華人策略控股有限公司

Chinese Strategic Holdings Limited

(incorporated in Bermuda with limited liability)

Stock Code: 8089

Annual Report

2017

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This annual report, for which the directors (the "Directors") of Chinese Strategic 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 Exchange ("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 annual report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this annual report misleading.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Kwok Hing Wilfred *J.P. (Chairman)*
Ms. Chan Shui Sheung Ivy
Mr. Mok Tsan San

Independent Non-executive Directors

Ms. Yuen Wai Man
Mr. Chow Fu Kit Edward
Mr. Lam Raymond Shiu Cheung

AUTHORISED REPRESENTATIVES

Mr. Lam Kwok Hing Wilfred *J.P.*
Ms. Chan Shui Sheung Ivy

AUDIT COMMITTEE

Ms. Yuen Wai Man *(Chairman)*
Mr. Chow Fu Kit Edward
Mr. Lam Raymond Shiu Cheung

NOMINATION COMMITTEE

Mr. Lam Raymond Shiu Cheung *(Chairman)*
Mr. Lam Kwok Hing Wilfred *J.P.*
Ms. Yuen Wai Man
Mr. Chow Fu Kit Edward

REMUNERATION COMMITTEE

Ms. Yuen Wai Man *(Chairman)*
Mr. Lam Kwok Hing Wilfred *J.P.*
Mr. Chow Fu Kit Edward
Mr. Lam Raymond Shiu Cheung

COMPANY SECRETARY

Ms. Cheung Ching Man

COMPLIANCE OFFICER

Mr. Lam Kwok Hing Wilfred *J.P.*

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

2nd Floor
Lee Kum Kee Central
54-58 Des Voeux Road Central
Hong Kong

WEBSITE

www.chinesestrategic.com

E-MAIL

info@chinesestrategic.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04, 33rd Floor
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

AUDITOR

Asian Alliance (HK) CPA Limited
Suites 313-316, 3/F
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Fubon Bank (Hong Kong) Limited
Nanyang Commercial Bank, Ltd.
Bank of Communications Co., Ltd.

STOCK CODE

8089

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in businesses of properties investments, securities trading, loan financing and trading business. The revenue of the Group for the year ended 31 December 2017 amounted to approximately HK$10,267,000, representing an increase of 17.5% as compared with approximately HK$8,738,000 in the preceding financial year. The increase in revenue was mainly due to a new launched segment of trading business.

Properties Investment

The Group recorded a rental income of approximately HK$2,453,000 for the year ended 31 December 2017 (2016: approximately HK$2,474,000) through properties leasing. The property market in Hong Kong has experienced rebound in the price and reached its highest record since the fourth quarter of 2016, the Group recorded a gain arising from fair value changes of investment properties of approximately HK$6,460,000 (2016: approximately HK$5,215,000).

As at 31 December 2017, the fair value of investment properties of the Group amounted to approximately HK$117,700,000 (31 December 2016: approximately HK$111,240,000).

Securities Trading

During the year ended 31 December 2017, through disposal of investments held for trading, the Group recorded a gain of approximately HK$11,230,000 (2016: loss approximately HK$69,431,000). With the volatile securities market affected by both political and economical factors frequently, the Group recorded a loss arising from the fair value changes of investments held for trading of approximately HK$31,171,000 (2016: approximately HK$9,177,000).

As at 31 December 2017, the Group had investments held for trading amounted to approximately HK$204,232,000 (31 December 2016: approximately HK$222,868,000).

BUSINESS REVIEW *(Continued)*

Securities Trading *(Continued)*

Investments with market value exceeding HK$20,000,000 as at 31 December 2017 are as follows:

	As at 31 December 2017				For the year ended 31 December 2017			
Company	No. of shares held	Approx. percentage of shareholdings	Investment cost (average)	Fair value	Stock price performance	Price range	(Loss) gain on disposal	Dividend received
					(%)	*(HK$)*		
			HK$'000	*HK$'000*	*Approx.*	*Approx.*	*HK$'000*	*HK$*
China Fortune Financial Group Limited	181,350,000	2.56%	43,524	30,648	(47)%	0.157 – 0.32	(19,907)	Nil
In Technical Productions Holdings Limited	5,280,000	0.66%	31,046	32,208	1,933%	0.53 – 7.15	(34)	Nil

The Group, in general, adopts an investment strategy that is both prudent and cautious with the overriding aim of achieving healthy investment returns. In formulating and realizing the said strategy, the Group will take into account a range of factors when considering prospective investments and when monitoring its existing investment portfolio including, but not limited to, the risks and likely return associated with each of its investments, the range and diversity of investments held in the Group's portfolio from time to time, the liquidity of the Group's investments and the anticipated cash flow requirements of each of its investments.

Loan Financing

During the year ended 31 December 2017, the performance of the loan financing business was not satisfactory with tightened credit policy and keen market competition. It was recorded a drop of 42% in the interest income to approximately HK$3,614,000 from HK$6,241,000 in the preceding financial year.

Trading Business

In order to broaden the revenue stream of the Group, the Group has started the trading business. With sustained economic growth as well as being one of the largest consumer of tea in the world that is steeped in tea culture, China has fueled the surge in demand for high quality tea leaves in recent years. As the demand for high quality tea leaves in this region continues to grow, the Group is of the view that this is a business area that has strong potential growth and room for healthy financial returns. With this mind, the Group ventured into tea trading transactions in the last quarter of 2017. The Group recorded the revenue and operating loss of tea leaves trading were approximately HK$4,200,000 and HK$468,000 respectively.

BUSINESS REVIEW *(Continued)*

Financial Assets

The Group held an investment portfolio, classified as available-for-sale financial assets with carrying value of approximately HK$3,634,000 as at 31 December 2017 (31 December 2016: approximately HK$45,682,000). An unlisted investment funds of approximately HK$39,790,000 denominated in USD and managed by an international investment bank was redeemed in February 2017 to capitalize its capital gain from the investment in available-for-sale financial assets to support the general working capital of the Group. The net proceeds from the redemption were approximately HK$40,898,000. The management will again look for desirable fund investment opportunities for the benefit of the Company and its shareholders.

The Group held certain unlisted convertible bonds issued by a Hong Kong listed company and a private company, classified as convertible instruments designated as financial assets at fair value through profit or loss, amounted to approximately HK$27,449,000 as at 31 December 2017 (31 December 2016: approximately HK$38,851,000). The convertible instruments were measured at fair value at the reporting end date. In this regard, a gain arising from fair value changes of convertible instruments designated as financial assets at fair value through profit or loss of approximately HK$2,265,000 was recorded during the year ended 31 December 2017 (2016: loss of approximately HK$6,229,000).

The carrying value of the aforesaid investments, representing 4% of the total assets of the Group, is mark to market value and its performance is affected by Hong Kong stock market and global economic environment.

FINANCIAL REVIEW

For the year ended 31 December 2017, the Group recorded a revenue of approximately HK$10,267,000 (2016: approximately HK$8,738,000), representing an increase of approximately 17.5% as compared with the preceding financial year. The increase in revenue was mainly due to a new segment of trading business launched in the last quarter of 2017.

Administrative expenses for the year ended 31 December 2017 was approximately HK$80,221,000 (2016: approximately HK$103,302,000), representing a decrease of 22.3% as compared with the preceding financial year. The decrease in administrative expenses was mainly due to share-based payment expenses of approximately HK$12,524,000 in respect of the share options granted on 23 March 2016.

The Group incurred finance costs of approximately HK$20,673,000 for the year ended 31 December 2017 (2016: approximately HK$35,019,000), which mainly comprised interest on interest bearing bank borrowing and other borrowings, margin accounts and bonds.

The loss attributable to the owners of the Company for the year ended 31 December 2017 aggregated at approximately HK$86,462,000 (2016: approximately HK$350,928,000). Loss for the year was mainly attributable to loss on fair value changes of investments held for trading, administrative expenses and finance costs. The basic loss per share for the year ended 31 December 2017 was approximately HK57.79 cents (2016: HK343.62 cents (Restated)).

OUTLOOK

Hong Kong residential property prices have continued its upward trajectory throughout 2017 despite the continued risks of rising interest rates and mounting political tension in the region among the United States, North Korea, China and other neighbouring nations. Given that residential property prices in Hong Kong have now reached an unprecedented high, the management will adopt a very cautious and conservative approach when seeking out new property investment opportunities for the Company during the coming financial year.

Over the past few months, there have been significant fluctuations in all of the key stock markets in the world (including Hong Kong) which is perhaps indicative of the unpredictability of market sentiments in the coming financial year. The management will, therefore, continue to adopt a prudent approach in all its securities investment dealings.

All in all, the management is of the view that the business environment in 2018 will primarily be driven by world-wide economic and political factors that will have far-reaching implications for this region. Such factors will pose as challenges and business opportunities in equal measure which the management will attempt to navigate with cautious and practical business acumen.

INTEREST IN A JOINT VENTURE

The Group's investment in the joint venture 長沙賽格發展有限公司 (Changsha Seg Development Co Limited) ("Changsha Seg") performed satisfactorily during the year ended 31 December 2017. The Group's share of result of Changsha Seg amounted to approximately HK$2,518,000 for the year ended 31 December 2017 (2016: approximately HK$11,323,000). The net assets of Changsha Seg was approximately HK$301,133,000 (2016: approximately HK$274,758,000).

Changsha Seg is principally engaged in rental of office premises and a shopping mall in Changsha, the People's Republic of China that is situated at a prime location near the Changsha Railway Station. The Group has been working closely with its partner, Shenzhen Seg Co. Ltd., a company listed on the Shenzhen Stock Exchange, as well as the other shareholders of Changsha Seg, in respect of its operation and development.

FUND RAISING ACTIVITIES

On 10 April 2017, the Company proposed to raise not less than approximately HK$57,439,171 and not more than approximately HK$71,212,171, before expenses, by way of the open offer, by issuing not less than 574,391,712 offer Shares and not more than 712,121,712 offer Shares at the subscription price of HK$0.1 per offer share on the basis of one (1) offer Share for every two (2) existing Shares held by the qualifying shareholders of the Company on the record date (the "Open Offer").

Completion of the Open Offer took place on 26 June 2017. An aggregate of 574,391,712 offer Shares were issued and the estimated and actual net proceeds approximately HK$54,200,000 and HK$55,175,000 respectively were raised by way of the Open Offer. The Company used the actual net proceeds from the Open Offer as to (i) approximately HK$39,100,000 for the repayment of the short-term borrowings due from the Group to certain financial institutions; (ii) approximately HK$4,100,000 for settlement of the outstanding operation payable of the Group; and (iii) approximately HK$11,975,000 for staff costs and other administrative expenses of the Group.

Details of the Open Offer are set out in the announcements of the Company dated 10 April 2017, 12 April 2017, 21 April 2017, 2 May 2017, 19 May 2017, 26 May 2017 and 23 June 2017 and the prospectus of the Company dated 2 June 2017.

On 17 October 2017, the Company entered into the placing agreement with the placing agent, pursuant to which the placing agent has conditionally agreed to procure on a best effort basis to not less than six placees under general mandate to subscribe for up to 34,460,000 placing shares at the placing price of HK$0.8 per placing share (the "Placing"). The Placing was completed on 9 November 2017. The estimated and actual net proceeds from the placing amounted to approximately HK$26,700,000 and HK$26,879,000 respectively. The Company used the actual net proceeds from the Placing as to (i) approximately HK$7,200,000 for the settlement of short-term borrowings and interest payments; and (ii) approximately HK$19,679,000 for the staff cost and other administrative expenses of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group principally finances its operations through a combination of shareholders' equity, internally generated cash flows and borrowings.

As at 31 December 2017, the Group had cash and cash equivalent of approximately HK$49,146,000 (31 December 2016: approximately HK$34,489,000), interest-bearing borrowings of approximately HK$139,226,000 (31 December 2016: approximately HK$149,807,000) and bonds payable of HK$50,000,000 (31 December 2016: HK$50,000,000).

As at 31 December 2017, the gearing ratio (measured as total liabilities to total assets) was approximately 30.7% (31 December 2016: approximately 30.5%).

CAPITAL STRUCTURE

The Company announced on 10 April 2017 to put forward a proposal, to implement a share consolidation on the basis that every ten (10) Shares of HK$0.001 each in the issued and unissued capital of the Company be consolidated into one (1) consolidated Share of HK$0.01 each (the "Share Consolidation") and to change the board lot size for trading in the Shares on the Exchange from 2,000 Shares (or 200 consolidated Shares upon the Share Consolidation becoming effective) to 1,800 consolidated Shares after and conditional upon the Share Consolidation becoming effective.

The Share Consolidation was approved by the shareholders of the Company at the special general meeting held on 26 June 2017. Subsequently, as on 27 June 2017, the Company's number of issued Shares was changed from 1,723,175,137 of HK$0.001 each to 172,317,513 of HK$0.01 each and the board lot size for trading in the Shares on the Exchange was changed from 2,000 Shares to 1,800 consolidation Shares.

For details, please refer to the announcements of the Company dated 10 April 2017, 12 April 2017, 21 April 2017, 2 May 2017, 19 May 2017, 26 May 2017 and 26 June 2017 and the circular of the Company dated 7 June 2017.

As at 31 December 2017 after the Open Offer, Share Consolidation and Placing, the Company's issued Share capital was HK$2,067,775 (31 December 2016: HK$1,148,783), divided into 206,777,513 Shares of HK$0.01 each (31 December 2016: 1,148,783,425 Shares of HK$0.001 each).

CAPITAL COMMITMENTS

As at 31 December 2017 and 31 December 2016, the Group did not have any capital commitments.

CONTINGENT LIABILITIES

As at 31 December 2017 and 31 December 2016, the Group did not have any material contingent liability.

CHARGES ON ASSETS

As at 31 December 2017, investment properties and certain investments held for trading with an aggregate carrying value of approximately HK$258,126,000 have been pledged to banks and other financial institutions to secure the credit facilities granted to the Group.

SIGNIFICANT INVESTMENT

Save as disclosed in this annual report, the Group did not have any other significant investment during the year ended 31 December 2017.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this annual report, the Group did not process any material acquisition or disposal during the year ended 31 December 2017.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The reporting currency adopted by the Group is Hong Kong dollars ("HK$"). The majority of the Group's sales, receivables and expenditures are denominated in HK$, United States dollars ("USD") or Renminbi ("RMB"). HK$ is closely linked with USD. Although the exchange rate of HK$ against RMB had slightly depreciated during the year under review, the Directors do not consider that the Group is exposed to any material foreign currency exchange risk. No hedging or other similar device has been implemented. However, the Directors will constantly monitor the Group's foreign exchange exposure and implement foreign currency hedging measures should the need arises.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

The Group had 45 employees (31 December 2016: 48 employees) in Hong Kong and Mainland China as at 31 December 2017. During the year ended 31 December 2017, the Group incurred staff costs (including Directors' emoluments) of approximately HK$29,814,000 (2016: approximately HK$37,562,000).

The emoluments of the Directors are recommended by the remuneration committee, and approved by the Board, as authorized by the shareholders of the Company in the annual general meeting of the Company, having regard to the respective Directors' skills, knowledge and involvement in the Company's affairs. None of the Directors are involved in deciding their own remuneration.

The employees are remunerated with basic salary, discretionary bonus and share options with reference to corporate and individual's performance during the year. The Group offers competitive remuneration package, including medical and retirement benefits, to eligible employees. Apart from basic salary, executive Directors and employees are eligible to receive a discretionary bonus taking into account factors, such as market conditions as well as corporate and individual's performance during the year.

ADVANCE TO AN ENTITY

On 15 February 2015 and 24 March 2015, Hong Kong Entertainment (Overseas) Investments Limited ("HKE") and Tinian Entertainment Co., Ltd ("TEC"), a former indirect wholly-owned subsidiary of the Company, entered into a provisional operating agreement and operating agreement respectively ("Operating Agreement") under which HKE intended to lease to TEC and TEC intended to lease from HKE, the leased property comprising of the Hotel-Casino Complex and the relevant assets at the occupation fees of approximately HK$133,000,000. Upon the entering into the Operating Agreement, TEC has paid HKE a refundable deposit of HK$50,000,000, which has been set off with part of the rental prepayment repayable by HKE.

ADVANCE TO AN ENTITY *(Continued)*

Following to the term sheet of 7 April 2016 and the restructuring agreement of 29 April 2016 regarding the restructuring of the Hotel-Casino Complex, the total outstanding amount due from HKE to Gain Millennia Limited (the "GML") an indirect wholly-owned subsidiary of the Company and TEC and other moneys payable by HKE to GML and/or its affiliated companies is HK$164,624,000 (the "GML Outstanding Amount"). Pursuant to the restructuring agreement, a new company incorporated by Mr. Chen Chien Yeh ("NewCo") shall issue a convertible bonds in a principal sum of USD21,150,002 to GML or its nominee as a full and final settlement of the GML Outstanding Amount. On 29 June 2016, a supplemental agreement was entered into to extend the long stop date of the restructuring agreement from 30 June 2016 to 30 September 2016. On 30 September 2016 the restructuring agreement lapsed. As at 31 December 2017, the net amount due and owing by HKE in the aggregate sum of HK$164,624,000.

The Company is seeking legal and other professional advice on formulating a prudent and workable action plan and negotiating with HKE for the recovery of the GML Outstanding Amount. The management has taken a prudent approach and made full impairment of the GML Outstanding Amount during the year ended 31 December 2016.

Details are set out in the announcements of the Company dated 23 February 2015, 3 March 2015, 20 April 2015, 7 April 2016, 29 April 2016, 11 May 2016 and 29 June 2016.

LITIGATIONS

Concerning the six (6) sets of proceedings instituted by Fameway Finance Limited ("Fameway"), a wholly-owned subsidiary of the Company carrying on business as a licensed money lender in Hong Kong, five (5) of which have already been disposed of while Fameway is embarking on enforcement procedures in the remaining claim in reliance on legal advice.

In another litigation matter which has also been reported previously, the Company and King Perfection Limited have obtained judgment but one of the judgment debtors has been wound up. Both the Company and King Perfection Limited are relying on legal advice for further conduct and for protection of their interest.

