**(12,868,983)**	(94,593,968)
Cash flows from investing activities			
Interest received		**1,931**	16,497
Increase in amount due from a joint venture		**–**	(4,004,346)
Decrease in amount due from a related company		**–**	97,047,619
(Increase)/Decrease in pledged bank deposits		**(2,203,029)**	3,668,483
Net cash outflow arising from disposal of subsidiaries	*29*	**–**	(1,433,966)
Proceeds on disposal of property, plant and equipment		**345,175**	4,563,815
Purchase of property, plant and equipment		**(3,452,632)**	(2,099,313)
Prepayments for acquisition of property, plant and equipment		**–**	(2,170,758)
Net cash (used in)/from investing activities		**(5,308,555)**	95,588,031

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 HK$	2016 HK$
Cash flows from financing activities			
Proceeds from new bank loans		31,504,525	28,870,053
Repayments of bank loans		(29,525,175)	(44,669,061)
Proceeds from shareholders' loans		3,865,184	19,190,031
Repayments of shareholders' loans		(2,795,984)	(16,700,000)
Proceeds from other loans		6,146,785	2,200,000
Repayments of other loans		(1,495,587)	(1,700,000)
Proceeds from share issued	*31(c)*	8,380,000	–
Share issue costs	*31(c)*	(25,000)	–
Repurchase of shares	*31(a)*	–	(182,093)
Net cash from/(used in) financing activities		16,054,748	(12,991,070)
Net decrease in cash and cash equivalents		(2,122,790)	(11,997,007)
Cash and cash equivalents at 1 January		4,199,398	16,510,763
Effect of foreign exchange rate changes		207,323	(314,358)
Cash and cash equivalents at 31 December		2,283,931	4,199,398

The notes on pages 38 to 99 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1. GENERAL INFORMATION

Phoenitron Holdings Limited (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company is located at Unit 302, Seapower Centre, 73 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

The principal activities of the Company and its subsidiaries (the "Group") are the manufacturing and sales of smart cards, the provision of customised smart card application systems, the provision of financial and management consultancy services, trading of scrap metals and sales of petro-chemical products.

The consolidated financial statements for the year ended 31 December 2017 were approved for issue by the board of directors on 20 March 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements on pages 33 to 99 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collectively includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial assets which are measured at fair values. The measurement bases are fully described in the accounting policies below.

In preparing the consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group in light of its net loss of HK$19,942,563 incurred during the year ended 31 December 2017 and, as of that date, the Group's cash and cash equivalents amounted to HK$2,283,931. These indicate a condition which may cast significant doubt about the Group's ability to continue as a going concern. The directors of the Company had made an assessment and concluded the Group is able to continue as a going concern and will have sufficient financial resources to support its current operations and to meet its financial obligations as and when they fall due for at least the next twelve months from the end of the reporting period, having regard to (i) the Group's current and forecasted cash position; (ii) the existing and available banking facilities; and (iii) the Company's substantial shareholder, Mr. Tsai Chi Yuan, has confirmed to provide continuing financial support to the Group in the next twelve months from 1 January 2018 to enable it to meet its liabilities when they fall due. Consequently, the consolidated financial statements have been prepared on a going concern basis.

It should be noted that accounting estimates and assumptions are used in the preparation of these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group 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. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

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 and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to retained earnings).

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates and joint ventures

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions relating about relevant activities require the unanimous consent of the parties sharing control.

In consolidated financial statements, an investment in an associate or a joint venture is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the associate or joint venture is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate or joint venture's net assets less any identified impairment loss. The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the associate or joint venture for the year, including any impairment loss on the investment in associate or joint venture recognised for the year. The Group's other comprehensive income for the year includes its share of the associate or joint venture's other comprehensive income for the year.

Unrealised gains on transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the associate or joint venture. Where unrealised losses on assets sales between the Group and its associate or joint venture are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate or joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate or joint venture's accounting policies to those of the Group when the associate or joint venture's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. For this purpose, the Group's interest in the associate or joint venture is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or joint venture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates and joint ventures (Continued)

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates or joint venture. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate or joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs of disposal) of the associate or joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including cash flows arising from the operations of the associate or joint venture and the proceeds on ultimate disposal of the investment.

In the Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses.

2.4 Foreign currencies

The financial statements are presented in Hong Kong Dollar ("HK$"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the reporting date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

On the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a joint venture that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation on property, plant and equipment is provided to write off the costs less their residual values over their estimated useful lives, using the straight-line method, at the rate of 20% per annum.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

2.6 Intangible assets

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use.

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets, with finite and indefinite useful lives, are tested for impairment as described below in note 2.17.

2.7 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries, associates and joint ventures are set out below.

Financial assets are classified into the following categories:

– loans and receivables

– financial assets at fair value through profit or loss

– available-for-sale financial assets

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Financial assets (Continued)

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting period, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 2.15 to these consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Financial assets (Continued)

(iii) Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the available-for-sale financial assets revaluation reserve in equity, except for impairment losses (see policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting period subsequent to initial recognition.

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

– the disappearance of an active market for that financial asset because of financial difficulties; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Financial assets (Continued)

Impairment of financial assets (Continued)

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) *Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

(ii) *Available-for-sale financial assets carried at fair value*

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale and stated at fair value are not recognised in the profit or loss. The subsequent increase in fair value is recognised in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

(iii) *Financial assets carried at cost*

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of the impairment losses is recognised in profit or loss of the period in which the impairment occurs and not reversed in subsequent periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Financial assets (Continued)

Impairment of financial assets (Continued)

Impairment losses on financial assets other than trade and other receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade and other receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade and other receivables is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2.8 Derivative financial instruments

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial assets or financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

2.9 Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. Cost is determined using the weighted average basis, and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. It excludes borrowing costs.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial liabilities

The Group's financial liabilities include borrowings and trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 2.20).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit and loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

2.13 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each reporting period and adjusted to reflect the current best estimate.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2.15 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Service income from providing financial and management consultancy and handling fee income are recognised when the relevant services are rendered.

Interest income is recognised on an accrual basis using the effective interest method.

2.16 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants relating to income is presented in gross under "Other income" in the consolidated statement of profit or loss and other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Impairment of non-financial assets

Intangible assets with indefinite useful lives are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. Property, plant and equipment, prepayments for acquisition of property, plant and equipment, interests in subsidiaries, associates and joint ventures are subject to impairment testing whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses is charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute specified percentage of its payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profit.

2.20 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Accounting for income taxes (Continued)

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.22 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision marker i.e. executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

In respect of geographical information, revenue is based on shipment destination instructed by customers and non-current assets are where the assets are located.

2.23 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(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 key management personnel of the Group or of a parent of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Related parties (Continued)

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

(i) the entity and the Group are members of the same group.

(ii) one entity is an associate or joint arrangement 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) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint arrangement of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

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

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

3. ADOPTION OF NEW AND AMENDED HKFRSs

(a) New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2017

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2017:

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle	*Disclosure of Interests in Other Entities*

Other than as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

(a) New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2017 (Continued)

Amendments to HKAS 7 "Disclosure Initiative"

The amendments require an entity to provide disclosure that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. A reconciliation between the opening and closing balances of liabilities arising from financing activities is set out in note 41. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 41, the application of these amendments has had no impact on the Group's consolidated financial statements.

(b) Issued but not effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*[1]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2014-2016 Cycle*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*[2]
HK(IFRIC) – Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC) – Int 23	*Uncertainty over Income Tax Treatments*[2]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2019.

3 Effective for annual periods beginning on or after 1 January 2021.

4 Effective date not yet determined.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's financial statements.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

(b) Issued but not effective HKFRSs (Continued)

HKFRS 9 "Financial Instruments"

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for the impairment of financial assets.

HKFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

The directors have identified the following areas that are expected to be most impacted by the application of HKFRS 9:

- the impairment of financial assets applying the expected credit loss model. This will apply to the Group's trade receivables (note 23). For contract assets arising from HKFRS 15 and trade receivables, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing components.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 and the related clarification to HKFRS 15 (hereinafter referred to as "HKFRS 15") presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. HKFRS 15 establishes a single comprehensive model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 2.15. Currently, revenue arising from provision of services is recognised over time, whereas revenue from sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

(b) Issued but not effective HKFRSs (Continued)

HKFRS 15 "Revenue from Contracts with Customers" (Continued)

(a) Timing of revenue recognition (Continued)

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognise revenue from sale of goods and service income.

(b) Sales with a right of return

Currently when the customers are allowed to return the Group's products, the Group estimates the level of expected returns and makes an adjustment against revenue and cost of sales.

The Group has assessed that the adoption of HKFRS 15 will not materially affect how the Group recognise revenue and cost of sales when the customers have a right of return.

However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

The directors do not consider that the application of HKFRS 15 will likely to have significant financial impact on the Group's financial performance and financial position for the current and prior periods. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial results from 2018 onwards.

HKFRS 16 "Leases"

HKFRS 16 "Leases" will replace HKAS 17 and three related Interpretations.

As disclosed in note 2.12, currently the Group classifies leases into operating leases with no finance leases and accounts for the lease arrangements accordingly. The Group enters into leases as the lessee and no lease as the lessor.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

(b) Issued but not effective HKFRSs (Continued)

HKFRS 16 "Leases" (Continued)

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases of land and buildings which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 39, as at 31 December 2017, the Group's future minimum lease payments under non-cancellable operating leases amount to HK$2,969,504 and are payable between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt HKFRS 16 retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Allowance for bad and doubtful debts

The provision policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the accounts receivables (note 23). A considerable amount of estimates and judgment are required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers or debtors were to deteriorate resulting in an impairment of their ability to make payments, additional allowance will be required. As at 31 December 2017, the carrying amount of trade receivables is HK$111,988,394 (2016: HK$97,108,376)

(ii) Allowance for inventories

The management of the Group reviews the condition of inventories (note 22) at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for raw materials and finished goods based primarily on the latest selling and purchase prices and on current market conditions. The Group carries out an inventory review on an item-by-item basis at the end of the reporting period and makes allowance for slow-moving inventories. If the market condition was to deteriorate, resulting in a lower net realisable value for such inventories, additional allowances may be required. As at 31 December 2017, the carrying amount of inventories is HK$1,551,977 (2016: HK$186,768).

(iii) Impairment of property, plant and equipment

If circumstances indicate that the net book value of a long lived asset may not be recoverable, the asset may be considered "impaired" and an impairment loss may be recognised in accordance with HKAS 36 Impairment of Assets. The carrying amounts of long lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use. It is difficult to precisely estimate fair value less cost of disposal because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant estimation relating to the level of sales volume, selling prices and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling prices and the amount of operating costs. As at 31 December 2017, the carrying amount of property, plant and equipment was HK$9,804,732 (2016: HK$8,408,272).

5. SEGMENT INFORMATION

The operating segments are reported in a manner consistent with the way in which information is reported internally to the executive directors for the purposes of resources allocation and assessment of segment performance. The business components in the internal reporting to the executive directors, the chief operating decision-makers, are determined following the Group's major product and service lines. The Group is currently organised into the following five operating segments:

- Sales of smart cards;
- Sales of smart card application systems;
- Financial and management consultancy services;
- Trading of scrap metals; and
- Sales of petro-chemical products.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

Revenue and expenses are allocated to the reportable segments with reference to sales generated and the expenses incurred by those segments. The measurement of segment profit or loss before income tax is the same as those used in preparing these financial statements under HKFRSs except that finance costs, gain on disposal of subsidiaries, impairment loss on available-for-sale financial assets, impairment loss on amount due from a joint venture, impairment loss on amount due from non-controlling interests, impairment loss on other receivables and prepayments, exchange losses (net), corporate income and expenses and other income and expenses not directly attributable to business activities of the operating segments are not included in arriving at the operating results of the operating segments.

Segment assets include all assets with the exception of intangible assets, tax recoverable, assets which are not attributable to the business activities of the operating segments and other assets which are managed on a group basis such as pledged bank deposits and cash and cash equivalents.

Segment liabilities include all liabilities except for deferred tax liabilities, liabilities which are not attributable to the business activities of the operating segments and other liabilities which are managed on a group basis such as borrowings.

5. SEGMENT INFORMATION (Continued)

Segment results, segment assets and segment liabilities

Information regarding the Group's reportable segments including the reconciliation to revenue, loss before income tax, total assets, total liabilities and other segment information are as follows:

2017

	Sales of smart cards HK$	Sales of smart card application systems HK$	Financial and management consultancy services HK$	Trading of scrap metals HK$	Sales of petro-chemical products HK$	Unallocated HK$	Consolidated HK$
Reportable segment revenue	46,147,518	87,950	–	–	334,724,854	–	380,960,322
Reportable segment loss	(7,030,386)	(522)	(359,424)	(3,494,792)	(680,474)	–	(11,565,598)
Finance costs							(786,638)
Impairment loss on other receivables and prepayments							(641,026)
Exchange losses, net							(830,664)
Corporate expenses, net							(6,129,800)
Loss before income tax							(19,953,726)
Reportable segment assets	31,643,960	33,790	–	3,048,621	203,292,558	3,386,067	241,404,996
Intangible asset							420,000
Tax recoverable							965,896
Pledged bank deposits							2,212,324
Cash and cash equivalents							2,283,931
Total consolidated assets							247,287,147
Reportable segment liabilities	33,522,662	27,500	–	150,568	103,396,941	2,849,359	139,947,030
Borrowings							13,923,034
Deferred tax liabilities							4,707
Total consolidated liabilities							153,874,771
Other information							
Depreciation	3,303,184	–	–	186,342	–	2,783	3,492,309
Interest income	800	1	–	82	1,015	33	1,931
Additions to property, plant and equipment	4,349,108	–	–	4,646	–	33,400	4,387,154

5. SEGMENT INFORMATION (Continued)

Segment results, segment assets and segment liabilities (Continued)

2016

	Sales of smart cards HK$	Sales of smart card application systems HK$	Financial and management consultancy services HK$	Trading of scrap metals HK$	Sales of petro-chemical products HK$	Unallocated HK$	Consolidated HK$
Reportable segment revenue	84,662,050	27,220	2,941,130	–	2,311,482,613	–	2,399,113,013
Reportable segment (loss)/profit	(19,012,577)	(8,687)	20,601,273	(2,894,742)	2,098,348	–	783,615
Finance costs							(647,613)
Gain on disposal of subsidiaries							8,389,411
Impairment loss on available-for-sale financial assets							(11,739,442)
Impairment loss on amount due from a joint venture							(223,020,200)
Impairment loss on amount due from non-controlling interests							(500,000)
Impairment loss on other receivables and prepayments							(1,095,000)
Exchange losses, net							(399,812)
Corporate expenses, net							(4,735,285)
Loss before income tax							(232,964,326)
Reportable segment assets	36,042,545	5,600	–	2,501,586	93,690,741	2,130,291	134,370,763
Intangible asset							420,000
Tax recoverable							1,188,401
Pledged bank deposits							9,295
Cash and cash equivalents							4,199,398
Total consolidated assets							140,187,857
Reportable segment liabilities	31,310,431	19,300	–	1,175,409	2,278,810	2,337,843	37,121,793
Borrowings							12,452,356
Deferred tax liabilities							4,707
Total consolidated liabilities							49,578,856
Other information							
Depreciation	13,499,519	–	–	181,450	–	78,780	13,759,749
Interest income	8,408	1	17,992,336	6,218	1,776	94	18,008,833
Additions to property, plant and equipment	3,152,185	–	–	–	–	–	3,152,185

5. SEGMENT INFORMATION (Continued)

Segment results, segment assets and segment liabilities (Continued)

There has been no inter-segment sale between different business segments during the year or in prior year.

Geographical information

The following table presents the revenue from external customers for the reporting period and the specified non-current assets by geographical locations as at the reporting date.

	Revenue from external customers		Specified non-current assets	
	2017	2016	**2017**	2016
	HK$	HK$	**HK$**	HK$
The PRC	**335,287,338**	2,322,344,102	**9,389,313**	8,718,168
Europe	**14,910,869**	26,838,934	**–**	–
Africa	**27,125,349**	26,765,324	**–**	–
Asia, excluding the PRC and Hong Kong	**1,012,496**	15,176,846	**253,388**	1,636,066
Hong Kong	**2,624,270**	5,046,677	**582,031**	595,181
Others	**–**	2,941,130	**–**	–
Total	**380,960,322**	2,399,113,013	**10,224,732**	10,949,415

The Company is an investment holding company incorporated in the Cayman Islands where the Company does not have activities. Since the major operations of the Group are conducted in the PRC, which is considered as the Group's country of domicile for the disclosure purpose of HKFRS 8 "Operating Segments".

Specified non-current assets include property, plant and equipment, intangible asset, prepayments for acquisition of property, plant and equipment and interests in associates.