In relation to the litigation matter in which the Company was sued as the 2nd Defendant under HCA701 of 2013, the Company has restored the hearing of the Plaintiff's application to amend its Amended Statement of Claim and further issued another summons to strike out the Writ of the Plaintiff and its Re-Amended Statement of Claim (if leave for re-amendment be granted). These 2 applications will be heard on 14 June 2018.

LITIGATIONS *(Continued)*

Concerning the litigation matter instituted by GML, at the Superior Court for the Commonwealth of the Northern Mariana Islands, GML has, as previously reported, obtained judgment in default against Hong Kong Entertainment (Overseas) Investments Limited. GML is relying on legal advice for any possible enforcement.

The Company will announce or disclose the conduct of litigation matters and/or outcome of enforcement wherever appropriate or necessary.

EXECUTIVE DIRECTORS

Mr. Lam Kwok Hing Wilfred, *J.P.* ("Mr. Lam"), aged 58, was appointed as a non-executive Director on 2 September 2013 and has been re-designated as chairman of the Board and an executive Director with effect from 1 January 2014. He has also been appointed as members of the nomination committee and the remuneration committee of the Company, the authorized representative for accepting service of process and notices in Hong Kong on behalf of the Company as required pursuant to Rule 5.24 of the GEM Listing Rules and Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and compliance officer of the Company, all with effect from 8 January 2014. Mr. Lam was a joint company secretary of the Company from February 2014 to June 2016 and is currently the director of certain subsidiaries of the Company.

Mr. Lam is an executive director (re-designated from an executive director to a non-executive director on 1 July 2015 and from a non-executive director to an executive director on 12 April 2017) of Hong Kong Resources Holdings Company Limited (stock code: 2882), a company listed on the Main Board of the Exchange.

Mr. Lam was a non-executive director of The Hong Kong Building and Loan Agency Limited (stock code: 145) from October 2011 to October 2017 and a chairman and an executive director of Lamtex Holdings Limited (formerly known as China New Energy Power Group Limited) (stock code: 1041) from June 2015 to March 2016, both companies listed on the Main Board of the Exchange.

Mr. Lam is a Justice of Peace of the Hong Kong Special Administrative Region and was awarded the Queen's Badge of Honour in January 1997. He holds a bachelor degree of Law with honours from The University of Hong Kong. He is a practising solicitor in Hong Kong and is a consultant lawyer of WT Law Offices and Lam, Lee & Lai Solicitors & Notaries. He also holds a professional qualification of Estate Agent's (Individual) Licence in Hong Kong.

Ms. Chan Shui Sheung Ivy ("Ms. Chan"), aged 53, was appointed as an executive Director on 25 August 2008. Ms. Chan graduated from the University of South Australia with a Master of Business Administration degree. Ms. Chan has over 24 years of experience in investment and is currently the director of certain subsidiaries of the Company. She is also a director of Channel Enterprises (Int'l) Limited.

EXECUTIVE DIRECTORS *(Continued)*

Mr. Mok Tsan San ("Mr. Mok"), aged 46, was appointed as an executive Director on 12 August 2014. Mr. Mok is the managing director of Capital Union Investments Limited, a direct investment firm with a portfolio in Greater China and overseas. He is also currently a non-executive director of Casablanca Group Limited (stock code: 2223), a company listed on the Main Board of the Exchange. Mr. Mok was an executive director of Chinese Food and Beverage Group Limited (stock code: 8272), a company listed on the GEM of the Exchange during the period from April 2014 to December 2016. He was also an executive director of Hin Sang Group (International) Holding Co., Ltd. (stock code: 6893) during the period from 1 May 2015 to 29 September 2015 and a non-executive director of Newtree Group Holdings Limited (stock code: 1323) during the period from 27 August 2014 to 28 February 2016, both companies listed on the Main Board of the Exchange. With over 15 years of solid experiences in fund raising and investment syndication in a number of ventures, he has helped, funded, and/or personally invested in and advised in a number of other Silicon Valley companies in Hong Kong, including but not limited to Facebook Inc. and Proteus Digital Health. Mr. Mok began his career in Babtie Asia Limited (now Jacobs Engineering Group Inc.), an international civil engineering consulting firm as an engineer. He holds a Bachelor of Science degree in Civil Engineering from Ohio State University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Yuen Wai Man ("Ms. Yuen"), aged 46, was appointed as an independent non-executive Director on 4 July 2008. She was also appointed as the chairmen of the audit and remuneration committees of the Company and a member of nomination committee of the Company on 4 July 2008. She graduated from The University of Hong Kong with a degree in Business Administration in 1994. She is the fellow member of The Association of Chartered Certified Accountants, fellow member of The Hong Kong Institute of Certified Public Accountants and overseas member of The Chinese Institute of Certified Public Accountants. Ms. Yuen has worked in accounting and auditing area for over 23 years. She is currently an independent non-executive director of China Eco-Farming Limited (stock code: 8166), a company listed on the GEM of the Exchange and was an independent non-executive director of The Hong Kong Building and Loan Agency Limited (stock code: 145), a company listed on the Main Board of the Exchange, during the period from November 2012 to October 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Chow Fu Kit Edward ("Mr. Chow"), aged 50, was appointed as an independent non-executive Director on 14 May 2012. He was also appointed as members of the audit committee, nomination committee and remuneration committee of the Company on 14 May 2012. Mr. Chow has over 23 years of experience in power industry and is specialised in business strategy development, change management, materials procurement and marketing for power company. He holds a Master's degree of Engineering in Mechanical Engineering from The University of Hong Kong and a Master's degree of Business Administration from The Chinese University of Hong Kong. He is a Chartered Engineer, member of Institution of Mechanical Engineers and The Hong Kong Institution of Engineers.

Mr. Lam Raymond Shiu Cheung ("Mr. Lam"), aged 52, was appointed as an independent non-executive Director on 1 September 2017. He was also appointed as the chairman of the nomination committee of the Company and member of the audit committee and remuneration committee of the Company on 1 September 2017. Mr. Lam graduated from the Victoria University of Melbourne, Australia, with a Bachelor of Business Degree majoring in banking and finance. He also earned a Master Degree in Applied Finance from Macquarie University of Australia. Mr. Lam has 26 years' extensive experience in business development and corporate finance. He started his career in corporate banking, after which he joined one of the biggest oil companies in the USA specializing in the area of business development.

Mr. Lam is currently an executive director of Chinese Food and Beverage Group Limited (Stock Code: 8272) and an independent non-executive director of China Assurance Finance Group Limited (Stock Code: 8090) and Yin He Holdings Limited (Stock Code: 8260), all companies listed on the GEM of the Exchange. He is also an independent non-executive director of Kakiko Group Limited (stock code: 2225), a company listed on the Main Board of the Exchange.

REPORT OF DIRECTORS

The Board presents this annual report together with the audited consolidated financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in businesses of properties investments, securities trading, loan financing and trading business.

SEGMENT INFORMATION

An analysis of the Group's performance for the year ended 31 December 2017 by business segment is set out in Note 8 to the accompanying consolidated financial statements.

RESULTS

Details of the Group's results for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 63 and 65 of this annual report.

BUSINESS REVIEW AND COMMENTARY

The business review of the Group for the year ended 31 December 2017 is set out in the section headed "Management Discussion and Analysis" on pages 4 to 14 of this annual report.

Environmental performance

The Company is committed to conserving and protecting the natural resources while minimising impact on the environment. To build a greener future, the Company is committed to implementing policies and measures to foster reduction of the Group's environmental impact. Energy saving and power monitoring systems are in place for various business units to monitor our environmental performance. The Company also strives to follow energy saving practices in office premises where applicable.

For details, please refer to the section headed "Environmental, Social and Governance Report" on pages 49 to 55 of this annual report.

BUSINESS REVIEW AND COMMENTARY *(Continued)*

Compliance with laws and regulations

The Group is committed to complying with the requirements of the Personal Data (Privacy) Ordinance, and ordinance relating to disability, sex, family status and race discrimination, as well as the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees.

The Group is also committed to safeguarding the security of personal data. When collecting and processing such data, the Group complies with the Personal Data (Privacy) Ordinance and guidelines issued by the Office of the Privacy Commissioner for Personal Data, with a view to protecting the privacy of its employees and customers, etc.

The Group has also complied with the Stamp Duty Ordinance, Rating Ordinance and Inland Revenue Ordinance in respect of renting of premises during the year ended 31 December 2017.

During the year ended 31 December 2017, the Group was not aware of any non-compliance with any relevant laws and regulations that has a significant impact on it.

For details, please refer to the section headed "Environmental, Social and Governance Report" on pages 49 to 55 of this annual report.

Key relationships with stakeholders

The skills and competencies of the staff enable the Group to create value by building the corporate expertise to deliver business objectives.

The Company is committed to maintaining high standards of health and safety for staff. The Company ensures that the operations comply, at a minimum, with local health and safety laws as well as industry best practices. Routine training is provided to the staff to enable effective health and safety management throughout the organisation. Emergency preparation and contingency planning, for example, fire drill, have been developed to ensure incidents are responded to in a timely and effective manner.

BUSINESS REVIEW AND COMMENTARY *(Continued)*

Key relationships with stakeholders *(Continued)*

Safety is the pre-requisite for the Group to effectively run the business. Ensuring compliance with the required health, safety and labour standards is very important to the Group. The Group is committed to protecting the safety and health of the employees pursuant to relevant regulations and standards.

Employee management focuses on recruiting and growing the right people who add expertise while maintaining a broader outlook in the Company's industry. The Group's success is dependent on retaining employees in key areas of the business, therefore regularly review on remuneration packages to ensure competitiveness and promote training for the Company's staff is important. Staff performance is measured on a regular and structured basis to provide employees with appropriate feedback and to ensure their alignment with the Group's corporate strategy.

Apart from the relationship with employees, building sustainable and long-term relationships with tenants are also one of the Group's primary objectives. The Group strives to provide tenants with quality service and timely response to their enquiries. On-the-job training has been provided to staff to deal with tenants in various scenarios.

For details, please refer to the section headed "Environmental, Social and Governance Report" on pages 49 to 55 of this annual report.

Principal risks and uncertainties

The Group's financial conditions, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. Key risks and uncertainties affecting the Group include market risk, credit risk and liquidity risk which are set out in Note 6(b) to the accompanying consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 227 of this annual report.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and associates are set out in Notes 48 and 20 to the accompanying consolidated financial statements, respectively.

PLANT AND EQUIPMENT

Details of movements in plant and equipment during the year ended 31 December 2017 are set out in Note 17 to the accompanying consolidated financial statements.

DIVIDEND

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

DONATION

During the year ended 31 December 2017, the Group's charitable donations amounted to HK$231,500.

SHARE CAPITAL

Details of movements in share capital of the Company are set out in Note 36 to the accompanying consolidated financial statements.

RESERVES

Movements in reserves of the Group during the year ended 31 December 2017 are set out in the section headed "Consolidated Statement of Changes in Equity" on pages 68 and 69 of this annual report.

The Company had no reserves available for distribution to shareholders of the Company as at 31 December 2017 (2016: nil).

SHARE OPTION SCHEME

The Company adopted a share option scheme on 22 November 2002 which was expired on 21 November 2012 (the "Expired Share Option Scheme"), to allow the Company to grant share options to the participants for the purpose of providing incentives or rewards to the participants for their contribution to the Group. Pursuant to an ordinary resolution passed and approved at the special general meeting of the shareholders of the Company held on 2 April 2014, the Company adopted a new share option scheme to continue to provide incentives and/or rewards to the participants by way of granting options. The general scheme limit of the Company is 17,231,751 shares which was refreshed on 28 June 2017 by the shareholders of the Company at the annual general meeting representing 10% of the issued share capital by the time of passing the relevant resolution and approximately 8% of the issued share capital as at the date of this annual report. Details of the share options granted and outstanding during the year ended 31 December 2017 were:

		Number of share options							
			During the year ended 31 December 2017						
Name of category	Date of grant of share options	Outstanding as at 01.01.2017	Granted	Exercised	Adjusted	Lapsed	Outstanding as at 31 December 2017	Validity period of shares options	Exercise price HK$
Employees	3/4/2007	1,000,000	–	–	–	1,000,000	–	3/4/2007-2/4/2017	7.35
Consultants	3/4/2007	1,200,000	–	–	–	1,200,000	–	3/4/2007-2/4/2017	7.35
Employees	23/3/2016	6,820,000	–	–	(6,142,843)	–	677,157	23/3/2016-22/3/2026	6.1640*
Consultants	23/3/2016	19,640,000	–	–	(17,689,944)	–	1,950,056	23/3/2016-22/3/2026	6.1640*
Directors									
Lam Kwok Hing Wilfred	23/3/2016	3,000,000	–	–	(2,702,130)	–	297,870	23/3/2016-22/3/2026	6.1640*
Chan Shui Sheung Ivy	23/3/2016	3,000,000	–	–	(2,702,130)	–	297,870	23/3/2016-22/3/2026	6.1640*
Mok Tsan San	23/3/2016	3,000,000	–	–	(2,702,130)	–	297,870	23/3/2016-22/3/2026	6.1640*
		37,660,000	–	–	(31,939,177)	(2,200,000)	3,520,823		

* *Following the Open Offer and Share Consolidation on 26 June 2017 and 27 June 2017, respectively, the exercise price of the outstanding share options was adjusted from HK$0.6120 to HK$6.1640.*

A summary of the Expired Share Option Scheme and the new share option scheme of the Company is set out in Note 37 to the accompanying consolidated financial statements.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in Note 39 to the accompanying consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the bye-laws of the Company (the "Bye-laws") and the laws in Bermuda.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

EQUITY-LINKED AGREEMENTS

Other than (i) the open offer proposed on 10 April 2017 and (ii) the placing agreement dated 17 October 2017, both as set out in the section headed "Management Discussion and Analysis" and under sub-heading "Fund Raising Activities" and (iii) the share option scheme of the Company as set out in Note 37 to the consolidated financial statements, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company or subsisting during the year ended 31 December 2017.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's revenue and purchases attributable to the major customers and supplier respectively for the year ended 31 December 2017 is as follows:

	Percentage of revenue
The largest customer	40.9%
Five largest customers combined	72.0%

	Percentage of purchase
The largest supplier	100%
Five largest suppliers combined	100%

The principal businesses of the Group are properties investments, securities trading, loan financing and trading business.

During the year ended 31 December 2017, none of the Directors, their close associates, or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had an interest in the Group's five largest customers and suppliers.

RELATED PARTY TRANSACTIONS

The related party transactions of the Group are disclosed in Note 40 to the accompanying consolidated financial statements.

These related party transactions did not fall under the definition of connected transaction or continuing connected transaction as defined in the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting date are set out in Note 49 to the accompanying consolidated financial statements.

DIRECTORS

The Directors who held office during the year ended 31 December 2017 and up to the date of this annual report are:

Executive Directors
Mr. Lam Kwok Hing Wilfred *J.P. (Chairman)*
Ms. Chan Shui Sheung Ivy
Mr. Mok Tsan San

Independent Non-executive Directors
Ms. Yuen Wai Man
Mr. Chow Fu Kit Edward
Mr. Lam Raymond Shiu Cheung (appointed on 1 September 2017)
Mr. Wang Chin Mong (resigned on 23 March 2017)
Mr. Matthew Pau (appointed on 8 June 2017 and resigned on 1 September 2017)

Under the Bye-laws, all Directors are subject to retirement by rotation at least once every three years.

In accordance with Bye-law no. 86(2), Mr. Lam Raymond Shiu Cheung will hold office until the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, offer himself for re-election at the forthcoming AGM.

In accordance with Bye-law no. 87(1), Ms. Chan Shui Sheung Ivy and Mr. Chow Fu Kit Edward will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

Pursuant to Code Provision A.4.3 of the Corporate Governance Code and Corporate Governance Report, (Appendix 15) to the GEM Listing Rules, if an independent non-executive director serves more than 9 years, any further appointment of such independent non-executive director should be subject to a separate resolution to be approved by shareholders. Upon the expiry of the current employment contract, Ms. Yuen Wai Man has served on the Board for more than 9 years. The reasons why the Board believes she is still independent and shall be re-elected would be included in the papers to shareholders accompanying the condition for her re-election. According to the above GEM Listing Rules, Ms. Yuen Wai Man shall retire from office at the forthcoming annual general meeting and, being eligible, will offer herself for re-election at the forthcoming AGM.

DIRECTORS *(Continued)*

The independent non-executive Directors are appointed for a specific term, subject to retirement by rotation in accordance with the Bye-laws.

None of the Directors being proposed for re-elections at the forthcoming AGM 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.

BOARD OF DIRECTORS' BIOGRAPHIES

Biographical details of the Directors as at the date of this annual report are set out on pages 15 to 17 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments of the Directors and the five highest paid employees of the Group are set out in Notes 13 and 14 to the accompanying consolidated financial statements, respectively.

SERVICE CONTRACT AND APPOINTMENT LETTER OF DIRECTORS

Mr. Lam Kwok Hing Wilfred has entered into an appointment letter with the Company effective from 2 September 2013 as a non-executive Director and was terminated on 31 December 2013. He has entered into another appointment letter with the Company effective from 1 January 2014 regarding the re-designation from non-executive Director to executive Director and the appointment as chairman of the Board.

Ms. Chan Shui Sheung Ivy has entered into an appointment letter with the Company effective from 1 January 2013.

Mr. Mok Tsan San has entered into an appointment letter with the Company effective from 12 August 2014.

SERVICE CONTRACT AND APPOINTMENT LETTER OF DIRECTORS *(Continued)*

Ms. Yuen Wai Man has entered into an appointment letter with the Company for a fixed term from 1 January 2018 to 31 December 2018.

Mr. Chow Fu Kit Edward has entered into an appointment letter with the Company for a fixed term from 1 January 2018 to 31 December 2018.

Mr. Lam Raymond Shiu Cheung has entered into an appointment letter with the Company for a fixed term from 1 September 2017 to 31 August 2018.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business pursuant to which the Company or any of its subsidiaries was a party and in which any of the Directors or Company's members of its management had a material interest, whether directly or indirectly, subsisted at 31 December 2017 or at any time during the year ended 31 December 2017.