Information about major customers

Revenue from each of the major customers during the reporting period is as follows:

	2017	2016
	HK$	HK$
Customer A	**246,143,733**	1,942,376,289
Customer B	**85,514,486**	N/A[3]
Customer C	**N/A[1]**	N/A[2]
Customer D	**N/A[1]**	N/A[2]
Customer E	**N/A[1]**	N/A[2]

1 The corresponding revenue did not contribute over 10% of total revenue of the Group during the current year.

2 The corresponding revenue did not contribute over 10% of total revenue of the Group during the prior year.

3 This is a new customer in 2017. Therefore, the customer did not contribute any revenue to the Group in 2016.

6. REVENUE

The Group's principal activities are disclosed in note 1. Revenue from the Group's principal activities recognised during the reporting period is as follows:

	2017 HK$	2016 HK$
Sales of smart cards	46,147,518	84,662,050
Sales of smart card application systems	87,950	27,220
Financial and management consultancy services	–	2,941,130
Sales of petro-chemical products	334,724,854	2,311,482,613
	380,960,322	2,399,113,013

7. OTHER INCOME

	2017 HK$	2016 HK$
Interest income from amount due from a joint venture	–	17,992,336
Bank interest income	1,931	16,497
Government grants *(note)*	–	429,733
Sundry income	233,451	610,470
	235,382	19,049,036

Note:

The grant was to subsidise the Group for contributing the development and trading in the Shanghai Pilot Free Trade Zone. There are no unfulfilled conditions or contingencies relating to these grants.

8. OTHER (LOSSES)/GAINS, NET

	2017 HK$	2016 HK$
Gain on disposal of property, plant and equipment	345,175	2,241,729
Gain on disposal of subsidiaries *(note 29)*	–	8,389,411
Exchange losses, net	(830,664)	(399,812)
	(485,489)	10,231,328

9. FINANCE COSTS

	2017 HK$	2016 HK$
Interest charges on bank loans	175,535	481,111
Interest charges on other borrowings	611,103	166,502
	786,638	647,613

10. LOSS BEFORE INCOME TAX

	2017 HK$	2016 HK$
Loss before income tax is arrived at after charging:		
Auditor's remuneration		
– Audit services	731,660	749,989
– Non-audit services	120,000	120,000
Costs of inventories recognised as an expense *(note)*	369,634,249	2,381,299,603
Written-off of property, plant and equipment	185,831	584,567
Depreciation	3,492,309	13,759,749
Bad debts written off	393,634	3,241,722
Employee benefit expenses *(note 14)*	22,734,114	31,501,217
Operating lease charges on land and buildings	5,222,895	7,044,176

Note:

Cost of inventories includes HK$15,372,244 (2016: HK$31,091,614) relating to depreciation, staff costs and operating lease charges, which amount is also included in the respective total amounts disclosed above and in note 14 for these expenses.

11. INCOME TAX (CREDIT)/EXPENSE

	2017 HK$	2016 HK$
Current tax		
Hong Kong Profits Tax:		
Current year	–	378,075
Over-provision in prior year	(19,802)	(13,892)
	(19,802)	364,183
PRC Enterprise Income Tax:		
Current year	5,787	516,178
Under-provision in prior year	2,852	–
	8,639	516,178
Total income tax (credit)/expense	(11,163)	880,361

Reconciliation between income tax (credit)/expense and accounting loss at applicable tax rates is as follows:

	2017 HK$	2016 HK$
Loss before income tax	(19,953,726)	(232,964,326)
Income tax at Hong Kong Profits Tax rate of 16.5% (2016: 16.5%)	(3,292,365)	(38,439,114)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(928,464)	(1,329,929)
Tax effect of non-deductible expenses	590,288	43,170,777
Tax effect of non-taxable income	(37,100)	(12,296,600)
Tax effect of tax losses not recognised	3,666,217	10,526,500
Utilisation of tax losses previously not recognised	–	(747,265)
Tax effect of other temporary differences not recognised	7,211	9,884
Over-provision in prior year	(16,950)	(13,892)
Income tax (credit)/expense	(11,163)	880,361

Notes:

(a) **Hong Kong Profits Tax**

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimate assessable profits for the year and prior year.

(b) **PRC Enterprise Income Tax**

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year and prior year based on the existing legislation, interpretations and practices in respect thereof. The applicable income tax rate is 25% (2016: 25%) for the year ended 31 December 2017.

12. DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2017 (2016: nil).

13. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, calculated as follows:

	2017	2016
Loss attributable to owners of the Company (HK$)	**(19,770,206)**	(234,001,534)
Weighted average number of ordinary shares in issue *(note)*	**419,443,185**	376,324,191
Basic loss per share (expressed in HK cents per share)	**(4.713)**	(62.181)

Note:

The share consolidation pursuant to the shareholders resolutions dated 18 January 2017 is adjusted in the weighted average number of ordinary shares in issue and effect of deemed issue of shares under the Company's share option scheme as if the share consolidation had occurred at 1 January 2016, the beginning of the earliest period reported (note 31(b)).

(b) Diluted loss per share

No adjustment has been made to basic loss per share as the outstanding share options had anti-dilutive effect on the basic loss per share for the year ended 31 December 2017 and 2016.

14. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	2017 **HK$**	2016 HK$
Salaries, wages and other benefits	**21,593,507**	27,716,290
Contributions to defined contribution retirement plans	**1,140,607**	3,784,927
	22,734,114	31,501,217

15. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' emoluments for the years ended 31 December 2017 and 2016 are as follows:

2017

	Fee HK$	Salaries, allowances and benefits in kind HK$	Discretionary bonus HK$	Retirement scheme contributions HK$	Total HK$
Executive Directors:					
Lily Wu *(note a)*	–	338,613	–	16,931	355,544
Chang Wei Wen	–	1,190,883	48,000	49,227	1,288,110
Wang Jia Hua *(note b)*	–	2,581	–	129	2,710
Yang Meng Hsiu	–	287,692	–	28,151	315,843
	–	1,819,769	48,000	94,438	1,962,207
Independent Non-executive Directors:					
Wong Ka Wai, Jeanne	120,000	–	–	–	120,000
Leung Ka Kui, Johnny	120,000	–	–	–	120,000
Chan Siu Wing, Raymond	120,000	–	–	–	120,000
	360,000	–	–	–	360,000
	360,000	1,819,769	48,000	94,438	2,322,207

2016

	Fee HK$	Salaries, allowances and benefits in kind HK$	Discretionary bonus HK$	Retirement scheme contributions HK$	Total HK$
Executive Directors:					
Lily Wu *(note a)*	–	338,613	–	16,931	355,544
Chang Wei Wen	–	1,180,807	54,268	48,271	1,283,346
Wang Jia Hua *(note b)*	–	460,419	–	10,000	470,419
Yang Meng Hsiu	–	282,439	4,268	27,196	313,903
	–	2,262,278	58,536	102,398	2,423,212
Independent Non-executive Directors:					
Wong Ka Wai, Jeanne	120,000	–	–	–	120,000
Leung Ka Kui, Johnny	120,000	–	–	–	120,000
Chan Siu Wing, Raymond	120,000	–	–	–	120,000
	360,000	–	–	–	360,000
	360,000	2,262,278	58,536	102,398	2,783,212

15. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

Notes:

(a) Ms. Lily Wu is also the chief executive of the Company and her emoluments disclosed above include those for services rendered by her as the chief executive for the years ended 31 December 2017 and 2016.

(b) Mr. Wang Jia Hua was appointed as the Managing Director on 5 January 2016 and ceased to be Managing Director on 4 January 2017 upon the end of his service agreement.

During the year ended 31 December 2017, no remuneration has been paid by the Group to the directors as an inducement to join or upon joining the Group and no directors have waived any remuneration (2016: nil).

16. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals include two (2016: two) director(s) whose remuneration is disclosed in note 15. The aggregate emoluments of the remaining three (2016: three) highest paid individuals are as follows:

	2017 HK$	2016 HK$
Salaries and allowances	**1,704,818**	1,809,148
Contributions to retirement scheme	**54,091**	54,150
	1,758,909	1,863,298

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands		
Nil – HK$1,000,000	**3**	3

17. RETIREMENT SCHEMES

Under the Mandatory Provident Fund Schemes Ordinance regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, with effect from 1 December 2000, the Group participates in a MPF Scheme operated by an approved trustee in Hong Kong and makes contributions for its eligible employees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income. The cap of monthly relevant income is HK$30,000 during the year (2016: HK$30,000). Contributions to the scheme vest immediately.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme being operated by the local PRC government. The subsidiaries are required to contribute specified percentage of the average basic salary to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the year ended 31 December 2017, the aggregate amount of employer's contribution made by the Group is HK$1,140,607 (2016: HK$3,784,927). No forfeited contribution is available for offset against existing contributions during the reporting period (2016: nil).

18. PROPERTY, PLANT AND EQUIPMENT

	Printing and testing equipment HK$	Office equipment HK$	Furniture and fixtures HK$	Leasehold improvement HK$	Motor vehicles HK$	Total HK$
At 1 January 2016						
Cost	144,434,100	3,797,991	3,739,847	11,503,539	3,571,623	167,047,100
Accumulated depreciation	(116,325,889)	(2,982,522)	(2,707,689)	(8,666,442)	(3,058,993)	(133,741,535)
Net book amount	28,108,211	815,469	1,032,158	2,837,097	512,630	33,305,565
Year ended 31 December 2016						
Opening net book amount	28,108,211	815,469	1,032,158	2,837,097	512,630	33,305,565
Additions	3,152,185	–	–	–	–	3,152,185
Disposals	(2,312,746)	(9,340)	–	–	–	(2,322,086)
Written-off	(65,036)	(179,703)	(145,093)	(108,334)	(86,401)	(584,567)
Disposal of subsidiaries *(note 29)*	(8,981,085)	–	(17,511)	(1,357,542)	–	(10,356,138)
Depreciation	(11,591,851)	(344,443)	(339,865)	(1,280,007)	(203,583)	(13,759,749)
Exchange differences	(891,481)	(17,858)	(2,595)	(91,214)	(23,790)	(1,026,938)
Closing net book amount	7,418,197	264,125	527,094	–	198,856	8,408,272
At 31 December 2016 and 1 January 2017						
Cost	86,164,530	2,771,553	2,321,859	1,094,579	2,736,588	95,089,109
Accumulated depreciation	(78,746,333)	(2,507,428)	(1,794,765)	(1,094,579)	(2,537,732)	(86,680,837)
Net book amount	7,418,197	264,125	527,094	–	198,856	8,408,272
Year ended 31 December 2017						
Opening net book amount	**7,418,197**	**264,125**	**527,094**	**–**	**198,856**	**8,408,272**
Additions	**1,795,995**	**60,055**	**132,401**	**2,398,703**	**–**	**4,387,154**
Written-off	**(175,957)**	**(9,874)**	**–**	**–**	**–**	**(185,831)**
Depreciation	**(2,878,030)**	**(102,107)**	**(204,886)**	**(230,920)**	**(76,366)**	**(3,492,309)**
Exchange differences	**547,471**	**6,248**	**25,071**	**92,836**	**15,820**	**687,446**
Closing net book amount	**6,707,676**	**218,447**	**479,680**	**2,260,619**	**138,310**	**9,804,732**
At 31 December 2017						
Cost	**80,444,824**	**2,244,102**	**2,440,677**	**3,593,097**	**2,803,601**	**91,526,301**
Accumulated depreciation	**(73,737,148)**	**(2,025,655)**	**(1,960,997)**	**(1,332,478)**	**(2,665,291)**	**(81,721,569)**
Net book amount	**6,707,676**	**218,447**	**479,680**	**2,260,619**	**138,310**	**9,804,732**

19. INTANGIBLE ASSET

	PRC driving licence HK$
At 1 January 2016, 31 December 2016 and 31 December 2017	
Cost	420,000
Accumulated impairment	–
Net book amount	420,000

The intangible asset represents the acquisition cost of a driving licence in the PRC. The PRC driving licence is considered to have an indefinite economic life as there is no foreseeable limit on the period of time over which the driving licence is expected to generate economic benefit to the Group and the licence is renewable at minimal cost. Accordingly it is not amortised.

20. INTERESTS IN ASSOCIATES

	2017 HK$	2016 HK$
Share of net assets	–	–

Details of the Group's associates, which is unlisted, as at 31 December 2017 are as follows:

Name of company	Place of establishment	Particulars of paid-up registered capital	Group's effective interest	Principal activities
力欣房地產經紀（上海）有限公司 *(note a)*	The PRC	Renminbi ("RMB") 5,000,000	20%	Inactive
張家港保稅區騏璉貿易有限公司 *(note a and b)*	The PRC	Nil	30%	Not yet commenced business

Notes:

(a) The associates have a reporting date of 31 December. Financial information is not available to disclose in the financial statements as the associates were dormant and inactive or has not yet commenced business during the years ended 31 December 2017 and 2016.

(b) On 23 November 2017, Shanghai Phoenitron Petroleum & Chemical Company Limited ("Shanghai Phoenitron"), a non-wholly owned subsidiary of the Company, set up an associate, 張家港保稅區騏璉貿易有限公司. The total registered capital attributable to Shanghai Phoenitron amounted to RMB2,000,000.

The Group has not incurred any contingent liabilities or other commitments relating to its investment in these associates.

21. LONG-TERM FINANCIAL ASSETS

Hota (USA) Holding Corp. ("Hota (USA)") is an investment holding company incorporated in the United States of America ("USA"), and its subsidiary is principally engaged in the business of disintegration of used automobiles and sale of metal derived from automobiles in Zhangjiagang, the PRC (the "Resources Recycling Business").

As at 31 December 2017, the Group is interested in (i) 83.33% (2016: 83.33%) of the Series A preferred shares of Hota (USA), which entitles the Group to receive 5% non-cumulative dividends and are redeemable at 100% of the respective principal amount since the 3rd quarter of 2012; and (ii) 35.29% (2016: 35.29%) of the common shares of Hota (USA). Each of the Series A preferred shares entitles the holder thereof to convert the same into one common share of Hota (USA) and the holders of the Series A preferred shares shall be entitled to have one vote for each common share of Hota (USA) into which each Series A preferred share is convertible on an as-converted basis, and shall vote together with the holders of the common shares. Accordingly, the Group is interested in 57.81% (2016: 57.81%) of the entire share capital of Hota (USA) as at 31 December 2017 as enlarged by the allotment and issue of the common shares upon exercise of the conversion rights attaching to the entire Series A preferred shares in issue. The board of Hota (USA) comprised of 4 directors, 2 of whom were appointed by the Group and decision is taken by simple majority. Accordingly, the directors regard Hota (USA) as a joint venture of the Group.

The Group's investment in the Series A preferred shares of Hota (USA) are accounted for as an available-for-sale financial asset which are stated at fair value of nil as at 31 December 2017 and 2016, and the derivative component arising from the conversion right of the Series A preferred shares are accounted for as financial assets at fair value through profit or loss which are stated at fair value of nil as at 31 December 2017 and 2016. The Group's investment in the common shares of Hota (USA) are accounted for as interest in a joint venture. As detailed in the paragraph below, as at 31 December 2016, the Group considered the investment in Series A preferred shares was fully impaired. Accordingly, the decrease in the fair value of the Series A preferred shares of HK$77,791,683 during the year ended 31 December 2016 was offset against the negative interest in the joint venture by the same amount.

The Resources Recycling Business has stopped commercial production since 2014 in view of adverse business environment and operating conditions. Hota (USA) and its subsidiary (the "Hota Group") then became inactive since 2015 and did not generate any income. As at 31 December 2017, Hota Group has unaudited net liabilities of approximately HK$647 million (2016: approximately HK$574 million) and, to the best knowledge of the directors of the Company, has no concrete plan to resume the Resources Recycling Business in the foreseeable future. In 2016, the Group has engaged an independent and professionally qualified valuer to estimate the fair value of certain major assets of the Hota Group and the estimated fair value was lower than its unaudited net carrying amount at the end of the reporting period. Accordingly, the Group considered the entire investment was fully impaired as at 31 December 2017 and 2016.

During the year ended 31 December 2016, the directors considered the decline in the fair value of the available-for-sale investment was significant and prolonged and the cumulative impairment loss of HK$11,739,442 recognised in the available-for-sale financial assets revaluation reserve was reclassified from equity to profit or loss for the year ended 31 December 2016.

The Group has not incurred any contingent liabilities or other commitments relating to its investment in the joint venture. No share of losses of Hota Group is recognised by the Group for the years ended 31 December 2017 and 2016. The Group has not recognised losses amounting to HK$22,084,549 for the year ended 31 December 2017 (2016: HK$22,319,926) for the joint venture.