COMPETING INTERESTS

None of the Directors or any of their respective associates (as defined in the GEM Listing Rules) had any business or interest that competes or may compete with the business of the Group or had any other conflict of interest with the Group during the year ended 31 December 2017.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES OF THE COMPANY

As at 31 December 2017, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provision of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Long position in shares and underlying shares of the Company

Name of Director	Type of interests	Number of issued ordinary shares held	Number of underlying shares	Approximate percentage of the issued share capital
Lam Kwok Hing Wilfred	Beneficial owner	–	297,870 *(Note)*	0.14%
Chan Shui Sheung Ivy	Beneficial owner	9,000	297,870 *(Note)*	0.14%
Mok Tsan San	Beneficial owner	–	297,870 *(Note)*	0.14%

Note:

All underlying shares are share options granted by the Company on 23 March 2016 under the Company's share option scheme at the exercise price of HK$6.1640 per share which was adjusted after taking into account the effect of the open offer and share consolidation of the shares became effective on 26 June 2017 and 27 June 2017 respectively.

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the above section headed "Directors' and Chief Executives' Interests in Shares of the Company", at no time during the year ended 31 December 2017 was the Company or any of its subsidiaries a party to any arrangement to enable any of the Directors or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, and none of the Directors, their spouse or their children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year ended 31 December 2017.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, persons (other than a director or chief executive of the Company) who had interests or short positions directly or indirectly in the Company's shares and/or underlying shares recorded in the register kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Exchange were as follows:

Long position in shares and underlying shares of the Company

Name of Shareholders	Capacity	Number of shares	Approximate percentage of interests
Wai Chun Holdings Group Limited	Beneficial owner	27,865,600 (note)	13.47%
Chan Oi Mo	Interest of corporation controlled	27,865,600 (note)	13.47%
Lam Ching Kui	Interest of corporation controlled	27,865,600 (note)	13.47%

Note:

Pursuant to the corporate substantial shareholder notice filed by Wai Chun Holdings Group Limited and the individual substantial shareholder notices filed by Chan Oi Mo and Lam Ching Kui respectively, these shares are held by Wai Chun Holdings Limited, which is owned as to 50% by Chan Oi Mo and 50% by Lam Ching Kui. Accordingly, each of Chan Oi Mo and Lam Ching Kui is deemed to be interested in the shares held by Wai Chun Holdings Group Limited.

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long position in shares and underlying shares of the Company *(Continued)*

As at 31 December 2017, the number of shares issued by the Company was 206,777,513.

Save as disclosed above, the Directors were not aware of any other persons, other than a director or chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company as at 31 December 2017 as recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company or the Exchange.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report from pages 32 to 48 of this annual report.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, every Director shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force throughout the year. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float throughout the year ended 31 December 2017 as required under the GEM Listing Rules.

AUDITOR

The consolidated financial statements for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 were audited by Asian Alliance (HK) CPA Limited.

On behalf of the Board
Lam Kwok Hing Wilfred
Chairman and Executive Director

Hong Kong, 16 March 2018

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (Appendix 15) to the GEM Listing Rules (the "CG Code") for the year ended 31 December 2017 except for the following deviations:

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Throughout the year, the Company did not appoint a chief executive. The Board will keep reviewing the current structure from time to time and appoint candidate with suitable knowledge, skill and experience as chief executive of the Company, if identified.

Under Rule 5.05(1) of the GEM Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors. Under Rule 5.28 of the GEM Listing Rules, the audit committee must comprise a minimum of three members. Subsequent to the resignation of Mr. Wang Chin Mong with effect from 23 March 2017, the number of independent non-executive Directors and audit committee members had fallen below the minimum number required under Rules 5.05(1) and 5.28 of the GEM Listing Rules. On 8 June 2017, the Company appointed Mr. Matthew Pau as an independent non-executive Director and a member of the audit committee of the Company. Hence, the requirements under Rules 5.05(1) and 5.28 of the GEM Listing Rules were fulfilled since then.

DIRECTORS' SECURITIES TRANSACTION

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 (the "Code of Conduct"). Following a specific enquiry, all Directors confirmed that they have complied with the Code of Conduct throughout the year ended 31 December 2017.

BOARD OF DIRECTORS

As at the date of this annual report, the Board consists of six Directors, three of whom are executive Directors, namely Mr. Lam Kwok Hing Wilfred, Ms. Chan Shui Sheung Ivy and Mr. Mok Tsan San, and three of whom are independent non-executive Directors, namely Ms. Yuen Wai Man, Mr. Chow Fu Kit Edward and Mr. Lam Raymond Shiu Cheung.

Biographical details of each Director are set out in the section headed "Board of Directors" from pages 15 to 17 of this annual report.

BOARD OF DIRECTORS *(Continued)*

The Company is committed to having a diversity of the Board to complement the Company's corporate strategy. The Company considers that having a Board with diverse culture would assure Directors that their views are heard, their concerns are attended to and they serve in an environment where bias, discrimination and harassment on any matter are not tolerated. The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Board includes a balanced composition of executive Directors and independent non-executive Directors, and possesses a wide spectrum of relevant skills and experience. All executive Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his or her duties effectively and efficiently. The participation of the independent non-executive Directors in the Board brings independent opinion on issues relating to the Group's strategy, performance, conflicts of interest and management process in order to ensure the interests of all shareholders of the Company have been duly considered. To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among members of the Board.

Throughout the year ended 31 December 2017, the Board consisted of three independent non-executive Directors, two of them have appropriate professional qualification or accounting or related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules.

All independent non-executive Directors are appointed for specific term of one year. They are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-laws.

BOARD OF DIRECTORS *(Continued)*

Pursuant to Rule 5.09 of the GEM Listing Rules, the Company has received a written confirmation from each of the independent non-executive Directors of his/her independence to the Company. The Company considers all independent non-executive Directors to be independent.

The Board is responsible for approving and monitoring business plans, evaluating the performance of the Group and oversight of management. The Board also focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to the executive Directors and senior management of the Company, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through the executive Directors who have attended the Board meetings.

During the year ended 31 December 2017, 25 Board meetings, 1 annual general meeting and 1 special general meeting were held. Details of the attendance of the Directors are as follows:

	Attendance of	
Directors	**Board meetings**	**General meetings**
Executive Directors		
Mr. Lam Kwok Hing Wilfred *(Chairman)*	25/25	2/2
Ms. Chan Shui Sheung Ivy	23/25	2/2
Mr. Mok Tsan San	22/25	2/2
Independent Non-executive Directors		
Ms. Yuen Wai Man	22/25	2/2
Mr. Chow Fu Kit Edward	21/25	2/2
Mr. Lam Raymond Shiu Cheung (appointed on 1 September 2017)	7/10	N/A
Mr. Wang Chin Mong (resigned on 23 March 2017)	4/5	N/A
Mr. Matthew Pau (appointed on 8 June 2017 and resigned on 1 September 2017)	4/7	2/2

BOARD OF DIRECTORS *(Continued)*

A meeting of the independent non-executive directors and the chairman of the Company without the presence of executive Directors was held during the year ended 31 December 2017, pursuant to code provision A.2.7 of the CG Code.

Apart from the regular Board meetings, the Board meets on other occasions when a board-level decision on a particular matter is required. Sufficient notice is given for regular Board meetings to all Directors enabling them to attend and reasonable notice will be given in case of special Board meetings. The Directors will receive details of agenda items for decision and summary of the committee meetings held in advance of each Board meeting (if any).

The company secretary of the Company (the "Company Secretary") is responsible for distributing detailed documents to the Directors prior to the Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. And all Directors have access to the advice and services of the Company Secretary with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed.

Any Director wishing to do so in the furtherance of his or her duties may take independent professional advice at the Company's expense. Directors get familiar with the Group through initial induction, on-going participation at the Board and committee meetings, and meeting with key members of management. The Directors are encouraged to update their skills and knowledge.

TRAINING FOR DIRECTORS

Each newly appointed director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

The Company provides regular updates and presentations on changes and developments relating to the Group's business and the legislative and regulatory environments to the Directors at regular Board meetings.

TRAINING FOR DIRECTORS *(Continued)*

The Directors are committed to complying with Code Provision A.6.5 of the CG Code on Directors' training. All Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided a record of training they received for the year ended 31 December 2017 to the Company.

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

Directors	Type of continuous professional development programmes
Executive Directors	
Mr. Lam Kwok Hing Wilfred *(Chairman)*	A
Ms. Chan Shui Sheung Ivy	B
Mr. Mok Tsan San	A,B
Independent Non-executive Directors	
Ms. Yuen Wai Man	A
Mr. Chow Fu Kit Edward	B
Mr. Lam Raymond Shiu Cheung (appointed on 1 September 2017)	B
Mr. Wang Chin Mong (resigned on 23 March 2017)	B
Mr. Matthew Pau (appointed on 8 June 2017 and resigned on 1 September 2017)	B

notes:

A: attending seminars/forums/workshops/conferences relevant to the business or directors' duties

B: reading regulatory updates

REMUNERATION COMMITTEE

The remuneration committee of the Company was established on 12 August 2005 with written terms of reference. It currently comprises four members, including three independent non-executive Directors; namely, Ms. Yuen Wai Man, Mr. Chow Fu Kit Edward and Mr. Lam Raymond Shiu Cheung; and one executive Director, Mr. Lam Kwok Hing Wilfred. Ms. Yuen Wai Man is the chairman of this committee.

The role and function written in the terms of reference of the remuneration committee are no less exacting terms than the CG Code. The remuneration committee makes recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The remuneration committee also reviews and recommends the Board on its proposals relating to the remuneration of the executive Directors with reference to the Board's corporate goal and objectives. No Directors or any of his/her associates can be involved in deciding his/her own remuneration. Factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration are considered by the remuneration committee to determine the remuneration package of individual executive Directors including benefits in kind, pension rights and compensation payments including any compensation payable for loss or termination of their office or appointment; or relating to dismissal or removal for misconduct to ensure that it is consistent with contractual terms and is otherwise fair, not excessive, reasonable and appropriate.

For the year ended 31 December 2017, the remuneration committee of the Company held three meetings to review the policy and structure of the remuneration packages for the Directors and make recommendations to the Board on the remuneration proposal for the appointment of independent non-executive Directors and the review of Directors' salary and housing allowance.

Details of the attendance of the Company's remuneration committee meetings are as follows:

Members	**Attendance**
Ms. Yuen Wai Man *(Chairman)*	3/3
Mr. Lam Kwok Hing Wilfred	3/3
Mr. Chow Fu Kit Edward	3/3
Mr. Lam Raymond Shiu Cheung (appointed on 1 September 2017)	N/A
Mr. Wang Chin Mong (resigned on 23 March 2017)	0/1
Mr. Matthew Pau (appointed on 8 June 2017 and resigned on 1 September 2017)	0/1

NOMINATION COMMITTEE

The nomination committee of the Company was established on 12 August 2005 with written terms of reference. It currently comprises four members, including three independent non-executive Directors; namely, Ms. Yuen Wai Man, Mr. Chow Fu Kit Edward and Mr. Lam Raymond Shiu Cheung; and one executive Director, Mr. Lam Kwok Hing Wilfred. Mr. Lam Raymond Shiu Cheung is the chairman of this committee.

The nomination committee is responsible for reviewing the structure, size, composition and diversity of the Board annually in order to make recommendations to the Board on any proposed changes in relation to the Directors' appointment, re-appointment and independence of independent non-executive Directors.

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. Accordingly, selection of candidates to the Board is based on a range of measurable objectives, including but not limited to gender, age, cultural and educational background, professional experience and qualifications, skills, knowledge and length of service, having due regard to the Company's own business model and specific needs from time to time. With the existing Board members coming from a variety of business and professional background, the Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the Company's business.

For the year ended 31 December 2017, the nomination committee of the Company held five meetings to make recommendations to the Board on the appointment of independent non-executive Directors and the re-election of Directors at the general meeting; to review the structure, size, composition and diversity of the Board members; to assess the independence of the independent non-executive Directors; and to review and consider the vacancy of chief executive of the Company.

Details of the attendance of the Company's nomination committee meetings are as follows:

Members	**Attendance**
Mr. Lam Raymond Shiu Cheung *(Chairman)* (appointed on 1 September 2017)	N/A
Mr. Lam Kwok Hing Wilfred	5/5
Ms. Yuen Wai Man	5/5
Mr. Chow Fu Kit Edward	5/5
Mr. Wang Chin Mong *(Chairman)* (resigned on 23 March 2017)	0/1
Mr. Matthew Pau *(Chairman)* (appointed on 8 June 2017 and resigned on 1 September 2017)	1/3

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. As at the date of this annual report, the Company's audit committee comprises three independent non-executive Directors; namely Ms. Yuen Wai Man, Mr. Chow Fu Kit Edward and Mr. Lam Raymond Shiu Cheung. Ms. Yuen Wai Man is the chairman of this committee.

The primary duties of the audit committee include, among other things, making recommendations to the Board on the appointment, re-appointment and removal of the external auditor whilst getting the way with them to maximize their independence and objectivity and to approve the remuneration and term of engagement of the external auditor; reviewing the Company's financial statements, annual report and accounts, interim report and quarterly reports and financial reporting judgments contained therein; overseeing the effectiveness of the audit financial reporting system, risk management and internal control systems of the Group; and reviewing the confidential arrangements that employees of the Company may use to report and by way of which facilitating the above-mentioned duties.

For the year ended 31 December 2017, the audit committee of the Company (the "Audit Committee") held five meetings to review and supervise the financial reporting process, to conduct internal control review, and to make recommendation to the Board on (1) the re-appointment of auditor; (2) the engagement of a consultant firm for provision of the Group's internal audit function and environmental, social and governance reporting; (3) enterprise risk assessment of the Group; and (4) internal audit work plan. They had reviewed the quarterly, interim results and, in conjunction with the external auditor of the Company, reviewed the annual results of the Group and recommended to the Board for their consideration and approval. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

Review of Risk Management and Internal Control Systems

The Audit Committee is delegated by the Board with the responsibility to provide independent oversight of the Group's financial reporting, risk management and internal control systems, and the adequacy of the external and internal audits. The Audit Committee reviewed the effectiveness of the Group's risk management and internal control systems by reviewing the reports (including the internal audit workplan) issued by the independent external assurance provider, and the internal control self-assessment from management.

AUDIT COMMITTEE *(Continued)*

Review of Risk Management and Internal Control Systems *(Continued)*

The Audit Committee reviewed and concurred with the management's confirmation that for the year ended 31 December 2017: (i) the Group's risk management and internal control systems were effective and adequate; and (ii) the Group had complied satisfactorily with the requirements of the CG Code in respect of risk management and internal control systems.

Review of Accounting, Financial Reporting and Internal Audit Functions

The Audit Committee reviewed and was satisfied with the adequacy of the resources, staff qualifications and experience, training programmes, on the Group's accounting, financial reporting and internal audit functions.

The audit committee of the Company also carried out and discharged its other duties as set out in the CG Code.

Details of the attendance of the Company's audit committee meetings are as follows:

Members	Attendance
Ms. Yuen Wai Man *(Chairman)*	5/5
Mr. Chow Fu Kit Edward	5/5
Mr. Lam Raymond Shiu Cheung (appointed on 1 September 2017)	2/2
Mr. Wang Chin Mong (resigned on 23 March 2017)	1/1
Mr. Matthew Pau (appointed on 8 June 2017 and resigned on 1 September 2017)	1/1

The Group's unaudited quarterly and interim results and audited annual results of the year 2017 were reviewed by this committee.

CORPORATE GOVERNANCE FUNCTION

The Board is also responsible for performing the corporate governance duties with its written terms of reference as set out below:

a) to develop and review the Company's policies and practices on corporate governance;

b) to review and monitor the training and continuous professional development of Directors and senior management;

c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

e) to review the Company's compliance with the corporate governance code and disclosure in the corporate governance report.

AUDITOR'S REMUNERATION

During the year ended 31 December 2017, the remuneration paid/payable to the Company's external auditor, Asian Alliance (HK) CPA Limited, is set out below:

	HK$'000
Services rendered to the Group	
– Audit services	820
– Non-audit services	170
	990

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

Annual Report and Financial Statements

All Directors acknowledge their responsibilities to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the quarterly, interim and annual financial statements, and announcements to the shareholders of the Company. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the financial statements of the Group.

The statements of the external auditor of the Company, Asian Alliance (HK) CPA Limited, about their reporting responsibilities on the financial statements of the Group are set out in the Independent Auditor's Report on pages 56 to 62 of this annual report.

Accounting Period

The Directors consider that in preparing the financial statements, the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

Accounting Records

The Directors are responsible for ensuring that the Group had kept the accounting records, which disclose with reasonable accuracy of the financial position of the Group, and also enable the preparation of the financial statements in accordance with the applicable accounting standards.

Going Concern

The Board, having made appropriate enquiries, considers that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going-concern basis in preparing the financial statements.

COMPANY SECRETARY

Ms. Cheung Ching Man ("Ms. Cheung"), delegated by an external service provider, was appointed as the Joint Company Secretary on 1 February 2013 and acts as the sole Company Secretary with effect from 7 June 2016 following the confirmation by the Exchange that Ms. Cheung met the requirements to be the sole Company Secretary under the GEM Listing Rules.

Pursuant to Rule 5.15 of the GEM Listing Rules, Ms. Cheung has taken no less than 15 hours of relevant professional training during the year ended 31 December 2017.

SHAREHOLDERS' RIGHTS

Right to convene special general meeting

The Directors, on the requisition of shareholder(s) of the Company holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the rights, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company in Bermuda for the attention of the Company Secretary.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the head office of the Company in Hong Kong or the registered office in Bermuda, or by e-mail to info@chinesestrategic.com for the attention of the Company Secretary.

SHAREHOLDERS' RIGHTS *(Continued)*

Right to put forward proposals at general meetings

On the requisition in writing of either (i) any number of shareholder(s) of the Company representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or (ii) not less than 100 shareholders, the Company shall, at the expense of the requisitionists: (a) to give to shareholders of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; (b) to circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition must be signed by the requisitionists and deposited at the head office and principal place of business in Hong Kong of the Company for the attention of the Company Secretary.

INVESTORS AND SHAREHOLDERS RELATIONS

The Board recognizes the importance of maintaining clear, timely and effective communication with the shareholders of the Company and investors. The Company has disclosed all necessary information to its shareholders and investors in compliance with the GEM Listing Rules. Moreover, the Board maintains close communications with the shareholders and investors of the Company through a number of formal communication channels which include (i) the publication of the Company's latest business developments and financial performance through its annual, interim and quarterly reports, notices, announcements and circulars; (ii) the general meetings providing an opportunity for the shareholders of the Company to raise comments and exchanging views with the Board; and (iii) the Company's website provides an effective communication platform between the Company and its investors.