21. LONG-TERM FINANCIAL ASSETS (Continued)

Details of Hota (USA) and its principal subsidiary as at 31 December 2017 are as follows:

Name of company	Place of establishment	Particulars of paid-up registered capital	Percentage of ownership interest	Principal activities
Hota (USA)	USA	Common shares United States dollar ("USD") 34	35.29% (2016: 35.29%)	Investment holding
		Series A preferred shares USD12,000,000	83.33% (2016: 83.33%)	
Hota Auto Recycling Corporation, ("HARC")* (張家港永峰泰環保科技有限公司)	The PRC	USD20,000,000		Inactive

* Wholly-foreign-owned enterprise held by Hota (USA)

Hota Group has a reporting date of 31 December. Summarised financial information in relation to the joint venture is presented below:

	2017 HK$	2016 HK$
As at 31 December		
Non-current assets	226,156,565	220,511,025
Current assets	36,001,047	33,629,583
Current liabilities	(714,139,939)	(639,868,964)
Non-current liabilities	(195,044,515)	(188,259,287)
Net liabilities	(647,026,842)	(573,987,643)
Included in the above amounts are:		
Cash and cash equivalents	32,978	33,375
Current financial liabilities (excluding trade and other payable)	(500,761,347)	(473,717,194)
Non-current financial liabilities (excluding other payable and provision)	(190,514,981)	(184,030,934)
Year ended 31 December		
Revenue	–	–
Loss for the year and total comprehensive loss	(62,580,189)	(63,247,169)
Included in the above amounts are:		
Depreciation and amortisation	5,166,534	4,342,393
Interest expense	45,939,670	46,425,604

22. INVENTORIES

	2017 HK$	2016 HK$
Raw materials	331,034	120,230
Work-in-progress	995,424	–
Finished goods	225,519	66,538
	1,551,977	186,768

23. TRADE AND OTHER RECEIVABLES

	2017 HK$	2016 HK$
Trade receivables *(note (a))*	111,988,394	97,108,376
Other receivables, deposits and prepayments *(note (b))*	119,795,919	27,641,204
Less: Provision for impairment of other receivables and prepayments	(1,736,026)	(1,095,000)
Other receivables, net *(note (b))*	118,059,893	26,546,204
	230,048,287	123,654,580

Notes:

(a) The credit term granted by the Group to its trade customers normally ranges from 30 days to 90 days. Based on the invoice dates, the ageing analysis of the Group's trade receivables net of impairment provision is as follows:

	2017 HK$	2016 HK$
0 – 30 days	104,136,456	5,755,567
31 – 90 days	6,640,809	10,178,476
Over 90 days	1,211,129	81,174,333
	111,988,394	97,108,376

During the year ended 31 December 2017, management has determined trade receivables of HK$393,634 (2016: HK$3,241,722) as individually impaired and has been written off as bad debts.

At each reporting date, the Group reviews trade receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2017, the Group has determined trade receivables of HK$393,634 (2016: HK$3,241,722) which were aged over 90 days have been identified as impaired. Based on this assessment, impairment loss of HK$393,634 (2016: HK$3,241,722) has been recognised and has been written off as bad debts. The impaired trade receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments.

23. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(a) (Continued)

The ageing analysis of the Group's trade receivables net of impairment provision, based on due date is as follows:

	2017 HK$	2016 HK$
Neither past due nor impaired	110,405,434	13,598,078
1 – 30 days past due	1,042,637	2,524,366
31 – 90 days past due	193,693	642,454
Over 90 days past due	346,630	80,343,478
	111,988,394	97,108,376

Trade receivables that were neither past due nor impaired related to a number of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(b) The movement in the provision for impairment of other receivables and prepayments is as follows:

	2017 HK$	2016 HK$
Balance at the beginning of the year	1,095,000	27,758,100
Written off during the year	–	(27,758,100)
Impairment loss recognised	641,026	1,095,000
Balance at the end of the year	1,736,026	1,095,000

During the year ended 31 December 2017, the Group has determined other receivables of HK$641,026 (2016: HK$1,095,000) as individually impaired. Based on this assessment, provision for impairment loss has been recognised accordingly. The Group did not hold any collateral as security or other credit enhancements over the impaired other receivables, whether determined on an individual or collective basis.

24. AMOUNT DUE FROM A JOINT VENTURE

As at 31 December 2017 and 2016, amounts due comprise of loans to and interest receivables from Hota (USA) and HARC (collectively the "Loans") which are unsecured, repayable on demand and interest-bearing 10% per annum (2016: 10%) and 19% per annum (2016: 19%), respectively.

In 2011, the Group entered into a series of loan agreements with the joint venture with terms in relation to a possible capitalisation for the Loans, in case the joint venture failed to repay the Loans together with any interest accrued. With reference to the announcement on 14 March 2014, the Group had requested repayment of the loans due from HARC and had applied to the relevant authorities in Jiangsu, the PRC, for debt confirmation in this respect. Subsequent to 2012 and up to the end of the reporting period, the Group has not received any repayments from the joint venture. The Group ceased to recognise loan interest income since the 3rd quarter of 2016 as the amounts are not considered to be recoverable.

As explained in note 21, Hota Group has been experiencing financial difficulties over the years and became inactive and has no concrete plan to resume its business in the foreseeable future, the Group considered the chance to recover the remaining outstanding balance of the Loans is remote. Based on this assessment, the directors of the Company determined to recognise an impairment loss on the outstanding balances of the amount due of HK$223,020,200 during the year ended 31 December 2016. As at 31 December 2017, the accumulated provision for impairment amounted to HK$375,887,468 (2016: HK$375,887,468). The Group did not hold any collateral over the Loans.

25. PLEDGED BANK DEPOSITS

Pledged bank deposits at the end of the reporting period represent bank deposits pledge to secure general banking facilities granted to the Group and are denominated in USD (note 38).

26. CASH AND CASH EQUIVALENTS

	2017 HK$	2016 HK$
Cash at banks and in hand	2,283,931	4,199,398
Denominated in:		
RMB	643,074	2,406,707
Hong Kong Dollars	1,184,118	1,225,087
USD	442,874	78,464
New Taiwan Dollar ("NTD")	13,865	489,140
	2,283,931	4,199,398

As at the reporting date, bank balances and cash of the Group denominated in RMB amounted to HK$643,074 (2016: HK$2,406,707). RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

27. TRADE AND OTHER PAYABLES

	2017 HK$	2016 HK$
Trade payables	126,816,719	22,407,191
Other payables and accrual	13,130,311	14,714,602
	139,947,030	37,121,793

Credit periods granted by suppliers normally range from 30 days to 90 days. Based on the invoice date, the ageing analysis of the trade payables is as follows:

	2017 HK$	2016 HK$
0 – 30 days	103,700,436	2,721,614
31 – 60 days	1,908,810	3,675,517
61 – 90 days	1,185,752	870,818
Over 90 days	20,021,721	15,139,242
	126,816,719	22,407,191

28. BORROWINGS

	2017 HK$	2016 HK$
Current liabilities		
Bank loans, secured *(note (a))*	6,941,675	4,962,325
Other borrowings, unsecured *(note (b))*	6,981,359	7,490,031
Total borrowings	13,923,034	12,452,356

Notes:

(a) The analysis of the carrying amounts of bank loans is as follows:

	2017 HK$	2016 HK$
Current liabilities		
Portion of term loans due for repayment within one year	6,941,675	4,962,325

Among the Group's bank borrowings as at 31 December 2017, the Group's bank borrowings of HK$6,941,675 (2016: HK$4,962,325) were arranged at floating rates LIBOR plus 1.75% per annum (2016: LIBOR plus 1.75% per annum).

All interest-bearing bank loans are carried at amortised cost. The bank loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations. The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements.

The above bank loans were secured by certain assets of the Group as disclosed in note 38, and corporate guarantees provided by the Company and personal guarantee provided by Mr. Chang Wei Wen, a director of the Company (2016: corporate guarantees provided by the Company).

(b) At the reporting dates, the amounts due are unsecured, carries interest at 0% to 18% per annum (2016: carries interest at 0% to 3% per annum) and repayable on demand. As at 31 December 2017, included in other borrowings were non-interest bearing borrowings and interest-bearing borrowings at 3% per annum (2016: 3%) from minority shareholders of HK$200,000 (2016: HK$4,520,000) and HK$1,250,000 (2016: HK$1,300,000), respectively, and a non-interest bearing borrowing from a substantial shareholder of the Company of HK$269,231 (2016: HK$670,031).

29. DISPOSAL OF SUBSIDIARIES IN 2016

On 16 December 2016, the Group has completed the disposal of its entire interest in Macro Creation Holdings Limited and its subsidiaries ("Macro Creation Group") to an independent third party at a consideration of HK$1,000,000. Macro Creation Group is engaged in module packaging and testing services business.

The major classes of assets and liabilities of the Macro Creation Group as at 16 December 2016, are as follows:

	HK$
Property, plant and equipment	10,356,138
Prepayment for acquisition of property, plant and equipment	320,320
Inventories	1,389,680
Trade and other receivables	4,898,430
Cash and cash equivalents	1,433,966
Trade and other payables	(20,235,657)
Bank borrowings	(4,916,130)
Net liabilities disposed of	(6,753,253)

	2016 HK$
Gain on disposal of subsidiaries:	
Cash consideration receivable included in other receivables	1,000,000
Net liabilities disposed of	6,753,253
Expenses in connection with the disposal	(1,000,000)
Cumulated translation reserve in respect of the net assets of the subsidiaries	1,636,158
Gain on disposal of subsidiaries *(note 8)*	8,389,411

	2016 HK$
Analysis of net cash flow on disposal:	
Cash and cash equivalent disposed of	(1,433,966)
Net cash outflow from disposal of subsidiaries	(1,433,966)

30. DEFERRED TAX

At the reporting dates, the Group's recognised deferred tax liabilities arise from depreciation allowance in excess of accounting depreciation. The Group has not recognised deferred tax assets in respect of tax losses of HK$92,469,768 as at 31 December 2017 (2016 restated: HK$104,088,271). Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise benefits therefrom. Under the current tax legislation in Hong Kong, the tax losses amounting to HK$19,477,228 (2016 restated: HK$15,719,590) do not have expiry period. Under the current tax legislation in the PRC, the tax losses amounting to HK$61,821,990 (2016: HK$79,610,934) can be carried forward for five years from the year when the corresponding loss was incurred. Under the current tax legislation in Taiwan, the tax losses amounting to HK$11,170,550 (2016: HK$8,757,747) can be carried forward for ten years from the year when the corresponding loss was incurred.

As at 31 December 2017, deferred tax liabilities have not been established for the withholding tax that would be payable on the unremitted earnings of HK$19,880,457 (2016: HK$27,594,853) of certain PRC subsidiaries because the Company controls the dividend policy of these subsidiaries and it is not probable that these subsidiaries will distribute such earnings in foreseeable future.

31. SHARE CAPITAL

		2017			2016	
	Par value per share HK$	**Number of shares**	**Nominal value HK$**	Par value per share HK$	Number of shares	Nominal value HK$
Authorised:						
Ordinary shares						
At 1 January	0.02	5,000,000,000	100,000,000	0.02	5,000,000,000	100,000,000
Share consolidation *(note (b))*	–	(4,500,000,000)	–	–	–	–
Increase in consolidation share *(note (b))*	0.20	1,000,000,000	200,000,000	–	–	–
At 31 December	0.20	1,500,000,000	300,000,000	0.02	5,000,000,000	100,000,000

		2017			2016	
	Par value per share HK$	**Number of shares**	**Nominal value HK$**	Par value per share HK$	Number of shares	Nominal value HK$
Issued and fully paid:						
Ordinary shares						
At 1 January	0.02	3,762,925,000	75,258,500	0.02	3,764,195,000	75,283,900
Repurchase of shares *(note (a))*	–	–	–	0.02	(1,270,000)	(25,400)
Share consolidation *(note (b))*	–	(3,386,632,500)	–	–	–	–
Issue of shares upon shares subscription *(note (c))*	0.20	75,000,000	15,000,000	–	–	–
At 31 December	0.20	451,292,500	90,258,500	0.02	3,762,925,000	75,258,500

31. SHARE CAPITAL (Continued)

Notes:

(a) For the year ended 31 December 2016, the Company purchased back 1,270,000 shares over the Stock Exchange. The shares have been duly cancelled during the year. Details of the shares repurchased during 2016 are summarised as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share Highest HK$	Lowest HK$	Aggregate purchase price HK$
April 2016	1,270,000	0.155	0.139	180,035
	1,270,000			180,035
Total expenses on shares repurchased during the year				2,058
Total				182,093

(b) Pursuant to a resolution passed in the extraordinary general meeting held on 18 January 2017, every ten shares of the Company's issued and unissued shares with par value of HK$0.02 per share have been consolidated into one share with par value of HK$0.20 per share with effect from 19 January 2017. The consolidated shares rank pari passu in all respects with each other. Other than the expenses to be incurred in relation to the share consolidation, the implementation of the share consolidation will not alter the underlying assets, business operations, management or financial position of the Company or result in any change in the relative rights of the shareholders, saved for any fractional consolidated shares to which shareholders may be entitled.

Upon the share consolidation become effective on 19 January 2017, the total authorised number of ordinary shares become HK$100,000,000 divided into 500,000,000 consolidated shares of par value of HK$0.20 each. Pursuant to a resolution passed in the extraordinary general meeting held on 18 January 2017 and with effect from 19 January 2017, the authorised capital has been increased to HK$300,000,000 divided into 1,500,000,000 consolidated shares by the creation of additional 1,000,000,000 consolidated shares, which shall rank pari passu in all respects with the consolidated shares in issue.

(c) Pursuant to the subscription agreements entered into between the Company and four subscribers (the "Subscribers") on 9 May 2017, 75,000,000 new ordinary shares of the Company were allotted and issued at a price of HK$0.20 per share to the Subscribers on 5 June 2017 for a total consideration of HK$15,000,000, which resulted in an increase in share capital by HK$15,000,000 and decrease in share premium by HK$25,000 for netting off the cost of share subscription amount. The consideration were settled by cash of HK$8,380,000 and the Group has set off an aggregate amount of HK$6,340,000 against its other borrowings from shareholders (note 41) and interest charges on other borrowings of HK$280,000.

The share capital of the Company comprises only of fully paid ordinary shares of HK$90,258,500 (2016: HK$75,258,500). All shares are equally eligible to receive dividends and to the repayment of capital and each of the shares are entitled to one vote at shareholders' meeting of the Company.

32. SHARE OPTION

Pursuant to the resolution passed by the shareholders of the Company at the extraordinary general meeting of the Company dated 8 January 2008, a new share option scheme (the "New Share Option Scheme") was approved and adopted. The summary of the terms of the share option scheme is set out below.

The purpose of the New Share Option Scheme is to recognise and motivate the contribution of employees to the growth of the Group. Under the New Share Option Scheme, the board of directors which shall include the independent non-executive directors may, at its discretion, invite any employees including any executive directors of any companies in the Group to take up options at HK$1.00 to subscribe for shares in the Company at the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediate preceding the date of grant; and (iii) the nominal value of a share.

The total number of shares which may be issued upon exercise of all options which may be granted under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue as at the date of approval of the New Share Option Scheme.

The option period in respect of any particular option shall be determined by the board of directors, provided that no option shall be exercisable after ten years from the date of its grant.

The share options are fully vested at the date of grant. All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

As at 31 December 2017, the number of outstanding share options granted has been adjusted for the effect of share consolidation and 500,000 share options was exercisable (31 December 2016: 500,000 share options as if the share consolidation adjustment had been effective as at 31 December 2016) after the share consolidation adjustment.

Summary of the share options outstanding during the year and in prior year are as follows:

Name of participant	As at 1 January 2016	Adjustment upon share consolidation*	As at 31 December 2016 and 2017	Date of grant	Exercisable period	Exercise price HK$
Director						
Lily Wu	5,000,000	(4,500,000)	500,000	17 November 2008	17 November 2008 to 16 November 2018	1.86*
Weighted average exercise price (HK$)	0.186		1.86*			

* Adjusted for the share consolidation as disclosed in note 31(b).

32. SHARE OPTION (Continued)

As a result of the share consolidation, adjustment is required to be made to the Company's outstanding share options in accordance with the terms of the share option scheme.

Except for the share consolidation during the year ended 31 December 2017, there were no movements in the share options during the years ended 31 December 2017 and 2016. No share options were granted, exercised or forfeited during the year (2016: nil).

The options outstanding at 31 December 2017 had a weighted average remaining contractual life of 0.95 year (2016: 1.95 years).

At the end of the reporting period, the Company had 500,000 (as adjusted for share consolidation) (2016: 500,000 as adjusted for share consolidation) share options outstanding under the New Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, will result in the issue of 500,000 ordinary shares of the Company and additional share capital of HK$100,000 and share premium of HK$830,000.

33. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Share premium represents the excess of the net proceeds from issuance of the shares of the Company over its par value, less any dividends paid out of the share premium account and any premium paid for the repurchase of shares of the Company.

Contributed surplus of the Group represents the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to a group reorganisation conducted in previous years over the nominal value of the share capital of the Company issued in exchange therefore, less share issue expenses.

Translation reserve of the Group represents the exchange differences on translation of the financial statements of the PRC subsidiaries and a Taiwan subsidiary.

Share option reserve is set up in accordance with the accounting policy set out in note 2.19.

Available-for-sale financial assets revaluation reserve is set up in accordance with the accounting policy set out in note 2.7.

Certain portion of the retained earnings of the Company's PRC subsidiaries is restricted for distribution. Under the relevant PRC laws and regulations, the PRC subsidiaries are required to appropriate at least 10% of profit after tax to general reserve fund until reaching 50% of the registered capital. The general reserve fund can be applied to set-off accumulated losses and to convert into paid-in capital. Such restricted profits included in the Group's accumulated losses amounted to HK$12,002,032 (2016: HK$11,157,196).