There was no significant change in the Company's constitutional documents for the year ended 31 December 2017.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining sound and effective risk management and internal control systems to safeguard the interests of shareholders and the Group's assets. The Board also acknowledges its responsibility for overseeing the Group's risk management, financing reporting, and internal control systems on an ongoing basis and reviewing their effectiveness at least annually through the audit committee. The audit committee assists the Board in fulfilling its oversight and corporate governance roles in the Group's financial, operational, compliance, risk management and internal controls, and the resourcing of the finance and internal audit functions.

To this end, appropriate policies and controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. Besides, management continues to allocate resources for the risk management and internal control systems to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives.

The Board, through the Audit Committee, has delegated the internal audit function to an independent external assurance provider, who has conducted a review on the adequacy and effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2017. The review, conducted annually, covers all material controls. The Board considers that the Group's risk management and internal control systems are effective and adequate.

The Board, through the Audit Committee, leads and provides direction to management by laying down strategies and overseeing their implementation by management, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

The Board reviewed and was satisfied with the adequacy of the resources, staff qualifications and experience, training programmes, on the Group's accounting, financial reporting and internal audit functions.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

The Board, through delegation of its authority to an environmental, social and governance ("ESG") working group, is also responsible for reviewing the Company's corporate social responsibility strategies, principles and policies; setting guidelines, direction and overseeing practices and procedures; and monitoring progress on the Company's corporate social responsibility and related activities.

The following highlights the key risk management measures under the Group's "Three Lines of Defence" model and enhancements made by the Group for the year 2017.

1st line of defence – Risk management

- Management conducted an annual Internal Control Self-Assessment for the year 2017. Management confirmed that appropriate internal control policies and procedures have been established and complied with.

- Various policies, procedures and guidelines are in place with defined authority for effective segregation of duties, controls and risk management, and they are subject to regular review.

- The Group's anti-bribery and anti-corruption guidelines are in place to set out minimum standards in recognizing circumstances which may lead to or give the appearance of involving corruption or unethical business conduct, to help avoid conduct which is clearly prohibited, and to encourage everyone in the Group to seek appropriate guidance promptly when needed.

- The Group's whistleblowing policy is in place to facilitate internal reporting of any malpractice and unethical conduct within the Group without fear of reprisal and victimization.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

2nd line of defence – Risk oversight

- The Group's Enterprise Risk Management ("ERM") Policy is developed to outline the principles, governance, roles and responsibilities, and approach within a coherent risk management framework that addresses and prioritizes risks that are material and relevant to the Group's corporate goals.

- The Group's ERM Framework aims to help management assess and manage risks arising from and associated with new business activities and environments, including emerging risks. An integrated risk assessment approach was adopted to address risks across various subsidiaries of the Group, to assess those risks on an integrated group-wide basis.

3rd line of defence – Independent assurance

- The external assurance provider takes up the internal audit function, who is responsible for conducting independent reviews of the adequacy and effectiveness of the Group's internal control systems and reporting the review results regularly to the Board through the Audit Committee.

For internal audit, a risk-based approach is adopted. The three years' work plan of external assurance provider for internal audit, is subject to review annually, covers major activities and processes of the Group's operations, businesses and service units. The results of these audit activities are communicated to the Audit Committee and key members of senior management of the Group. Audit issues are tracked, followed up for proper implementation, and their progress are reported to the Audit Committee and senior management of the Group (as the case may be) periodically. The external assurance provider for internal audit provides independent assurance to the Board, the Audit Committee and the senior management of the Group on the adequacy and effectiveness of internal controls for the Group.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

The Group's ERM Policy is established by the Board as an effective and adequate approach to be applied across the Group to manage the risks associated with its business and operations. This policy is designed to enhance enterprise risk management of the Group through a holistic and integrated framework so that all material risks faced by the Group are identified and appropriately managed to:

(i) promote consistent risk identification, measurement, reporting and mitigation;

(ii) set a common risk language to avoid any conflicting terminology or confusion in risk reporting;

(iii) develop and communicate policies on enterprise risk management and controls aligned with the business strategy; and

(iv) enhance reporting to provide transparency of risks across the Group.

The Company has adopted policies and procedures for assessing and, where prudent, improving the effectiveness of its risk management and internal control systems, including requiring the management of the Group at least annually to assess whether the risk management and internal control systems are functioning effectively in the belief that this will enhance the corporate governance of the Company and its business practices in the future.

The Company regulates the handling and dissemination of inside information as set out in the Code of Conduct to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") REPORT

This report was approved by the Company's Board of Directors and aims to provide a balanced representation of the Group's effort on the corporate social responsibility in the Marketplace, Workplace, Community and Environment which cover the Group's operations for the financial year ended 31 December 2017 (the "Year").

Reporting Framework

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 20 of the GEM Listing Rules.

ESG Working Group

Steered by the Board of Directors, the Company has established an ESG working group, which has clear terms of reference that set out the powers delegated to it to enhance our commitment to transparency and accountability.

Corporate Social Responsibility ("CSR") Vision, Policy and Strategy

The Group adopts the CSR Policy in order to commit to the highest standards of corporate governance, and aims to integrate CSR into the Group's business strategy and management approach.

CSR is viewed as a business philosophy that creates shared sustainable value with its stakeholders in the economic, social and environmental dimensions. The Group's CSR vision and CSR Policy guide the Group's business and operational decisions to take into account its responsibility to the CSR cornerstones with pragmatic objectives providing guidance on the application of these principles in its daily operations. The Group's CSR Policy describes our long-term approach to specific issues in the four cornerstones: Marketplace, Workplace, Community and Environment, which is instrumental in enabling our business to operate in a sustainable manner. Within each of the cornerstones, core principles and pragmatic objectives provide guidance on practicing CSR in our daily operations.

Stakeholders Engagement

The Group endeavours to create sustainable growth and long-term value for its stakeholders, who comprise the Group's employees, investors, customers and the wider community. We continue to interact with our stakeholders on an ongoing basis in order to understand their views and collect their feedback. Our communication channels with our stakeholders include company website, annual general meeting and staff meetings.

MARKETPLACE

The Group, endeavoring to provide professional financial services to its clients, is well known for its commitment towards a corporate culture that embraces strong principles of business ethics across its organizational hierarchy. The core area under the compliance rules of the Group is the renting of premises, which is subject to laws and regulations, including Stamp Duty Ordinance, Rating Ordinance, and Inland Revenue Ordinance. No case of non-compliance to any relevant laws and regulations relating to the renting of premises that had a significant impact over it was identified for the Year.

Supply Chain Management

Maintaining an efficient and fair supply chain is a top agenda of the Group which lays a significant attention on its set of suppliers who are considered the harbingers of good reputation for the Group. The associated sustainability impacts on the business operations as well as an enhanced performance are the major outcomes of a cordial relationship with the suppliers. The Group has therefore sought to address the varied needs of the stakeholders by laying a focus on responsible behavior, equality, and sensitivity while undertaking its supplier selection, negotiations, governance, and re-compensations.

Product Responsibility

Safeguarding personal data and privacy of its customers and employees is among the priority areas of the Group, which has also ensured compliance to a set of security guidelines and ordinances in place. For instance, the Group ensures a strict compliance of all collected and processed data to the Personal Data (Privacy) Ordinance and other guidelines issued by Office of the Privacy Commissioner for Personal Data. The Group also aims to further strengthen its focus on Personal Data Privacy protection by following stringent adherence to such information security controls.

Anti-corruption

The Group also aims at maintaining a fair internal working environment and cordial relationships among its employees. Anti-corruption measures and laws are enforced within the business arena of the Group as well as its internal working mechanisms to ensure honesty and integrity. The whistle blowing policy is a good example of an anti-corruption, anti-fraud, and anti-malpractice policy followed by the Group which encourages reporting of any inappropriate behavior through procedures well-in-place.

WORKPLACE

The Group's workforce is its greatest asset, and the progress made by the Group over the recent years is a testimony to their dedication and quality efficiency. Valuing diversity, recognizing and rewarding talent, incessantly working towards skill development, and ensuring safety and wellbeing are the basic pillars of the work culture promoted and encouraged by the Group.

Employment

The Group has several non-discriminatory policies and practices well in place, to ensure equal opportunities across all sexes, ethnicities, races, ages, and religions. Such policies entail the processes of recruitment to promotion, and embark upon a sole focus on the qualifications, experience, and merits of the applicants and staff.

Diversity is another significant asset of the Group which is considered as its greatest strength. As an organization, the Group seeks to respect diversity across all levels and strives towards a work environment offering breakthrough ideas for the clients and development opportunities for the employees.

During the Year, The Group is not aware of any material non-compliance with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

Health and Safety

Ensuring a safe working environment has been a priority concern for the Group, which is highly committed to maintaining high standards of health and safety for staff. The Group ensures that the operations at each company location comply, at a minimum, with the local health and safety laws along with a goal to attain the industry best practices as well. It also has its own set of health and safety policies and procedures for its constituent offices and work sites, health and safety management training, along with routine emergency and contingency planning (such as fire drill).

In addition to such routine drills and practices, all permanent staff members of the Group are covered by insurance guided by the Employees' Compensation Ordinance and the Mandatory Provident Fund ("MPF") scheme in accordance with the MPF Schemes Ordinance.

During the Year, the Group is not aware of any material non-compliance with the relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that have a significant impact on the Group.

Development and Training

Aiming at a strong, stable, and effective workforce, the Group ensures the provision of appropriate training and development opportunities to its employees. Programs such as on-the-job training, management training, occupational health and safety management, and other compliance and policies training have been included under its training development framework designed for the employees working at different positions. A regular evaluation of the training programs is also done to ensure their effectiveness. These programs are aimed at supporting the staff training, individual staff's personal growth, as well as a long-term career development planning. The Group has also made a recent provisioning of a 1 week to 2 weeks on-the-job training for the new hires to enable them to learn about company ethics and equip relevant business skills.

Labor Standards

Another step taken for a motivated and enthusiastic work force is the provision of competitive remuneration and welfare packages to the employees. Appropriate promotion opportunities, salary adjustments, rewards and recognition are ensured through a robust system of remunerations and associated benefits. The aim is to aptly reward the performance of each individual to retain the talent for Group's development.

The Group is strongly committed to ensuring strict adherence to the Personal Data (Privacy) Ordinance, the Employment Ordinance, the Minimum Wage Ordinance, and other ordinances relating to occupational safety, as well as disability, sex, family status, and race discrimination. The Employee Handbook provided by the Group mentions all about the non-discrimination statement, statement on work hours to ensure the adherence to all human rights.

During the Year, the Group is not aware of any non-compliance with relevant laws and regulations in relation to the prevention of child and forced labour on the Group.

COMMUNITY

Community occupies a significant position for the long-term success of the Group. It is for this reason that the Group puts additional efforts in being recognized as a responsible corporate citizen. The Group sought to present its activities being based on the sense of a shared value by not only being an active supporter of charitable organizations itself, but also encouraging its employees to spend time for charitable activities with which they associate themselves. Particularly, the Group has maintained reserved funds for supporting social services which can be witnessed by way of the contribution made by the group with donation of HK$231,500 and 160 hours for charitable purposes during the Year. In addition to this, the Group has actively encouraged a sense of responsibility among the staff members and their families towards the society, needy and particularly the physically disabled. Such an attitude has been deemed to be based on the values of harmony, equality, and fairness. Thereby indicating that such active engagement on the part of the employees is a determinant of increased loyalty towards the organization.

ENVIRONMENT

The Group lays focus on the preservation of the natural environment by adhering to the laws and regulations adopted by the local authorities to curtail the high emissions of greenhouse gas. The Group and its members are well aware of its social and environmental responsibilities towards environment friendly operations in order to build a sustainable working and living environment.

The major business operations of the Group for the Year included property investments, securities trading, loan financing and trading business. These operations are mainly carried out in offices and do not have significant impact on the environment and natural resources thus the Group's emission relating to air, greenhouse gas emissions and discharges into water and land as well as the generation of hazardous and non-hazardous wastes are minimal in the Year.

Energy Consumption and Green House Gas ("GHG") Emission

The major sources of emission of GHG by the Group are fuel used for its vessel and motor vehicles and consumption of electricity for its office operations. The Group has therefore, directed efforts to monitor and minimize its mobile fuel and electricity usage in its workplace by the use of energy efficient motor vehicles and office equipment as well as by encouraging our employees to share rides where possible and to keep the indoor temperature within the office at 24 to 26 degrees Celsius.

	Overview of energy consumption		
	2016	**2017**	**Variance Increase/ (decrease) %**
Electricity (kWh)	93,379	57,672	(38%)
Mobile fuel (kWh)	161,128	222,367	38%
Total energy consumption (kWh)	254,507	280,039	10%
Energy consumption intensity (kWh/Area of the Group's office (ft^2))	18.5	21.3	15%

Note:

1. Energy consumption intensity is calculated by dividing the total energy consumption by the area of the Group's office. The office area for 2016 and 2017 is approximately 13,792 square feet and 13,144 square feet respectively.

Overview of carbon footprint

	2016	2017	Variance Increase/ (decrease) %
Scope 1: Direct emissions			
– Carbon dioxide (kg CO_{2e})	41,300	56,920	38%
Scope 2: Indirect emissions			
– Carbon dioxide (kg CO_{2e})	50,420	31,140	(38%)
Total GHG emissions (Scope 1+2) (kg CO_{2e})	91,720	88,060	(4%)
GHG emissions intensity (kg CO_2e/Area of the Group's office (ft^2))	6.7	6.7	0%

Notes:

1. The above calculation is based on the reference and tools provided by Environmental Protection Department. https://www.carbon-footprint.hk/node/52

2. Scope 1 refers to direct GHG emissions such as fuel consumption.

3. Scope 2 refers to indirect GHG emissions from consumption of purchased electricity.

4. GHG emissions intensity is calculated by dividing the total GHG emissions by the area of the Group's office.

During the Year, a central air-conditioning system was installed in the office building and the air-conditioning unit is switched off automatically from 8 p.m. to 8 a.m. of the following day for energy conservation purpose. Hence, the Group's electricity consumption decreased by 38% from 93,379 kWh in 2016 to 57,672 kWh in the Year and the related indirect GHG emissions decreased from 50,420 kg of CO_2 equivalent in 2016 to 31,140 kg of CO_2 equivalent in the Year. The total GHG emissions also decreased by 4% from 91,720 kg of CO_2 equivalent in 2016 to 88,060 kg of CO_2 equivalent in the Year.

The principal activities of the Group are not in production, hence water usage is minimal. The Group will continue to encourage employees to reduce their energy consumption under its overall environmental management agenda.

Waste management

Paper waste is the major waste that has been identified in the Group's business operation. The Group, encourages, employees to maximize the usage of soft and electronic copies instead of hardcopies to create a paperless environment.

Moreover, the Group follows proper waste management both within its workplace, and outside. There is no generation of any kind of hazardous waste in the workplace. The Group currently does not report on the volume of non-hazardous waste produced, but proper reuse and recycle guidelines are followed for the disposal of non-hazardous waste which is segregated into paper and tins. Reusing the waste products and duplex print is also strongly encouraged by the Group.

Regulatory compliance

The Group is not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group relating to air and GHG emission, discharges into water and land and generation of hazardous and non-hazardous wastes.

華融(香港)會計師事務所有限公司
Asian Alliance (HK) CPA Limited

TO THE MEMBERS OF
CHINESE STRATEGIC HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Chinese Strategic Holdings Limited (the "Company") and its subsidiary (collectively referred to as the "Group") set out on pages 63 to 226, 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, 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 cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

1. Valuation of investment properties

The management of the Company has estimated the fair value of the Group's investment properties to be HK$117,700,000 as at 31 December 2017 with a revaluation gain of approximately HK$6,460,000 for the year ended 31 December 2017 recorded in the consolidated statement of profit or loss and other comprehensive income. Independent external valuations were obtained in respect of 100% of the portfolio in order to support the management's estimates. The valuations are dependent on certain key assumptions that require significant management judgement. The investment properties comprise 15.13% of the total assets as at 31 December 2017. The resulting change in fair values has a significant impact on the profit and loss for the year.

Due to management judgement involved about the estimates used in determining fair values and the significant carrying amounts involved, valuation of investment properties is considered as a key audit matter for the Group.

How our audit addressed the key audit matter

We have evaluated the independent external valuers' competence, capabilities and objectivity.

We have assessed the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry.

We have checked the accuracy and relevance of the input data used.

KEY AUDIT MATTERS *(Continued)*

2. Impairment assessment of loan and interest receivables

The Group has been engaged in loan financing business in Hong Kong. As disclosed in Note 24 to the consolidated financial statements, as at 31 December 2017, the Group had outstanding loan and interest receivables, net of accumulated impairment losses, of approximately HK$50,964,000. For the year ended 31 December 2017, no impairment loss has been recognised in respect of loan and interest receivables. During the year ended 31 December 2017, interest income of approximately HK$3,614,000 has been recognised.

The impairment assessment of the loan and interest receivables requires exercise of significant judgements by management of the Company and is subjective and we have identified the impairment assessment of the Group's loan and interest receivables as a key audit matter.

How our audit addressed the key audit matter

We discussed with the management of the Company the procedures it had taken before it advanced loans to customers.

Further, we discussed with the management of the Company its impairment policy (i.e. when and how impairment was determined) and assessed whether sufficient impairment losses has been recognised.

Specifically, with regards to outstanding loan and interest receivables as at 31 December 2017 that had been past due, we had discussed with the management of the Company a number of factors, including the financial position of the borrowers, the fair value of collaterals, the financial position of the guarantor, as well as subsequent settlement, if any, etc. and challenged the management of the Company the sufficiency of impairment loss and appropriateness of recognition of interest income based on the specific facts and circumstances.

We also compared the recoverable amounts of the loan and interest receivables estimated by the management of the Company with the carrying amounts recognised in the Group's consolidated statement of financial position.

KEY AUDIT MATTERS *(Continued)*

3. Valuation of convertible instruments designated as financial assets at fair value through profit or loss ("FVTPL")

As at 31 December 2017, the Group held two convertible bonds issued by (i) a listed entity in Hong Kong with the aggregate principal amounts of HK$23,500,000; and (ii) a private company incorporated in the British Virgin Islands with the aggregate principal amount of HK$8,000,000, respectively, as disclosed in Note 25 to the consolidated financial statements. These convertible bonds had been designated by the management of the Company as financial assets at fair value through profit or loss on the initial recognition. As at 31 December 2017, the aggregate fair value of these convertible bonds amounted to approximately HK$27,449,000, with fair value gain of approximately HK$2,265,000 being recognised in the profit or loss for the year ended 31 December 2017.

The determination of the fair value of convertible instruments is complex and requires exercise of significant judgements by the management of the Company and accordingly the valuation of the convertible instruments as at 31 December 2017 was considered as one of the key audit matters.

How our audit addressed the key audit matter

We read the terms of the convertible instruments to identify the key terms. We discussed with the valuer regarding the appropriateness of methodology and assumptions being used in the valuation.

With regard to the input data, we performed certain substantive testing to the source data.

Given the issuer was a listed entity in Hong Kong, we had read the latest published financial information of the issuer and had discussed with the management of the Company the recoverability of the instruments taking into account the latest available financial position of the issuer. Further, for the convertible bonds issued by the private entity, we also evaluated management's assessment by examining the background information and repayment capacity of the issuer such as reviewing the latest available financial information of the issuer about the liquidity and business of the issuer.

We compared the fair value of the instruments stated in the valuation report with the carrying amounts recognised in the Group's consolidated statement of financial position.

OTHER INFORMATION

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

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

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

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

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

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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 misstatements 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.

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

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

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

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

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

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

Asian Alliance (HK) CPA Limited
Certified Public Accountants (Practising)
Chan Mei Mei
Practising Certificate Number: P05256

Suites 313-316
3/F., Shui On Centre
6-8 Harbour Road
Wan Chai
Hong Kong

16 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	7	**10,267**	8,738
Cost of sales		**(4,312)**	(271)
Gross profit		**5,955**	8,467
Other income and gains	9	**1,058**	16,090
Administrative expenses		**(80,221)**	(103,302)
Changes in fair values of investment properties, net	19	**6,460**	5,215
Changes in fair values of investments held for trading, net		**(31,171)**	(9,177)
Gain (loss) on disposal of investments held for trading, net		**11,230**	(69,431)
Changes in fair values of convertible instruments designated as financial assets at fair value through profit or loss, net	25	**2,265**	(6,229)
Gain on redemption of convertible instruments designated as financial assets at fair value through profit or loss	25	**1,333**	–
Gain on disposal of available-for-sale financial assets	23	**25,412**	–
Gain arising from derecognition of derivative financial liabilities	31	**–**	8,125
(Loss) gain on disposal of subsidiaries	43	**(5,756)**	2,340
Gain on deemed disposal of a subsidiary	43	**–**	5
Gain on bargain purchase	43	**61**	–
Loss on early redemption of convertible loan notes	34	**–**	(1,315)
Loss on settlement on other payables		**–**	(1,063)
Impairment loss recognised in respect of available-for-sale financial assets	23	**(2,258)**	–
Impairment loss recognised in respect of loan and interest receivables	24	**–**	(5,227)
Impairment loss recognised in respect of other receivables	26	**–**	(169,517)
Loss on disposal of an associate	20	**(770)**	–
Share of profit of associates	20	**224**	14
Share of profit of joint ventures	21	**1,009**	11,323

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017 HK$'000**	2016 HK$'000
Operating loss		**(65,169)**	(313,682)
Finance costs	*10*	**(20,673)**	(35,019)
Loss before tax		**(85,842)**	(348,701)
Income tax expenses	*12*	**(213)**	(213)
Loss for the year	*11*	**(86,055)**	(348,914)
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**4**	(5)
Fair value gain on available-for-sale financial assets	*23*	**–**	1,552
Release of investment revaluation reserve upon disposal of available-for-sale financial assets		**(24,304)**	–
Share of translation reserve of a joint venture	*21*	**11,725**	(10,665)
Other comprehensive expense for the year, net of income tax		**(12,575)**	(9,118)
Total comprehensive expense for the year		**(98,630)**	(358,032)
(Loss) profit for the year attributable to:			
Owners of the Company		**(86,462)**	(350,928)
Non-controlling interests		**407**	2,014
		(86,055)	(348,914)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(99,037)**	(360,046)
Non-controlling interests		**407**	2,014
		(98,630)	(358,032)
Loss per share	*16*		(Restated)
Basic (HK cents)		**(57.79) cents**	(343.62) cents
Diluted (HK cents)		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Plant and equipment	17	**4,017**	5,365
Convertible instruments designated as financial assets at fair value through profit or loss	25	**7,500**	17,184
Prepaid lease payment – non-current portion	18	**19,114**	19,501
Investment properties	19	**117,700**	111,240
Interests in associates	20	**400**	176
Interests in joint ventures	21	**182,012**	166,278
Club debentures	22	**2,690**	2,690
Available-for-sale financial assets	23	**3,634**	45,682
		337,067	368,116
CURRENT ASSETS			
Loan and interest receivables	24	**50,964**	71,789
Trade and other receivables	26	**112,670**	70,501
Investments held for trading	27	**204,232**	222,868
Prepaid lease payment – current portion	18	**388**	389
Convertible instruments designated as financial assets at fair value through profit or loss	25	**19,949**	21,667
Amount due from an associate	20	**–**	10,026
Amount due from a joint venture	21	**3,341**	–
Bank balances and cash	28	**49,146**	34,489
		440,690	431,729
CURRENT LIABILITIES			
Trade and other payables	29	**34,119**	29,132
Amount due to an associate	20	**731**	–
Borrowings	30	**139,226**	149,807
Obligations under finance leases – current portion	35	**608**	658
Tax liabilities		**11,503**	12,052
		186,187	191,649
NET CURRENT ASSETS		**254,503**	240,080
TOTAL ASSETS LESS CURRENT LIABILITIES		**591,570**	608,196

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT LIABILITIES			
Bond payables	*32*	**50,000**	50,000
Obligations under finance leases			
– non-current portion	*35*	**891**	1,154
Deferred tax liabilities	*33*	**1,393**	1,180
		52,284	52,334
NET ASSETS		**539,286**	555,862
CAPITAL AND RESERVES			
Share capital	*36*	**2,068**	1,149
Reserves		**506,578**	524,480
Equity attributable to owners of the Company		**508,646**	525,629
Non-controlling interests	*48*	**30,640**	30,233
TOTAL EQUITY		**539,286**	555,862

The consolidated financial statements on pages 63 to 226 were approved and authorised for issue by the Board of Directors on 16 March 2018 and are signed on its behalf by:

Lam Kwok Hing Wilfred
Director

Chan Shui Sheung Ivy
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Investment revaluation reserve HK$'000	Convertible loan notes reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2016	982	3,042,196	7,914	3,590	22,752	3,368	1,747	(2,253,922)	828,627	28,219	856,846
(Loss) profit for the year	–	–	–	–	–	–	–	(350,928)	(350,928)	2,014	(348,914)
Other comprehensive (expense) income for the year, net of income tax											
Items that may be subsequently reclassified to profit or loss:											
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(5)	–	(5)	–	(5)
Fair value gain on available-for-sale financial assets (Note 23)	–	–	–	–	1,552	–	–	–	1,552	–	1,552
Share of translation reserve of a joint venture	–	–	–	–	–	–	(10,665)	–	(10,665)	–	(10,665)
	–	–	–	–	1,552	–	(10,670)	–	(9,118)	–	(9,118)
Total comprehensive income (expense) for the year	–	–	–	–	1,552	–	(10,670)	(350,928)	(360,046)	2,014	(358,032)
Exercise of share option (Note 37)	3	2,810	–	(977)	–	–	–	–	1,836	–	1,836
Issuance of shares upon placing (Note 36)	150	35,850	–	–	–	–	–	–	36,000	–	36,000
Transaction cost attributable to issuance of shares upon placing	–	(1,020)	–	–	–	–	–	–	(1,020)	–	(1,020)
Settlement of loan upon issuance of shares (Note 36)	14	7,694	–	–	–	–	–	–	7,708	–	7,708
Early redemption of convertible loan notes (Note 34)	–	–	–	–	–	(3,368)	–	3,368	–	–	–
Recognition of share-based payment expenses (Note 37)	–	–	–	12,524	–	–	–	–	12,524	–	12,524
At 31 December 2016	1,149	3,087,530	7,914	15,137	24,304	–	(8,923)	(2,601,482)	525,629	30,233	555,862

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Investment revaluation reserve HK$'000	Convertible loan notes reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017	1,149	3,087,530	7,914	15,137	24,304	–	(8,923)	(2,601,482)	525,629	30,233	555,862
(Loss) profit for the year	–	–	–	–	–	–	–	(86,462)	(86,462)	407	(86,055)
Other comprehensive (expense) income for the year, net of income tax											
Items that may be subsequently reclassified to profit or loss:											
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	4	–	4	–	4
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	–	–	–	–	(24,304)	–	–	–	(24,304)	–	(24,304)
Share of translation reserve of a joint venture	–	–	–	–	–	–	11,725	–	11,725	–	11,725
	–	–	–	–	(24,304)	–	11,729	–	(12,575)	–	(12,575)
Total comprehensive income (expense) for the year	–	–	–	–	(24,304)	–	11,729	(86,462)	(99,037)	407	(98,630)
Lapse of share options (Note 37)	–	–	–	(3,590)	–	–	–	3,590	–	–	–
Issuance of shares upon open offer (Note 36)	574	56,865	–	–	–	–	–	–	57,439	–	57,439
Transaction cost attributable to issuance of shares upon open offer	–	(2,264)	–	–	–	–	–	–	(2,264)	–	(2,264)
Issuance of shares upon placing (Note 36)	345	27,223	–	–	–	–	–	–	27,568	–	27,568
Transaction cost attributable to issuance of shares upon placing (Note 36)	–	(689)	–	–	–	–	–	–	(689)	–	(689)
At 31 December 2017	2,068	3,168,665	7,914	11,547	–	–	2,806	(2,684,354)	508,646	30,640	539,286

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(85,842)**	(348,701)
Adjustments for:		
Finance costs	**20,673**	35,019
Interest income	**(968)**	(159)
Gain on settlement of other receivables	**–**	(15,678)
Depreciation of plant and equipment	**2,580**	2,649
Amortisation of prepaid lease payment	**388**	388
Impairment loss recognised in respect of prepaid lease payment	**–**	441
Loss on written-off of plant and equipment	**178**	594
Impairment loss recognised in respect of loan and interest receivables	**–**	5,227
Reversal of impairment loss recognised in respect of loan and interest receivables	**(70)**	–
Impairment loss recognised in respect of other receivables	**–**	169,517
Impairment loss recognised in respect of available-for-sale financial assets	**2,258**	–
Loss (gain) on disposal of subsidiaries	**5,756**	(2,340)
Share of profit of joint ventures	**(1,009)**	(11,323)
Share of profit of associates	**(224)**	(14)
Changes in fair values of investment properties, net	**(6,460)**	(5,215)
Changes in fair values of convertible instruments designated as financial assets at fair value through profit or loss, net	**(2,265)**	6,229
Gain on redemption of convertible instruments designated as financial assets at fair value through profit or loss	**(1,333)**	–
Gain on disposal of available-for-sale financial assets	**(25,412)**	–
Gain arising from derecognition of derivative financial liabilities	**–**	(8,125)
Changes in fair values of investments held for trading, net	**31,171**	9,177
Loss on early redemption of convertible loan notes	**–**	1,315
Loss on settlement on other payables	**–**	1,063
Gain on deemed disposal of a subsidiary	**–**	(5)
Gain on bargain purchase	**(61)**	–
Loss on disposal of an associate	**770**	–
Share-based payment expenses	**–**	12,524

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Operating cash flows before movements in working capital	**(59,870)**	(147,417)
Decrease (increase) in loan and interest receivables	**20,895**	(15,323)
Increase in trade and other receivables	**(19,998)**	(13,851)
(Increase) decrease in investments held for trading	**(40,723)**	232,303
Increase in trade and other payables	**22,380**	22,917
Cash (used in) from operation	**(77,316)**	78,629
Tax paid	**(549)**	–
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(77,865)**	78,629

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
INVESTING ACTIVITIES			
Interest received		**968**	159
Purchase of plant and equipment		**(52)**	(61)
Proceeds from disposal of available-for-sale financial assets		**40,898**	–
Net cash inflow arising on deemed disposal of a subsidiary	*44*	**–**	4
Net cash inflow arising on disposal of a subsidiary	*44*	**2,599**	–
Net cash outflow arising on acquisition of assets through acquisition of a subsidiary	*44*	**–**	(17)
Increase in amount due from a joint venture		**(3,341)**	–
Decrease (increase) in amount due from an associate		**10,026**	(10,026)
Increase in amount due to an associate		**731**	–
Acquisition of a subsidiary	*43*	**(1,250)**	–
Proceeds from disposal of an associate	*20*	**10**	–
Establishment of a joint venture		**(3,000)**	–
Acquisition of convertible instruments designated as financial assets at fair value through profit or loss		**(8,000)**	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**39,589**	(9,941)
FINANCING ACTIVITIES			
Proceeds from exercise of share option		**–**	1,836
Proceeds from issuance of shares upon open offer	*36*	**57,439**	–
Transaction cost attributable to issuance of shares upon open offer		**(2,264)**	–
Proceeds from issuance of shares upon placing	*36*	**27,568**	36,000
Transaction cost attributable to issuance of shares upon placing		**(689)**	(1,020)
Repayment of obligation under finance lease		**(1,671)**	(656)
Borrowings raised		**21,480**	33,103
Repayment of borrowings		**(32,061)**	(118,180)
Interest paid		**(16,873)**	(32,229)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**52,929**	(81,146)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017	2016
	HK$'000	HK$'000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**14,653**	(12,458)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**34,489**	46,952
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE	**4**	(5)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash	**49,146**	34,489

1. GENERAL

Chinese Strategic Holdings Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Exchange") since 18 May 2000. The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and its principal place of business is located at 2nd Floor, Lee Kum Kee Central, Nos. 54-58 Des Voeux Road Central, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in Note 48 to the consolidated financial statements.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to Hong Kong Accounting Standard ("HKAS") 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycles

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

Amendments to HKAS 7 "Disclosure Initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in Note 46 to the consolidated financial statements. 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 46 to the consolidated financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Interpretation ("Int") 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[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[3]
Amendments to HKAS 40	Transfer of Investment Property[1]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycles[1]
Amendments to HKAS 28	Long-term Interest in Associates and Joint Ventures[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[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 a date to be determined.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs in issue but not yet effective *(Continued)*

Except for the new and amendments to HKFRSs and interpretations mentioned below, the directors of the Company (the "Director") anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 9 Financial Instruments

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

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs in issue but not yet effective *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

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

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the Directors anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- Debt instruments classified as loan receivables carried at amortised cost: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9; and

- Equity securities classified as available-for-sale investments carried at cost less impairment: these securities qualified for designation as measured at FVTOCI under HKFRS 9 and the Group will measure these securities at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investments revaluation reserve.

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs in issue but not yet effective *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

Impairment

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables and loan and interest receivables. Such further impairment recognised under expected credit loss model would increase the opening accumulated loss as at 1 January 2018.

HKFRS 15 Revenue from Contracts with Customers

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

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs in issue but not yet effective *(Continued)*

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

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

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

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

HKFRS 16 Leases

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs in issue but not yet effective *(Continued)*

HKFRS 16 Leases *(Continued)*

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of approximately HK$4,770,000 as disclosed in Note 38 to the consolidated financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs in issue but not yet effective *(Continued)*

HKFRS 16 Leases *(Continued)*

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

HK(IFRIC)-Int 22 Foreign Currency Transactions and Advance Consideration

HK(IFRIC)-Int 22 addresses how to determine the "date of transaction" for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example a non-refundable deposit or deferred revenue).

The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the investment properties which are subsequently measured under fair value model and financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Investments in associates and joint ventures

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The associate and joint venture uses accounting policies that differ from those of the Group for like transactions and events in similar circumstances, for example, the investment properties are stated at cost and amortised over the lease term. Appropriate adjustments have been made to conform the associate's and the joint venture's accounting policies to those of the Group. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not account for unless such changes resulted in changes in ownership interests held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

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

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for rebates and other similar allowances.

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

Revenue from the sales of goods is recognised when the goods are delivery and titles have passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset. Other than investment properties measured under fair value model, such costs are recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments, including the cost of acquiring land held under operating lease, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Leasehold land and building

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

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

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Plant and equipment *(Continued)*

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

Investment properties

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

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

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

Intangible asset

Intangible asset acquired separately

Intangible asset with indefinite useful lives that are acquired separately (including club debentures) are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognsied on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, are measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

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

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, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

Retirement benefits costs and termination benefits

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

A liability for a termination benefit is recognised at the earlier of when the group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest, based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment arrangements *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair values of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses, unless the goods or services qualify for recognition as assets.

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

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

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

Financial instruments

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

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

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading, (ii) it is designated as at FVTPL or (iii) contingent consideration that may be received by an acquirer as part of a business combination to which HKFRS 3 applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL (Continued)

A financial asset other than a financial asset held for trading or contingent consideration that may be received by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (assets or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "Changes in fair values of investments held for trading" and "Changes in fair values of convertible instruments designated as financial assets at fair value through profit or loss" line items. Fair value is determined in the manner described in Note 6(c) to the consolidated financial statements.

Convertible instruments acquired by the Group (including related embedded derivates) are designated as financial assets at FVTPL on initial recognition. Subsequent to initial recognition, the entire convertible bonds are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise and is included in the "Changes in fair values of convertible instruments designated as financial assets at fair value through profits or loss" line item.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan and interest receivables, trade and other receivables, amount due from an associate/a joint venture and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables or (b) financial assets at FVTPL. The Group designated unlisted investment funds and unlisted equity investments as AFS financial assets in initial recognition.

Equity and debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method, and changes in foreign exchange rates, if applicable are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

AFS financial assets (Continued)

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

Impairment on financial assets

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment on financial assets (Continued)

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment on financial assets (Continued)

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, (ii) it is designated as at FVTPL or (iii) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies.