33. RESERVES (Continued)

The Company

	Share premium HK$	Contributed surplus HK$	Share option reserve HK$	Other reserves HK$	Accumulated losses HK$	Total HK$
At 1 January 2016	363,524,409	24,190,659	1,360,008	7	(166,937,085)	222,137,998
Loss for the year	–	–	–	–	(224,346,882)	(224,346,882)
Repurchase of shares *(note 31(a))*	(156,693)	–	–	–	–	(156,693)
At 31 December 2016 and 1 January 2017	363,367,716	24,190,659	1,360,008	7	(391,283,967)	(2,365,577)
Loss for the year	–	–	–	–	(15,404,371)	(15,404,371)
Issue upon share subscription *(note 31(c))*	(25,000)	–	–	–	–	(25,000)
At 31 December 2017	363,342,716	24,190,659	1,360,008	7	(406,688,338)	(17,794,948)

Share premium represents the excess of the net proceeds from issuance of the shares of the Company over its par value, less any dividends paid out of the share premium account and any premium paid for the repurchase of shares of the Company.

Contributed surplus of the Company represents the difference between the combined net assets value of the subsidiaries acquired pursuant to a group reorganisation conducted in previous years over the nominal value of the share capital of the Company issued in exchange therefore, less share issue expenses.

34. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	Notes	2017 HK$	2016 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		30,617	–
Interests in subsidiaries	35	76,447,930	80,533,173
		76,478,547	80,533,173
Current assets			
Other receivables		3,355,450	1,130,292
Tax recoverable		–	343,769
Cash and cash equivalents		438,789	623,436
		3,794,239	2,097,497
Current liabilities			
Other payables		2,849,359	2,337,841
Borrowings		4,550,000	6,990,031
Amount due to a subsidiary		409,875	409,875
		7,809,234	9,737,747
Net current liabilities		(4,014,995)	(7,640,250)
Net assets		72,463,552	72,892,923
EQUITY			
Share capital	31	90,258,500	75,258,500
Reserves	33	(17,794,948)	(2,365,577)
Total equity		72,463,552	72,892,923

Lily Wu	**Chang Wei Wen**
Director	*Director*

35. INTERESTS IN SUBSIDIARIES

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

Name of company	Place of incorporation/ establishment and operation and kind of legal entity	Particulars of issued capital/paid-up registered capital	Percentage of interest held by the Company	Principal activities
Cardlink Technology (HK) Limited	Hong Kong, limited liability company	HK$10,000	100%	Investment holding
Elegant Future (HK) Limited	Hong Kong, limited liability company	HK$1	100%	Investment holdings and trading of scrap vehicles
Elegant Future (Taiwan) Company Limited	Taiwan, limited liability company	NTD60,000,000	100%	Trading and dismantling of scrap vehicles
Intercard Limited	Hong Kong, limited liability company	HK$10,666,667	100%	Sales of smart cards, system development and provision of research and development, marketing and sales
Phoenitron Resources Company Limited	Hong Kong, limited liability company	HK$10,000	100%	Investment holding

35. INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ establishment and operation and kind of legal entity	Particulars of issued capital/paid-up registered capital	Percentage of interest held by the Company	Principal activities
PMIS Limited	Hong Kong, limited liability company	HK$10,000	100%	Development and provision of smart card application systems
Shanghai Phoenitron	The PRC, partially-foreign-owned enterprises	RMB80,000,000	75%	Provision of LNG services and sales of petro-chemical products
Topwise Technology (SZ) Limited	The PRC, wholly-foreign-owned enterprises	HK$10,000,000	100%	Smart cards manufacturing and sales
Waystech Group Limited	BVI, limited liability company	US$10,000	100%	Investment holding
北京萬利時智能科技有限公司	The PRC, wholly-foreign-owned enterprises	RMB8,335,083	100%	Sales of smart cards
上海仁重新能源科技有限公司	The PRC, wholly-foreign-owned enterprises	RMB50,000,000	75%	Provision of LNG services and sales of petro-chemical products

Other than Waystech Group Limited, which is held directly by the Company, all subsidiaries are held indirectly.

None of the subsidiaries has issued any debt securities at the end of the year.

36. NON-CONTROLLING INTERESTS

Refer to note 35, Shanghai Phoenitron, a 75% subsidiary of the Company, has material non-controlling interest (NCI). The NCI of all other subsidiaries that are not 100% owned by the group are considered to be immaterial.

Summarised financial information in relation to Shanghai Phoenitron, before intra-group eliminations, is presented below:

	2017 HK$	2016 HK$
For the year ended 31 December		
Revenue	322,856,906	2,294,400,069
(Loss)/Profit for the year	(603,214)	1,628,054
Translation reserve	7,127,837	(6,228,425)
Total comprehensive income/(loss)	6,524,623	(4,600,371)
Total comprehensive income/(loss) allocated to NCI	1,631,156	(1,150,093)
Dividends paid to NCI	–	–
For the year ended 31 December		
Cash flows used in operating activities	(2,051,267)	(93,863,616)
Cash flows from investing activities	861,764	94,635,488
Net cash (out)/in-flows	(1,189,503)	771,872
As at 31 December		
Current assets	205,949,834	97,299,614
Non-current assets	60,096,154	2,234,637
Current liabilities	(165,020,141)	(4,205,833)
Net assets	101,025,847	95,328,418
Accumulated non-controlling interests	25,256,462	23,832,104

37. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the consolidated financial statements, the following transactions were carried out by the Group in the ordinary course of business with related parties.

(a) Transactions with related parties

Related party relationship	Type of transaction	2017 HK$	2016 HK$
Hota Group, a joint venture	Interest income on amount due from a joint venture[1]	–	17,992,336
	Fees earned from providing financial and management consultancy service[2]	–	2,941,130
Mr. Tsai Chi Yuan ("Mr. Tsai"), the substantial shareholder of the Company	Consultancy fee expense	1,320,000	660,000
	Salaries and allowances	242,151	235,614
	Rental expense	266,972	254,049
	Interest expense[3]	15,051	–
Mr. Wang Jia Hua, an executive director of the Company[4]	Interest expense	–	29,705
上海建州石化有限公司 ("Shanghai Jianzhou")[5]	Purchase of petro-chemical products	–	858,533
	Sales of petro-chemical products	–	76,613,487

1 Particulars of the Group's balance with the joint venture as a result of the above transaction is disclosed in note 24.

2 According to the loan agreements with Hota (USA), financial and management service fee will be charged to Hota (USA) at 5% per annum on the outstanding principal balance.

3 The Company borrowed a loan with Golden Dice Co., Ltd ("Golden Dice") during the year ended 31 December 2017, one of the substantial shareholders of the Company in which Mr. Tsai has 100% beneficial interest in Golden Dice. The loan is unsecured and interest bearing at 6% per annum and repayable on demand. The Company has fully repaid the loan during the year 2017.

4 Mr. Wang Jia Hua, an executive director of the Company from 5 January 2016 to 4 January 2017. For more details, please refer to the Company's announcement published on 6 January 2017.

5 Mr. Zhang Zixiang, a director of a major subsidiary of the Group prior to 15 March 2016, is the beneficial shareholder of Shanghai Jianzhou.

(b) Compensation of key management personnel

Members of key management during the year comprised only the executive directors whose remunerations are set out in note 15.

38. PLEDGE OF ASSETS

The carrying amounts of the following assets have been pledged to secure general banking facilities granted to the Group:

	The Group	
	2017	2016
	HK$	HK$
Pledged bank deposit	**2,212,324**	9,295

39. COMMITMENTS

As at the end of the reporting period, the Group had other significant commitments as follows:

Capital commitments

	2017	2016
	HK$	HK$
Contracted but not provided for:		
– Interest in an associate	**2,403,846**	–
– Acquisition of plant and equipment	**1,041,746**	8,174,849
	3,445,592	8,174,849

Operating lease commitments

At the reporting date, the total future minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	2017	2016
	HK$	HK$
Within one year	**2,588,804**	1,899,208
In the second to fifth year, inclusive	**380,700**	1,131,936
	2,969,504	3,031,144

The Group leases a number of properties under operating leases. The leases run for an initial period of one to eight years (2016: one to eight years), with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

40. FINANCIAL RISK MANAGEMENT

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

In light of the simplicity of the operations, the risk management of the Group is carried out by the board of directors (the "Board") directly. The Board discusses both formally and informally principles for overall risk management, as well as policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, liquidity risk and use of financial instruments.

40.1 Categories of financial assets and liabilities

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

	2017 HK$	2016 HK$
Financial assets		
Loans and receivables		
– Trade and other receivables	224,888,561	121,508,056
– Pledged deposits	2,212,324	9,295
– Cash and cash equivalents	2,283,931	4,199,398
	229,384,816	125,716,749
Financial liabilities		
Financial liabilities at amortised cost		
– Trade and other payables	137,528,066	34,289,269
– Borrowings	13,923,034	12,452,356
	151,451,100	46,741,625

40. FINANCIAL RISK MANAGEMENT (Continued)

40.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

Cash and cash equivalents and deposits with banks are normally placed at financial institutions that have sound credit rating and the Group considers the credit risk to be insignificant.

Management has a credit policy in place for approving the credit limits and the exposures to credit risk are monitored such that any outstanding debtors are reviewed and followed up on an ongoing basis. Credit evaluations are performed on customers requiring a credit over a certain amount including assessing the customer's creditworthiness and financial standing. The credit policy has been followed by the Group since prior years and is considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

The general credit terms allowed range from 30 to 90 days (2016: 30 to 90 days). As at the end of the reporting period, the Group does not hold any collateral from customers and the Group has a certain concentration of credit risk as 99% (2016: 87%) of the total trade receivables was due from the five largest customers of the Group.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 23.

40.3 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management.

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants by reviewing each operating entity's cash flow forecast, to ensure that the Group maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policy has been followed by the Group since prior years and is considered to have been effective in managing liquidity risks.

40. FINANCIAL RISK MANAGEMENT (Continued)

40.3 Liquidity risk (Continued)

The table below analyses the Group's bank borrowings based on undiscounted cash flows (including interest payments computed using contractual rates or current rates at the reporting date) and the earliest date the Group can be required to pay. Specifically, for loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

	On demand HK$
At 31 December 2017	
Bank loans subject to a repayment on demand clause	**6,941,675**
At 31 December 2016	
Bank loans subject to a repayment on demand clause	4,962,325

40. FINANCIAL RISK MANAGEMENT (Continued)

40.3 Liquidity risk (Continued)

The following table summarises the maturity analysis of the Group's financial liabilities, including bank loans with a repayment on demand clause, based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "On demand" time band in the maturity analysis contained above. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Less than 3 months or on demand HK$
At 31 December 2017	
Trade and other payables	**137,528,066**
Bank loans subject to a repayment on demand clause	**6,968,903**
Other borrowings	**6,981,359**
	151,478,328
At 31 December 2016	
Trade and other payables	34,289,269
Bank loans subject to a repayment on demand clause	4,975,043
Other borrowings	7,490,031
	46,754,343

40. FINANCIAL RISK MANAGEMENT (Continued)

40.4 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk mainly arises from borrowings, pledged bank deposits and bank balances. Bank loans issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages interest rate risk by monitoring its interest rate profile as set out in note 28. The Group conducts periodical review to determine preferred interest rates mix appropriate for the business profile. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The policy to manage interest rate risk has been followed by the Group since prior years is considered to be effective.

Sensitivity analysis

The following table illustrates the sensitivity of the Group's loss for the year and equity to a possible change in interest rates of +/- 0.5% (2016:+/- 0.5%), with effect from the beginning of the year. The calculations are based on the Group's borrowings held at the end of the reporting period. All other variables are held constant.

	Increase/ (Decrease) in loss for the year and accumulated losses 2017 HK$	Increase/ (Decrease) in loss for the year and accumulated losses 2016 HK$
Change in interest rate:		
+0.5%	**35,000**	21,000
- 0.5%	**(35,000)**	(21,000)

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents the management's assessment of a reasonably possible change in interest rate over the period until the next annual reporting period.

The sensitivity analysis for the year ended 31 December 2016 has been prepared on the same basis.

40. FINANCIAL RISK MANAGEMENT (Continued)

40.5 Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk arise from its overseas sales and purchases, which are primarily denominated in RMB, Great British Pounds ("GBP") and USD. These are not the functional currencies of the Group entities to which these transactions relate.

To mitigate the Group's exposure to foreign currency risk, cash flows in foreign currencies are monitored into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short term foreign currency cash flows (due within 6 months) from longer term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. The policy to manage foreign currency risk has been followed by the Group since prior years and is considered to be effective.

Summary of exposure

Foreign currency denominated financial assets and liabilities, translated into Hong Kong dollars at the closing rates, are as follows:

	2017			2016		
	RMB HK$	**USD HK$**	**GBP HK$**	RMB HK$	USD HK$	GBP HK$
Trade and other receivables	**134,374**	**9,849,156**	**–**	133,424	16,061,679	–
Cash and cash equivalents	**–**	**2,655,197**	**–**	531	78,464	–
Bank loan	**–**	**(6,941,675)**	**–**	–	(4,962,325)	–
Trade and other payables	**(14,035)**	**(4,213,179)**	**–**	(14,332)	(8,686,895)	(166,500)
Gross exposure arising from recognised financial assets and liabilities	**120,339**	**1,349,499**	**–**	119,623	2,490,923	(166,500)

40. FINANCIAL RISK MANAGEMENT (Continued)

40.5 Foreign currency risk (Continued)

Sensitivity analysis

As HK$ is linked to USD, the directors consider that the Group's exposure on currency risk in respect of USD is not significant. The following table illustrates the sensitivity of the Group's loss for the year and equity in regards to a 5% (2016: 5%) appreciation in the Group entities' functional currencies against other foreign currencies. The 5% (2016: 5%) is the rate used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the reporting period has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year.

	2017 Increase/(Decrease) in loss for the year and accumulated losses		2016 Increase/(Decrease) in loss for the year and accumulated losses	
	RMB HK$	GBP HK$	RMB HK$	GBP HK$
Changes in exchange rate:				
HK$ appreciate by 5% (2016: 5%) against foreign currencies	6,000	–	5,000	(7,000)
HK$ depreciate by 5% (2016: 5%) against foreign currencies	(6,000)	–	(5,000)	7,000

The sensitivity analysis for the year ended 31 December 2016 has been prepared on the same basis.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions.

40.6 Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2017 and 2016.

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Bank loans HK$	Other borrowings – shareholders loans HK$	Other borrowings – other loans HK$	Total HK$
At 1 January 2017	4,962,325	6,490,031	1,000,000	12,452,356
Cash-flows:				
– Proceeds	31,504,525	3,865,184	6,146,785	41,516,494
– Repayment	(29,525,175)	(2,795,984)	(1,495,587)	(33,816,746)
Non-Cash:				
Exchange adjustments	–	–	110,930	110,930
Transfer	–	500,000	(500,000)	–
Others *(note 31(c))*	–	(6,340,000)	–	(6,340,000)
At 31 December 2017	6,941,675	1,719,231	5,262,128	13,923,034

Note: Other changes include shareholder's share subscription (note 31(c)).

42. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Group monitors capital on the basis of gearing ratio. The ratio defined and calculated by the Group as total borrowings expressed as a percentage of total assets, was 5.6% as at 31 December 2017 as compared to 8.9% as at 31 December 2016.

43. EVENT AFTER REPORTING PERIOD

On 3 January 2018, 37,629,250 options were granted by the Company to certain directors and employees of the Company under the New Share Option Scheme with estimated total fair value of approximately HK$3,339,000. The exercise price of the share options granted is HK$0.2 per share at the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five consecutive trading days immediate preceding the date of grant; and (iii) the nominal value of a share. The share options are valid for a period of 10 years and fully vested at the date of grant.

Financial Summary

For the year ended 31 December 2017

The following is a summary of the consolidated results and consolidated assets and liabilities of the Group for each of the five years ended 31 December 2017:

CONSOLIDATED RESULTS

	2013 HK$	2014 HK$	2015 HK$	2016 HK$	**2017** **HK$**
Revenue	134,350,091	461,934,044	2,333,952,429	2,399,113,013	**380,960,322**
(Loss)/Profit from operations	(136,268,577)	(126,655,032)	12,092,131	(232,316,713)	**(19,167,088)**
Finance costs	(2,961,596)	(5,924,609)	(1,611,551)	(647,613)	**(786,638)**
Share of profit/(loss) of associates	130,223	(468,476)	–	–	**–**
(Loss)/Profit before income tax	(139,099,950)	(133,048,117)	10,480,580	(232,964,326)	**(19,953,726)**
Income tax (expense)/credit	(1,913,869)	(593,946)	(3,927,660)	(880,361)	**11,163**
(Loss)/Profit for the year	(141,013,819)	(133,642,063)	6,552,920	(233,844,687)	**(19,942,563)**

CONSOLIDATED ASSETS AND LIABILITIES

	2013 HK$	2014 HK$	2015 HK$	2016 HK$	**2017** **HK$**
Non-current assets	123,574,685	54,406,777	36,850,227	10,949,415	**10,224,732**
Current assets	306,377,720	310,064,053	367,581,111	129,238,442	**237,062,415**
Current liabilities	106,809,209	148,367,135	83,278,810	49,574,149	**153,870,064**
Non-current liabilities	14,627,371	4,707	4,707	4,707	**4,707**