A financial liability is classified as held for trading if:

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

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at FVTPL (Continued)

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities and is included in the "Changes in fair values of derivative financial liabilities" line item. Fair value is determined in the manner described in Note 6(c) to the consolidated financial statements.

Financial liabilities at amortised cost

Other financial liabilities including trade and other payables, borrowings, obligations under finance leases, amount due to an associate and bond payables are subsequently measured at amortised cost, using the effective interest method.

Convertible loan notes

Convertible loan notes contain liability and equity components

The component parts of the convertible loan notes issued by the Company are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated by measuring the fair value of similar liability that does not have an associated equity component.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible loan notes (Continued)

Convertible loan notes contain liability and equity components *(Continued)*

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity components are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Derivative financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whatever there is an indication that they may be impaired.

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on tangible and intangible assets *(Continued)*

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rate basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on the fair value changes of the investment properties located in Hong Kong on disposal.

The Group recognised deferred taxes in respect of those investment properties situated in the People's Republic of China ("PRC") which are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and are subject to land appreciation tax on disposal of these investment properties.

Classification of Changsha Seg Development Co. Limited ("Changsha Seg") as a joint venture

Changsha Seg is a limited liability company incorporated in the PRC whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there are no contractual arrangements or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, Changsha Seg is classified as a joint venture of the Group. For details, please refer to Note 21 to the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment loss on loan and interest receivables

In determining collective impairment allowances, management uses estimates based on historical experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experiences.

As at 31 December 2017, the carrying amount of loan and interest receivables were approximately HK$50,964,000 (2016: HK$71,789,000), net of accumulated impairment losses of approximately HK$301,112,000 (2016: HK$302,982,000).

Estimated impairment loss on trade and other receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. At 31 December 2017, the carrying amount of trade and other receivables was approximately HK$112,670,000 (31 December 2016: HK$70,501,000), net of accumulated impairment loss of approximately HK$184,624,000 (2016: approximately HK$189,517,000).

Fair value of convertible instruments designated as financial assets at FVTPL

The fair value of the convertible instruments involves assumptions on the issuer's credit spread, discount rate, expected credit rating and future cash flows. Should these assumptions change, there would be material changes to the fair value. The carrying amount of the convertible instruments designated as financial assets at FVTPL as at 31 December 2017 was approximately HK$27,449,000 (2016: HK$38,851,000).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Fair value of investment properties

At the end of the reporting period, investment properties are stated at fair value based on the valuation performed by the independent professional valuers. In determining the fair value, the independent professional valuers have based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the Directors have exercised their judgements and are satisfied that the assumptions used in valuation have reflected the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties being recognised in profit or loss. The carrying amount of investment properties measured at fair value at 31 December 2017 was approximately HK$117,700,000 (2016: HK$111,240,000).

Estimated impairment loss on interests in joint ventures

Determining whether the interests in joint ventures are impaired requires an estimation of the future cash flows expected to arise and expected dividend yield from the joint ventures and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of the Group's joint ventures as at 31 December 2017 was approximately HK$182,012,000 (2016: HK$166,278,000). No impairment loss was recognised for the years ended 31 December 2017 and 2016.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings, obligations under finance leases and bond payables, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

5. CAPITAL RISK MANAGEMENT *(Continued)*

The Group is not subject to any externally imposed capital requirements. The Directors review the capital structure on an annual basis. As part of this review, the Directors consider the cost of capital and risks associates with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2017	2016
	HK$'000	HK$'000
Financial assets		
Available-for-sale financial assets:		
– at cost	**3,634**	5,892
– at fair value	**–**	39,790
	3,634	45,682
Financial assets at FVTPL:		
– investments held for trading	**204,232**	222,868
– convertible instruments designated as financial assets at FVTPL	**27,449**	38,851
	231,681	261,719
Loans and receivables (including bank balances and cash)	**214,020**	184,732
Financial liabilities		
Other financial liabilities measured at amortised cost	**225,575**	230,751

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies

The Group's major financial instruments include loan and interest receivables, trade and other receivables, amount due from (to) an associate/a joint venture, bank balances and cash, financial assets at FVTPL (including investments held for trading and convertible instruments designated as financial assets at FVTPL), AFS financial assets, trade and other payables, bond payables, obligations under finance leases and borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Market risk

(i) Currency risk

The functional currency of certain subsidiaries established in the PRC is Renminbi ("RMB"). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date, that are denominated in currencies other than the functional currency of the relevant group entities were mainly denominated in RMB and United States dollars ("USD").

	Assets	
	2017	2016
	HK$'000	HK$'000
RMB	94	88
USD	7	39,801

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Currency risk (Continued)

Other than the above, the Group did not have significant exposure to risk resulting from changes in foreign currency exchange rates. The Group currently does not have any policy to hedge its exposure to currency risk.

No sensitivity analysis was prepared for USD because HK$ is pegged to USD and no sensitivity analysis was prepared for RMB as the fluctuation and impact is considered immaterial.

(ii) Interest rate risk

The Group's income and operating cash flows would be affected by the changes of market interest rates. The Group's exposure to market risk for changes in interest rates mainly arises from borrowings. Borrowings arranged at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. At 31 December 2017, approximately 40% (2016: 23%) of the borrowings bore interest at floating rates. The interest rate and repayment terms of the borrowings outstanding at year end are disclosed in Note 30 to the consolidated financial statements.

The Group has exposure at cash flow interest rate risk through the impact of the rate changes on bank balances and bank borrowings which are carried at variable interest rate.

Loan and interest receivables, bond payables, certain other receivables, obligations under finance leases and convertible instruments designated as financial assets at FVTPL at fixed rates expose the Group to fair value interest-rate risk. The Group has not formulated a policy to manage the interest rate risk. The Group has not used any derivative contracts or formulated any policy to hedge its exposure to interest rate risk as the exposure is considered to be insignificant.

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk (Continued)

Sensitivity analysis

Bank balances are excluded from sensitivity analysis as the Directors consider that the exposure of cash flow interest risk arising from variable-rate bank balances is insignificant.

If the interest rates had been increased/decreased by 100 basis points in borrowings arranged at variable rates and assuming these borrowings outstanding at the end of the reporting period were outstanding for the whole year and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2017 (2016: post-tax loss) would increase/decrease (2016: increase/decrease) by approximately HK$552,000 (2016: HK$351,000). The assumed changes have no impact on the Group's other components of equity. This is mainly attributable to the Group's exposure with respect to interest rate on its variable-interest rate borrowings. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities, unlisted investment funds and convertible instruments designated as financial assets at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's other price risk is mainly concentrated on instruments quoted on the Exchange and on fund investments quoted by the financial institutions.

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(iii) Other price risk (Continued)

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity securities included in investments held for trading had been 10% (2016: 10%) higher/lower, the post-tax loss for the year ended 31 December 2017 would decrease/increase by approximately of HK$20,423,000 (2016: HK$22,287,000) as a result of the changes in financial assets at FVTPL.

For convertible instruments designated as financial assets at FVTPL issued by a listed company, if the prices of the respective convertible instruments had been 10% (2016: 10%) higher/lower, the post-tax loss for the year ended 31 December 2017 would decrease by approximately HK$167,000 (2016: decrease by HK$328,000) or increase by approximately HK$166,000 (2016: increase by HK$320,000) respectively, arising from the changes in fair value of convertible instruments designated as financial assets at FVTPL.

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to the loan and interest receivables and trade and other receivables as mention in Notes 24 and 26 to the consolidated financial statements. For the year ended 31 December 2017, no impairment loss (2016: impairment loss of loan and interest receivables and trade and other receivables approximately HK$5,227,000 and HK$169,517,000, respectively) was recognised, the management has considered the financial background of debtors, and therefore the management is satisfied with credit quality of financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

In respect of loan and interest receivables, representing financing advances to customers under the Group's loan financing business, individual credit evaluations are performed on all customers. These evaluations focus on the customer's financial background and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent.

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

In respect of the loan and interest receivables arising from the Group's loan financing business, 29% (2016: 31%) of the total net loan and interest receivables as at 31 December 2017 was due from the Group's largest customer and 80% (2016: 82%) of the total net loan and interest receivables as at 31 December 2017 was due from the Group's five largest customers for the Group's loan financing business.

In respect of the convertible instruments designated as financial assets at FVTPL, representing two convertible bonds issued by (i) a Hong Kong listed company with the aggregate principal amount of HK$23,500,000, and (ii) a private company incorporated in the British Virgin Islands with the aggregate principal amount of HK$8,000,000 (the "Bonds Issuer"), credit evaluation, including the Bonds Issuer's financial background and current ability to pay, is performed.

The Directors consider the credit risk under control since the management exercise due care in granting credit and check the financial background of these customers on a regular basis.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 100% of loan and interest receivables as at 31 December 2017 and 2016.

The Group has concentration of credit risk as 100% of the total trade receivables was due from the Group's largest customer within the trading business segment.

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk

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

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted contractual cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

At 31 December 2017

	Weighted average effective interest rate %	On demand or within one year HK$'000	More than one year but not more than two years HK$'000	More than two years but not more than five years HK$'000	More than five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
Non-derivative financial liabilities							
Trade and other payables	N/A	34,119	–	–	–	34,119	34,119
Amount due to an associate	N/A	731	–	–	–	731	731
Borrowings	12.69%	156,890	–	–	–	156,890	139,226
Bond payables	7.6%	3,800	13,800	43,200	–	60,800	50,000
Obligations under finance leases	2.75%	653	630	296	–	1,579	1,499
		196,193	14,430	43,496	–	254,119	225,575

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

At 31 December 2016

	Weighted average effective interest rate %	On demand or within one year HK$'000	More than one year but not more than two years HK$'000	More than two years but not more than five years HK$'000	More than five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
Non-derivative financial liabilities							
Trade and other payables	N/A	29,132	–	–	–	29,132	29,132
Borrowings	11.85%	167,559	–	–	–	167,559	149,807
Bond payables	7.60%	3,800	3,800	57,600	–	65,200	50,000
Obligations under finance leases	2.78%	710	564	631	–	1,905	1,812
		201,201	4,364	58,231	–	263,796	230,751

Bank loans with a repayment on demand clause are included in the "on demand or within one year" time band in the above maturity analysis. As at 31 December 2017, the aggregate undiscounted principal amounts of these borrowings amounted to approximately HK$22,281,000 (2016: HK$23,620,000). Taking into account the Group's financial position, the Directors do not believe that it is probable that the financial institutions will exercise their discretionary right to demand immediate repayment. The Directors believe that such borrowings will be repaid by monthly installments in the next 14 years (2016: 15 years) after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows of such borrowings will amount to approximately HK$27,886,000 (2016: HK$29,844,000).

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

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

c. Fair value measurements of the financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The Directors are responsible for determining fair value and the process of determining fair value.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Board works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

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

6. FINANCIAL INSTRUMENTS *(Continued)*

c. Fair value measurements of the financial instruments *(Continued)*

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/ Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	31.12.2017	31.12.2016			
Investments held for trading	Assets– approximately HK$204,232,000	Assets– approximately HK$222,868,000	Level 1	Quoted bid prices in an active market	N/A
Convertible instruments designated as financial assets at FVTPL (Note (a))	Assets– approximately HK$19,949,000	Assets– approximately HK$38,851,000	Level 3	Discount rate and volatility levels determined using a Binominal Option Pricing Model	Discount rate of 24.97% taking into account
Convertible instruments designated as financial assets at FVTPL (Note (b))	Assets– approximately HK$7,500,000	Assets – Nil	Level 3	Discount rate and volatility levels determined using a Black-Scholes model	Volatility of 37.64% taking into account
Unlisted investment funds classified as AFS financial assets	Assets – Nil	Assets– approximately HK$39,790,000	Level 2	Determined based on public information of quoted net asset value of the relevant fund investments	N/A

Notes:

(a) An increase in discount rate used in valuation would result in a decrease in fair value measurement of the convertible instrument, and vice versa. A 10% increase/decrease in discount rate and holding all other variables constant would decrease/increase the carrying amount of the convertible instrument by HK$291,000 and HK$302,000 respectively (2016: HK$319,000 and HK$330,000, respectively).

(b) An increase in the expected volatility used in valuation would result in an increase in fair value measurement of the convertible instrument, and vice versa. A 10% increase/decrease in expected volatility and holding all other variables constant would decrease/increase the carrying amount of the convertible instrument by HK$65,000 and HK$70,000, respectively.

There were no transfers between levels of fair value hierarchy in the current and prior year.

6. FINANCIAL INSTRUMENTS *(Continued)*

c. Fair value measurements of the financial instruments *(Continued)*

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

	Fair value hierarchy as at 31 December 2017			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at FVTPL				
– listed equity securities held for trading	**204,232**	**–**	**–**	**204,232**
– convertible instruments designated as financial assets at FVTPL	**–**	**–**	**27,449**	**27,449**
	204,232	**–**	**27,449**	**231,681**

	Fair value hierarchy as at 31 December 2016			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
– listed equity securities held for trading	222,868	–	–	222,868
– convertible instruments designated as financial assets at FVTPL	–	–	38,851	38,851
AFS financial assets				
– unlisted investment funds	–	39,790	–	39,790
	222,868	39,790	38,851	301,509

The fair values of the financial assets and financial liabilities included in level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

6. FINANCIAL INSTRUMENTS *(Continued)*

c. Fair value measurements of the financial instruments *(Continued)*

(ii) Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities on recurring basis:

	Convertible instruments designated as financial assets at FVTPL HK$'000	Derivative financial liabilities HK$'000	Convertible loan notes HK$'000
At 1 January 2016	49,280	(8,125)	(52,895)
Effective interest expense (Note 10)	–	–	(2,790)
Loss on early redemption	–	–	(1,315)
Early redemption	–	–	57,000
Change in fair value	(6,229)	–	–
Expired and reclassified as other receivables	(4,200)	–	–
Expiration	–	8,125	–
At 31 December 2016	38,851	–	–
Purchase	8,000	–	–
Change in fair value	2,265	–	–
Gain on redemption	1,333	–	–
Expired and reclassified as other receivables	(23,000)	–	–
At 31 December 2017	**27,449**	**–**	**–**

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE

Revenue represents the aggregate of rental income, interest income from loan financing, sales of goods and dividend income from investments held for trading during the year. The following is an analysis of the Group's revenue:

	2017 HK$'000	2016 HK$'000
Rental income	**2,453**	2,474
Interest income from the provision of loan financing	**3,614**	6,241
Sales of goods	**4,200**	–
Dividend income from investments held for trading	**–**	23
	10,267	8,738

8. SEGMENT INFORMATION

Information reported to the executive Directors, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the chief operating decision makers ("CODM") have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. Properties investments – investment in properties for rental income purpose

2. Securities trading – trading of securities and dividend income from investments held for trading

3. Loan financing – provision of financing services

4 Trading business – Sales of goods

During the year ended 31 December 2017, the Group has been engaged in the trading business and which is regarded as a new business segment of the Group.

8. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

	2017 HK$'000	2016 HK$'000
Segment revenue		
– Properties investments	**2,453**	2,474
– Securities trading	**–**	23
– Loan financing	**3,614**	6,241
– Trading business	**4,200**	–
	10,267	8,738
Segment profit (loss)		
– Properties investments	**10,088**	15,709
– Securities trading	**(38,142)**	(94,336)
– Loan financing	**(507)**	3,458
– Trading business	**(468)**	–
	(29,029)	(75,169)
Unallocated corporate expenses	**(59,530)**	(78,463)
Unallocated corporate income	**988**	16,090
Changes in fair values of convertible instruments designated as financial assets at FVTPL, net	**2,265**	(6,229)
Gain on redemption of convertible instruments designated as financial assets at FVTPL	**1,333**	–
Gain on disposal of available-for-sale financial assets	**25,412**	–
Gain arising from derecognition of derivative financial liabilities	**–**	8,125
(Loss) gain on disposal of subsidiaries	**(5,756)**	2,340
Gain on deemed disposal of a subsidiary	**–**	5
Gain on bargain purchase	**61**	–
Loss on early redemption of convertible loan notes	**–**	(1,315)
Loss on settlement on other payables	**–**	(1,063)
Impairment loss recognised in respect of available-for-sale financial assets	**(2,258)**	–
Impairment loss recognised in respect of other receivables	**–**	(169,517)
Impairment loss in respect of loan and interest receivables	**–**	(5,227)
Share-based payment expenses	**–**	(12,524)
Loss on disposal of an associate	**(770)**	–
Share of profit of associates	**224**	14
Unallocated finance costs	**(18,782)**	(25,768)
Loss before tax	**(85,842)**	(348,701)

8. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

Segment revenue reported above represents revenue generated from external customers. There was no intra-segment sale in the both years.

The accounting policies of the operating segment are the same as the Group's accounting policies described in Note 3 to the consolidated financial statements. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administration costs, directors' emoluments, changes in fair values of convertible instruments designated as financial assets at FVTPL, gain on redemption of convertible instruments designated as financial assets at FVTPL, gain on disposal of available-for-sale financial assets, impairment loss recognised in respect of available-for-sale financial assets/loan and interest receivable and other receivables, share-based payment expenses, loss on early redemption of convertible loan notes, loss on settlement on other payables, gain arising from derecognition of derivative financial liabilities, (loss) gain on disposal of subsidiaries, gain on deemed disposal of a subsidiary, gain on bargain purchase, loss on disposal of an associate, share of profit of associates and certain finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

8. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

	2017 **HK$'000**	2016 HK$'000
Segment assets		
– Properties investments	**301,152**	279,025
– Securities trading	**221,378**	225,167
– Loan financing	**51,546**	109,375
– Trading business	**4,209**	–
Total segment assets	**578,285**	613,567
Unallocated corporate assets	**199,472**	186,278
Consolidated assets	**777,757**	799,845
Segment liabilities		
– Properties investments	**69,731**	69,981
– Securities trading	**32,711**	15,269
– Loan financing	**208**	135
– Trading business	**4,073**	–
Total segment liabilities	**106,723**	85,385
Unallocated corporate liabilities	**131,748**	158,598
Consolidated liabilities	**238,471**	243,983

8. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than available-for-sale financial assets, certain plant and equipment, prepaid lease payment, interests in/amount due from associates, club debentures, convertible instruments designated as financial assets at FVTPL, bank balances and cash and certain prepayments, deposits and other receivables; and

- all liabilities are allocated to operating segments other than certain accruals and other payables, certain borrowings, obligations under finance leases, amount due to an associate, tax liabilities, bond payables and deferred tax liabilities.

8. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2017

	Properties investments HK$'000	Securities trading HK$'000	Loan financing HK$'000	Trading business HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included the measure of segment profit or loss or segment assets:						
Depreciation on plant and equipment	1	–	–	–	2,579	2,580
Share of profit of joint ventures	(1,009)	–	–	–	–	(1,009)
Fair value (gain) loss on:						
– investments properties	(6,460)	–	–	–	–	(6,460)
– investments held for trading	–	31,171	–	–	–	31,171
Gain on disposal of investments held for trading	–	(11,230)	–	–	–	(11,230)
Finance costs	–	1,891	–	–	18,782	20,673
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:						
Gain on disposal of available-for-sale financial assets	–	–	–	–	(25,412)	(25,412)
Impairment loss recognised in respect of available-for-sales assets	–	–	–	–	2,258	2,258
Loss on disposal of a subsidiary	–	–	–	–	5,756	5,756
Changes in fair values of convertible instruments designated as financial assets at FVTPL, net	–	–	–	–	(2,265)	(2,265)
Gain on redemption of convertible instruments designated as financial assets at FVTPL	–	–	–	–	(1,333)	(1,333)
Gain on bargain purchase	–	–	–	–	(61)	(61)
Loss on disposal of an associate	–	–	–	–	770	770
Share of profit of associates	–	–	–	–	(224)	(224)

8. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2016

	Properties investments HK$'000	Securities trading HK$'000	Loan financing HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included the measure of segment profit or loss or segment assets:					
Depreciation on plant and equipment	1	6	–	2,642	2,649
Additions to plant and equipment	4	–	–	1,137	1,141
Share of profit of a joint venture	(11,323)	–	–	–	(11,323)
Fair value (gain) loss on:					
– investments properties	(5,215)	–	–	–	(5,215)
– investments held for trading	–	9,177	–	–	9,177
Loss on disposal of investments held for trading	–	69,431	–	–	69,431
Finance costs	–	9,251	–	25,768	35,019
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:					
Changes in fair values of convertible instruments designated as financial assets of FVTPL	–	–	–	6,229	6,229
Gain arising from derecognition of derivative financial liabilities	–	–	–	(8,125)	(8,125)
Impairment loss recognised in respect of loan and interest receivables	–	–	3,427	1,800	5,227
Gain on disposal of subsidiaries	–	–	–	(2,340)	(2,340)
Gain on deemed disposal of a subsidiary	–	–	–	(5)	(5)
Loss on early redemption of convertible loan notes	–	–	–	1,315	1,315
Loss on settlement on other payables	–	–	–	1,063	1,063
Impairment loss recognised in respect of other receivables	–	–	–	169,517	169,517
Share-based payment expenses	–	–	–	12,524	12,524
Share of profit of associates	–	–	–	(14)	(14)

8. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located in the PRC, Hong Kong and the Commonwealth of the Northern Mariana Islands ("CNMI").

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets, excluding financial instruments, is presented based on the geographical location of the assets:

	Revenue from external customers		Non-current assets	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**6,067**	8,738	**126,298**	119,471
PRC	**4,200**	–	**180,521**	166,278
CNMI	**–**	–	**19,114**	19,501
	10,267	8,738	**325,933**	305,250

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2017	2016
	HK$'000	HK$'000
Customer A[1]	**N/A***	1,020
Customer B[2]	**N/A***	3,248
Customer C[3]	**4,200**	–

1 Revenue from properties investments

2 Revenue from loan financing

3 Revenue from trading business

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

9. OTHER INCOME AND GAINS

The analysis of the Group's other income and gains are as follow:

	2017 HK$'000	2016 HK$'000
Bank interest income	**11**	3
Interest on convertible instruments designated as financial assets at FVTPL	**94**	156
Interest on other receivables (Note (a))	**863**	–
Reversal of impairment loss recognised in respect of loan and interest receivables (Note 24 (a))	**70**	–
Others (Note (b))	**20**	15,931
	1,058	16,090

Notes:

(a) The amount represents the interest income regarding the other receivables bearing interest rate of 5% per annum (Note 26(c)(v)).

(b) Included in other income for the year ended 31 December 2016 is an amount of approximately HK$15,678,000 regarding gain on settlement of other receivables of approximately HK$32,000,000 with listed shares.

10. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interests on:		
Bank borrowings	**595**	491
Other loans	**14,324**	18,608
Bond payables	**3,800**	3,800
Convertible loan notes at effective interest rates (Note 34)	**–**	2,790
Obligations under finance leases	**63**	79
Margin accounts	**1,891**	9,251
	20,673	35,019

11. LOSS FOR THE YEAR

	2017 HK$'000	2016 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Staff costs including directors' emoluments:		
Salaries and allowances	**29,188**	30,539
Contributions to retirement benefits scheme	**626**	624
Share-based payment expenses	**–**	6,399
	29,814	37,562
Auditor's remuneration		
– Audit service	**820**	833
– Non-audit service	**170**	–
Cost of inventories recognised as expenses	**4,000**	–
Depreciation of plant and equipment	**2,580**	2,649
Amortisation of prepaid lease payment	**388**	388
Impairment loss recognised in respect of prepaid lease payment	**–**	441
Loss on written-off of plant and equipment	**178**	594
Minimum lease payments under operating leases	**4,782**	7,345
Legal and professional fees	**6,817**	13,196
Share-based payment expenses – consultants	**–**	6,125
Consultancy fees	**7,443**	7,841
Gross rental income	**(2,453)**	(2,474)
Less: outgoings (included in cost of sales)	**312**	271
Net rental income	**(2,141)**	(2,203)

12. INCOME TAX EXPENSES

	2017 HK$'000	2016 HK$'000
Deferred taxation (Note 33)	**213**	213

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years ended 31 December 2017 and 2016. No provision for taxation in Hong Kong has been made for both years ended 31 December 2017 and 2016 as the Group did not generate any assessable profits arising in Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years ended 31 December 2017 and 2016.

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

12. INCOME TAX EXPENSES *(Continued)*

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

	2017 **HK$'000**	2016 HK$'000
Loss before tax	**(85,842)**	(348,701)
Tax at the domestic income tax rate of 16.5% (2016: 16.5%)	**(14,164)**	(57,536)
Tax effect of share of results of joint ventures	**(166)**	(1,868)
Tax effect of share of results of associates	**(37)**	(2)
Tax effect of expenses not deductible for tax purpose	**21,109**	63,172
Tax effect of income not taxable for tax purpose	**(10,157)**	(12,178)
Tax effect on investment properties for deferred tax purpose	**213**	213
Tax effect of tax loss not recognised	**3,415**	8,412
Income tax expenses for the year	**213**	213

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the years disclosed pursuant to the applicable GEM Listing Rules and Hong Kong Companies Ordinance, is as follows:

Year ended 31 December 2017

Name of directors	Fees HK$'000	Salaries and allowances HK$'000	Contributions to retirement benefits scheme HK$'000	Share-based payment expenses HK$'000	Total HK$'000
Executive directors					
Lam Kwok Hing Wilfred	–	2,080	18	–	2,098
Chan Shui Sheung Ivy	–	1,937	18	–	1,955
Mok Tsan San	–	1,001	18	–	1,019
	–	5,018	54	–	5,072
Independent non-executive directors					
Yuen Wai Man	331	–	–	–	331
Wang Chin Mong (Note a)	76	–	–	–	76
Chow Fu Kit Edward	331	–	–	–	331
Pau Matthew (Note b)	76	–	–	–	76
Lam Raymond Shiu Cheung (Note c)	111	–	–	–	111
	925	–	–	–	925
	925	5,018	54	–	5,997

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

Year ended 31 December 2016

Name of directors	Fees HK$'000	Salaries and allowances HK$'000	Contributions to retirement benefits scheme HK$'000	Share-based payment expenses HK$'000	Total HK$'000
Executive directors					
Lam Kwok Hing Wilfred	–	2,557	18	1,112	3,687
Chan Shui Sheung Ivy	–	1,937	18	1,112	3,067
Mok Tsan San	–	1,001	18	1,112	2,131
	–	5,495	54	3,336	8,885
Independent non-executive directors					
Yuen Wai Man	331	–	–	–	331
Wang Chin Mong	331	–	–	–	331
Chow Fu Kit Edward	331	–	–	–	331
	993	–	–	–	993
	993	5,495	54	3,336	9,878

Notes:

a. Mr. Wang Chin Mong resigned as an independent non-executive director of the Company on 23 March 2017

b. Mr. Pau Matthew was appointed as an independent non-executive director of the Company on 8 June 2017 and resigned on 1 September 2017

c. Mr. Lam Raymond Shiu Cheung was appointed as an independent non-executive director of the Company on 1 September 2017

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

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

No directors and chief executive waived their emoluments for each of the years ended 31 December 2017 and 2016. No emoluments have been paid to the directors and chief executive as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2017 and 2016.

During the year ended 31 December 2016, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in Note 37 to the consolidated financial statements.

The Company did not appoint any chief executive during the years ended 31 December 2017 and 2016. The executive directors performed the duties of chief executive. Their emoluments disclosed above include those services rendered by the executive directors.

14. FIVE HIGHEST PAID EMPLOYEES

During the year, the five highest paid employees of the Group included three directors (2016: three directors) of the Company, details of whose emoluments are set out in Note 13 to the consolidated financial statements. Details of the emoluments for the years of the remaining two (2016: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries and allowances	**3,247**	3,784
Contributions to retirement benefits scheme	**36**	54
Share-based payment expenses	**–**	3,063
	3,283	6,901

The number of the highest paid employees who are not the Directors whose emoluments fell within the following bands is as follows:

	2017 **Number of employees**	2016 Number of employees
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	1
HK$4,500,001 to HK$5,000,000	**–**	1
	2	2

15. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2017, nor has any dividend been proposed since the end of the reporting period (2016: Nil).

16. LOSS PER SHARE

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

	2017 HK$'000	2016 HK$'000
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(86,462)**	(350,928)
Effect of dilutive potential ordinary shares:		
– Interest on convertible loan notes	**N/A**	N/A
Loss for the purpose of diluted loss per share	**(86,462)**	(350,928)

	2017 '000	2016 '000 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**149,625**	102,128
Effect of dilutive potential ordinary shares:		
– Share options	**N/A**	N/A
– Convertible loan notes	**N/A**	N/A
– Options to subscribe convertible bonds	**N/A**	N/A
Weighted average number of ordinary shares for the purpose of diluted loss per share	**149,625**	102,128

16. LOSS PER SHARE *(Continued)*

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for the effect of open offer on 26 June 2017 and the share consolidation on 27 June 2017. Details of the open offer and the share consolidation are set out in Note 36 to the consolidated financial statements.

The denominator for the purpose of calculating basic and diluted loss per share in 2016 has been restated to reflect the effect of the open offer and the share consolidation during the year ended 31 December 2017.

The computation of diluted loss per share for the years ended 31 December 2017 and 31 December 2016 does not assume the exercise of the Company's share options, the options to subscribe convertible bonds and the conversion of the Company's outstanding convertible loan notes, since it would result in a decrease in loss per share for the years which is regarded as anti-dilutive.

17. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Vessel HK$'000	Total HK$'000
COST					
At 1 January 2016	1,521	1,633	1,688	14,461	19,303
Additions	–	61	1,080	–	1,141
Written-off	–	(1,115)	–	–	(1,115)
At 31 December 2016 and 1 January 2017	1,521	579	2,768	14,461	19,329
Additions	–	52	1,358	–	1,410
Written-off	(324)	–	–	–	(324)
At 31 December 2017	**1,197**	**631**	**4,126**	**14,461**	**20,415**
ACCUMULATED DEPRECIATION					
At 1 January 2016	684	902	188	10,062	11,836
Charge for the year	275	187	749	1,438	2,649
Eliminated on written-off	–	(521)	–	–	(521)
At 31 December 2016 and 1 January 2017	959	568	937	11,500	13,964
Charge for the year	195	22	925	1,438	2,580
Eliminated on written-off	(146)	–	–	–	(146)
At 31 December 2017	**1,008**	**590**	**1,862**	**12,938**	**16,398**
CARRYING VALUES					
At 31 December 2017	**189**	**41**	**2,264**	**1,523**	**4,017**
At 31 December 2016	562	11	1,831	2,961	5,365

17. PLANT AND EQUIPMENT *(Continued)*

The above items of plant and equipment are depreciated on a straight-line method at the following rates per annum:

Leasehold improvements	20%
Furniture, fixtures and office equipment	20% – 30%
Motor vehicles	30%
Vessel	10%

As at 31 December 2017, the carrying values of motor vehicles included an amount of approximately HK$2,264,000 (2016: HK$1,831,000) in respect of assets held under finance leases (Note 35).

18. PREPAID LEASE PAYMENT

	2017 **HK$'000**	2016 HK$'000
Analysed for reporting purposes as:		
Current assets	**388**	389
Non-current assets	**19,114**	19,501
	19,502	19,890

Note:

The land is located at CNMI. The Group acquired the land use right through an acquisition of a subsidiary during the year ended 31 December 2014.

The management has assessed the recoverable amount of the land by reference to its fair values, which is determined by Grant Sherman Appraisal Limited ("Grant Sherman"), an independent qualified professional valuers not connected to the Group. Grant Sherman has appropriate qualifications and recent experiences in the valuation of similar premises in the relevant locations.

The valuation used direct comparison approach and made reference to the recent transactions for similar premises in the proximity. No impairment loss (2016: Impairment loss of approximately HK$441,000) was recognised during the year ended 31 December 2017.

19. INVESTMENT PROPERTIES

	2017 HK$'000	2016 HK$'000
Fair value		
At 1 January	**111,240**	94,900
Acquired on an acquisition of a subsidiary (Note 44)	**–**	11,125
Net increase in fair value recognised in profit or loss	**6,460**	5,215
At 31 December	**117,700**	111,240
Unrealised gain on properties revaluation included in profit or loss	**6,460**	5,215

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

The fair value of the Group's investment properties at 31 December 2017 and 2016 have been arrived at on the basis of a valuation carried out on the respective dates by Jointgoal Surveyors Limited ("Jointgoal Surveyors") and Avista Valuation Advisory Limited ("Avista"), independent qualified professional valuers not connected to the Group. Jointgoal Surveyors and Avista have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

In determining the fair value of the relevant properties, the board of directors of the Company has set up a valuation committee, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The valuation using market comparable approach was arrived at by reference to market evidence of recent transaction prices for similar properties in the similar locations and conditions if such information is available.

19. INVESTMENT PROPERTIES *(Continued)*

For properties without market transaction prices information, the fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The capitalisation rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in related location and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

There has been no change from the valuation technique used in the prior year.

As at 31 December 2017, the Group's investment properties with carrying amounts of approximately HK$117,700,000 (2016: HK$111,240,000) has been pledged to secure borrowings granted to the Group (Note 30).

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2017 and 31 December 2016 are as follows:

	Level 3	**Fair value**
	HK$'000	HK$'000
2017		
Residential properties located in Hong Kong	**117,700**	**117,700**
2016		
Residential properties located in Hong Kong	111,240	111,240

There were no transfers into or out of Level 3 during the year ended 31 December 2017.

19. INVESTMENT PROPERTIES *(Continued)*

Information about Level 3 fair value measurements of investment properties:

Valuation techniques	Key input	Significant unobservable inputs		Sensitivity
		2017	2016	
Market comparable approach (Note 1)	Recent sale price of comparable properties, time factor and discount or premium on quality of properties	Average rate of (discount) premium on quality of properties at (11.25%) to 15.25%	Average rate of (discount) premium on quality of properties at (5%) to 12.7%	Higher discount for lower quality properties would result in a significant decrease in fair value, and vice versa.
Income approach (Note 2)	Rental yield, time factor and capitalisation rates	Capitalisation rates at 1.8%	Capitalisation rates at 1.9%	A slight increase in capitalisation rate used would result in a significant decrease in fair value, and vice versa.

Notes:

1. The fair values of certain investment properties located in Hong Kong amounting to HK$61,400,000 (2016: HK$56,400,000) are determined using market comparable approach by reference to recent sales price of comparable properties on a price square foot basis using market date which is publicly available.

2. The fair value measurement of investment properties located in Hong Kong amounting to HK$56,300,000 (2016: HK$54,840,000) based on income approach determined by using discounted cash flow is positively correlated to the rental yield, and negatively correlated to the capitalisation rates.

19. INVESTMENT PROPERTIES *(Continued)*

Reconciliation of Level 3 fair value measurements of investment properties on recurring basis:

	Investment properties classified as Level 3 HK$'000
At 1 January 2016	94,900
Net increase in fair value recognised in profit or loss	5,215
Acquired on an acquisition of a subsidiary (Note 44)	11,125
At 31 December 2016 and 1 January 2017	111,240
Net increase in fair value recognised in profit or loss	6,460
At 31 December 2017	**117,700**

The above net increase in fair value recognised in profit or loss are included in the consolidated statement of profit or loss and other comprehensive income and is attributable to the change in fair values of investment properties at the end of the reporting period.

20. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM (TO) AN ASSOCIATE

	2017 **HK$'000**	2016 HK$'000
Cost of investments in unlisted associates	**–**	380
Share of post-acquisition losses and other comprehensive expense		
– Oriental Tours & Travel Co. Limited ("Oriental Tours")	**–**	(297)
Impairment	**–**	(83)
Share of post-acquisition profits and other comprehensive income		
– Wisdom Team Limited ("Wisdom Team")	**400**	176
	400	176

During the year ended 31 December 2016, the Group advanced approximately HK$10,026,000 to Wisdom Team for the purpose of provision of operating fund for its future business development. The amount was interest-free, unsecured and repayable on demand, and the amount due from Wisdom Team at the end of the reporting period was neither past due nor impaired. During the year ended 31 December 2017, the amount due from Wisdom Team was fully settled.

As at 31 December 2017, the amount due to Wisdom Team of approximately HK$731,000 was interest-free, unsecured and repayable on demand.

20. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM (TO) AN ASSOCIATE *(Continued)*

Details of each of the Group's associates at the end of the reporting period are as follow:

Name of entity	Place of incorporation	Principal place of operations	Proportion of ownership interest held by the Group		Proportion of voting rights interest held by the Group		Principal activity
			2017	2016	**2017**	2016	
Oriental Tours (Note (a))	Hong Kong	Hong Kong	**–**	38%	**–**	38%	Travel agent business
Wisdom Team (Note (b))	British Virgin Islands	British Virgin Islands	**49%**	49%	**49%**	49%	Investment holding

Notes:

(a) In the prior year, the Group held 38% equity interest in Oriental Tours and which was accounted for as an associate of the Group. On 30 March 2017, the Group entered into a sale and purchase agreement with an independent third party pursuant to which the Group has agreed to sell 38% issued capital of Oriental Tours at a consideration of approximately HK$10,000. After the completion of the disposal in 2017, Oriental Tours has been ceased to be the associate of the Group. This disposal has resulted in the recognition of loss in profit or loss, calculated as follows:

	HK$'000
Proceeds of disposal	10
Less: Carrying amount of the investment in Oriental Tours at the date of disposal	–
Assignment of loan granted to Oriental Tours	(780)
Loss on disposal	(770)

(b) On 4 January 2016, the Group entered into a share purchase agreement with an independent third party pursuant to which the Group has agreed to sell 51% issued share capital of Wisdom Team, a wholly-owned subsidiary of the Group, at a consideration of USD510 (equivalent to HK$3,978). After the completion of the deemed disposal, the Group owns 49% issued share capital of Wisdom Team and Wisdom Team became the associate of the Group. Details of the deemed disposal are set out in Note 43(b) to the consolidated financial statements.

20. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM (TO) AN ASSOCIATE *(Continued)*

Summarised financial information of the associates

Summarised financial information in respect of the Group's associates are set out below.

The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

The associates are accounted for using the equity method in these consolidated financial statements.

Oriental Tours

	2017	2016
	HK$'000	HK$'000
Current assets	–	617
Current liabilities	–	(1,083)

20. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM (TO) AN ASSOCIATE *(Continued)*

Summarised financial information of the associates *(Continued)*

Oriental Tours *(Continued)*

	Period from 1 January 2017 to 30 March 2017 HK$'000	Year ended 31 December 2016 HK$'000
Revenue	**–**	2,683
Loss and total comprehensive expense for the period/year	**(329)**	(673)
Dividend received from Oriental Tours during the period/year	**–**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in Oriental Tours recognised in the consolidated financial statements:

	2017 HK$'000	2016 HK$'000
Net liabilities of Oriental Tours	**–**	(466)
Proportion of the Group's ownership interest in Oriental Tours	**–**	38%
The Group's share of net assets of Oriental Tours (Note)	**–**	–
Goodwill	**–**	83
Less: Impairment	**–**	(83)
Carrying amount of the Group's interest in Oriental Tours	**–**	–

Note: The Group discontinued recognising its share of further losses which exceeds its interest in Oriental Tours.

20. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM (TO) AN ASSOCIATE *(Continued)*

Summarised financial information of the associates *(Continued)*

Wisdom Team

	2017 HK$'000	2016 HK$'000
Current assets	**816**	10,394
Current liabilities	**–**	(10,034)

	Year ended 31 December 2017 HK$'000	4 January 2016 to 31 December 2016 HK$'000
Revenue	**–**	–
Profit and total comprehensive income for the year/period	**456**	360
Dividend received from Wisdom Team during the year/period	**–**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in Wisdom Team in the consolidated financial statements:

	2017 HK$'000	2016 HK$'000
Net assets of Wisdom Team	**816**	360
Proportion of the Group's ownership interest in Wisdom Team	**49%**	49%
Carrying amount of the Group's interest in Wisdom Team	**400**	176

21. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM A JOINT VENTURE

	2017 HK$'000	2016 HK$'000
Cost of investments in unlisted joint ventures	**99,719**	96,719
Share of post-acquisition profits and other comprehensive income	**79,086**	78,077
Exchange adjustments	**3,207**	(8,518)
	182,012	166,278

On 20 June 2017, the Group and an independent third party (collectively referred to as the "JV Investors") entered into a joint venture agreement pursuant to which the JV Investors agreed to establish a joint venture, Chinese Capital Union Financial Limited ("CCUF"). The JV Investors have an equal shareholding interest in CCUF and have joint control over CCUF as unanimous consent is required from both JV investors for all activities that significantly affect the returns of the investment. Therefore, CCUF is classified as a joint venture of the Group.

During the year ended 31 December 2017, the Group advanced approximately HK$3,341,000 (2016: HK$Nil) to CCUF for the purpose of provision of operating fund for its future business development. The amount was interest-free, unsecured and repayable on demand, and the amount due from CCUF at the end of the reporting period was neither past due nor impaired.

21. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM A JOINT VENTURE *(Continued)*

Details of each of the Group's joint ventures at the end of the reporting period are as follow:

Name of entity	Place of Incorporation	Principal place of operations	Issued and fully paid registered capital	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
				2017	2016	**2017**	2016	
Changsha Seg (Note (a))	PRC	PRC	Registered capital of RMB35,000,000	**54%**	54%	**54%**	54%	Rental of office premises and properties investment
CCUF (Note (b))	Hong Kong	Hong Kong	HK$6,000,000	**50%**	–	**50%**	–	Investment holding
Chinese FT Financial Services (HK) Limited (Notes (c) and (d))	Hong Kong	Hong Kong	HK$1	**50%**	–	**50%**	–	Inactive
Chinese Capital Union Management Limited (Note (d))	Hong Kong	Hong Kong	HK$1	**50%**	–	**50%**	–	Inactive
Chinese Capital Union Securities Limited (Note (d))	Hong Kong	Hong Kong	HK$1	**50%**	–	**50%**	–	Inactive
Chinese Capital Union Asset Management Limited (Note (d))	Hong Kong	Hong Kong	HK$1	**50%**	–	**50%**	–	Inactive

21. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM A JOINT VENTURE *(Continued)*

Notes:

(a) The Group holds 54% equity interest in Changsha Seg, however, the Group only have joint control over the composition of the board of directors of Changsha Seg which is therefore classified as a joint venture of the Group.

(b) The Group exercises joint control over CCUF because the Group appointed one out of two directors on the board of directors of CCUF which is therefore classified as a jointed venture of the Group.

(c) It is a wholly-owned subsidiary acquired by CCUF during the year ended 31 December 2017.

(d) It is a newly incorporated company during the year ended 31 December 2017 and a wholly-owned subsidiary of CCUF.

Summarised financial information of the joint ventures

Summarised financial information in respect of the Group's joint ventures is set out below.

The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

21. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM A JOINT VENTURE *(Continued)*

Summarised financial information of the joint ventures *(Continued)*

Changsha Seg

	2017 HK$'000	2016 HK$'000
Current assets	**43,042**	27,964
Non-current assets	**352,885**	331,567
Current liabilities	**(94,794)**	(84,773)

The above amounts of assets and liabilities include the followings:

Cash and cash equivalents	**41,678**	14,909
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–

	2017 HK$'000	2016 HK$'000
Revenue	**26,227**	28,044
Profit and total comprehensive income for the year	**4,663**	20,968
Dividends received from Changsha Seg during the year	**–**	–

21. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM A JOINT VENTURE *(Continued)*

Summarised financial information of the joint ventures *(Continued)*

Changsha Seg *(Continued)*

The above profit for the year including the following:

	2017 **HK$'000**	2016 HK$'000
Depreciation and amortisation	**1,128**	1,195
Interest income	**(406)**	(904)
Interest expense	**–**	–
Income tax expense	**4,158**	2,595

Reconciliation of the above summarised financial information to the carrying amount of the interest in Changsha Seg recognised in the consolidated financial statements:

	2017 **HK$'000**	2016 HK$'000
Net assets of Changsha Seg	**301,133**	274,758
Proportion of the Group's ownership interest in Changsha Seg	**54%**	54%
The Group's share of net assets of Changsha Seg	**162,612**	148,369
Goodwill	**17,909**	17,909
Carrying amount of the Group's interest in Changsha Seg	**180,521**	166,278

21. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM A JOINT VENTURE *(Continued)*

Summarised financial information of the joint ventures *(Continued)*

CCUF and its subsidiaries

	2017 HK$'000
Current assets	9,489
Non-current assets	133
Current liabilities	(6,641)

The above amounts of assets and liabilities include the followings:

Cash and cash equivalents	–
Current financial liabilities (excluding trade and other payables and provisions)	6,341

	20 June 2017 to 31 December 2017 HK$'000
Revenue	–
Loss and total comprehensive expense for the period	(3,019)
Dividends received from CCUF during the period	–

21. INTERESTS IN JOINT VENTURES/AMOUNT DUE FROM A JOINT VENTURE *(Continued)*

Summarised financial information of the joint ventures *(Continued)*

CCUF and its subsidiaries *(Continued)*

The above loss for period including the following:

	2017 HK$'000
Depreciation and amortisation	**10**
Interest income	**–**
Interest expense	**–**
Income tax expense	**–**

Reconciliation of the above summarised financial information to the carrying amount of the interest in CCUF recognised in the consolidated financial statements for the year ended 31 December 2017:

	2017 HK$'000
Net assets of CCUF	**2,981**
Proportion of the Group's ownership interest in CCUF	**50%**
Carrying amount of the Group's interest in CCUF	**1,491**

22. CLUB DEBENTURES

	2017 **HK$'000**	2016 HK$'000
Club debentures, at cost	**2,690**	2,690

Club debentures represents entrance fees paid to clubs for subscriber memberships with indefinite useful lives. The Directors consider no impairment identified with reference to market prices of the club debentures.

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets comprise:

	2017 **HK$'000**	2016 HK$'000
Unlisted investment funds, at fair value (Note (a))	**–**	39,790
Unlisted equity investments in Hong Kong, at cost (Note (b))	**6,392**	6,392
Less: accumulated impairment losses	**(2,758)**	(500)
	3,634	5,892
	3,634	45,682

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

Notes:

(a) The Group's unlisted investment funds is measured at fair value and is classified as Level 2 fair value measurement (see Note 6(c) to the consolidated financial statements). Fair value gain of approximately HK$1,552,000 was recognised in other comprehensive income during the year ended 31 December 2016.

In the current year, the Group's unlisted investment funds with carrying amount of approximately HK$39,790,000, which had been carried at fair value before disposal. A gain on disposal of approximately HK$25,412,000 has been recognised in profit or loss for the year ended 31 December 2017 (2016: HK$Nil).

Unlisted investment funds that are denominated in currencies other than the functional currency of the relevant group entities is as follows:

	2017	2016
	HK$'000	HK$'000
USD	–	39,790

(b) The Group's investment in the unlisted equity investments represented (i) 3.08% (2016: 3.08%) equity interest in a Hong Kong private limited company engaged in the retailing of watches and clocks in Hong Kong; and (ii) 5% (2016: 5%) equity interest in a Hong Kong private company engaged in investment holding. These investments are measured at cost less accumulated impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that the fair value cannot be measured reliably.

Impairment loss of approximately HK$2,258,000 (2016: HK$Nil) was recognised for the year ended 31 December 2017 in respect of 3.08% in the company engaged in the retailing of watches and clocks in Hong Kong. Included in unlisted equity investments, the investment of 5% equity interest in a Hong Kong private company of HK$500,000 had been fully impaired since 2013.

24. LOAN AND INTEREST RECEIVABLES

	2017 HK$'000	2016 HK$'000
Fixed rate loan and interest receivables arising from loan financing business (Note (a)):		
Secured loan and interest receivables	**175,860**	196,685
Unsecured loan and interest receivables	**3,357**	3,427
Less: accumulated impairment losses recognised	**(143,746)**	(143,816)
	35,471	56,296
Other loan and interest receivables:		
Amount due from a former subsidiary (Note (b))	**151,980**	151,980
Other unsecured loan receivable (Note (c))	**–**	1,800
Other secured loan and interest receivable (Note (d))	**20,879**	20,879
	172,859	174,659
Less: accumulated impairment losses recognised (Note (e))	**(157,366)**	(159,166)
	15,493	15,493
	50,964	71,789

Notes:

(a) As at 31 December 2017, the secured loan and interest receivables arising from loan financing business are secured by listed equity shares, unlisted shares, private car and properties located in Hong Kong and corporate guarantee granted by a listed company in Hong Kong and bear interest at fixed interest rate ranging from 10% to 16% (2016: 10% to 20%) per annum.

The unsecured loan and interest receivables arising from loan financing business has been fully impaired since 2016.

24. LOAN AND INTEREST RECEIVABLES *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

The following table illustrates the contractual maturity dates of the fixed rate loan and interest receivables at the reporting date:

	2017	2016
	HK$'000	HK$'000
Within 3 months	**24,038**	46,552
In more than 3 months but not more than 6 months	**9,771**	7,344
In more than 6 months but not more than 12 months	**1,662**	2,400
	35,471	56,296

The Group's loan financing customers included in the loan and interest receivables are due for settlement at the dates specified in the respective loan agreements.

Particulars of significant individual loan receivable are as follows:

	Maturity date	**Collateral**	**Effective interest rate**	**Carrying amount**	
				2017	2016
				HK$'000	HK$'000
Approximately HK$20,975,000 fixed-rate loan receivable	26 March 2017	Property	0%	**12,057**	22,257
Approximately HK$6,689,000 fixed-rate loan receivable	30 September 2016	Property	2.81%	**6,689**	6,689
				18,746	28,946

24. LOAN AND INTEREST RECEIVABLES *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

The ageing analysis of loan and interest receivables which were past due but not impaired is as follows:

	2017 HK$'000	2016 HK$'000
Less than 3 months	–	22,257
More than 6 months but less than 12 months	6,753	–
More than 12 months	12,057	–
	18,810	22,257

Included in the Group's loan and interest receivables balances are debtors with aggregate carrying amount of approximately HK$18,810,000 (2016: HK$22,257,000) which are past due but not impaired as at 31 December 2017. The Group holds properties and listed securities as collateral over those balances. Management believes that no impairment is necessary in respect of these balances as those borrowers repay the loan continuously and there has not been a significant change in the credit quality and the balances are considered fully recoverable.

No impairment loss (2016: impairment loss of approximately HK$3,427,000) on loan and interest receivables was recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2017.

The movement of accumulated impairment losses of the loan and interest receivables during the reporting period is as follows:

	2017 HK$'000	2016 HK$'000
At 1 January	143,816	187,649
Addition	–	3,427
Reversal	(70)	–
Written-off	–	(47,260)
At 31 December	143,746	143,816

Included in the impairment loss recognised at 31 December 2017 was individually impaired loan and interest receivables with the carrying amount of approximately HK$143,746,000 (2016: approximately HK$143,816,000) before impairment.

Subsequent to the financial reporting date, included in the Group's loan and interest receivables balance in amount of approximately of HK$12,057,000 was set-off against the partial consideration of acquisition of a subsidiary (Note 49 (d)).

24. LOAN AND INTEREST RECEIVABLES *(Continued)*

Notes: *(Continued)*

(b) Amount due from a former subsidiary is unsecured, non-interest bearing and repayable on demand. The balance has been fully impaired.

(c) Other unsecured loan receivable of HK$1,800,000 was fully impaired during the year ended 31 December 2016 and has been written-off during the year ended 31 December 2017.

(d) As at 31 December 2017 and 2016, the balance represented the principal loan amount of HK$10,038,000 and interest receivable of approximately HK$10,841,000, net of accumulated impairment loss of approximately HK$5,386,000, which is secured by a property located in Hong Kong and bear fixed interest rate at 20% per annum. The loan has been pledged to secure borrowings granted to the Group as at 31 December 2016.

(e) The movement of accumulated impairment loss of the other loan and interest receivables during the reporting period is as follows:

	2017 **HK$'000**	2016 HK$'000
At 1 January	**159,166**	157,366
Addition	**–**	1,800
Written-off	**(1,800)**	–
At 31 December	**157,366**	159,166

25. CONVERTIBLE INSTRUMENTS DESIGNATED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2017 HK$'000	2016 HK$'000
Unlisted instruments issued by a Hong Kong listed company:			
China Eco-Farming Limited ("CEF") convertible bonds	*(a)*	**19,949**	38,851
Unlisted instruments issued by a private company:			
New Business Enterprises Limited ("New Business") convertible bonds	*(b)*	**7,500**	–
		27,449	38,851
Analysed for reporting purpose as:			
Non-current assets		**7,500**	17,184
Current assets		**19,949**	21,667
		27,449	38,851

Notes:

(a) CEF Convertible Bonds

On 29 May 2015, Rich Best Asia Limited ("Rich Best"), a directly wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Delightful Hope Limited (the "Purchaser"), pursuant to which Rich Best has agreed to sell and the Purchaser has agreed to purchase the entire equity interest in China Smart Asia Limited ("China Smart"), which was an indirectly wholly-owned subsidiary of the Company, at consideration of HK$93,000,000, which is settled by way of (i) cash of HK$46,500,000; (ii) convertible bonds A of CEF with principal amount of HK$23,000,000 ("CEF CBs A"); and (iii) convertible bonds B of CEF with principal amount of HK$23,500,000 ("CEF CBs B").

25. CONVERTIBLE INSTRUMENTS DESIGNATED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes: *(Continued)*

(a) CEF Convertible Bonds *(Continued)*

The CEF CBs A and the CEF CBs B, both with conversion price of HK$0.25 per conversion share, are non-interest bearing and will be expired on 31 March 2017 and 30 September 2018, respectively. On 20 August 2015, i.e. the issue date, the fair values of the CEF CBs A and the CEF CBs B are HK$22,964,000 and HK$23,563,000, respectively.

During the year ended 31 December 2017, the CEF CBs A was expired and redeemed by CEF on the maturity date. A gain on redemption of the CEF CBs A of approximately HK$1,333,000 is recognised in profit or loss for the year ended 31 December 2017. There was no redemption of convertible bonds during the year ended 31 December 2016.

As at 31 December 2017, the fair value of the CEF CBs B is approximately HK$19,949,000 (2016: CEF CBs A and the CEF CBs B were approximately HK$21,667,000 and HK$17,184,000, respectively). The gain arising from the fair value changes of the CEF CBs B of approximately HK$2,765,000 (2016: loss arising from the fair value changes of the CEF CBs A and the CEF CBs B of approximately HK$1,113,000 and HK$5,116,000, respectively) were recognised in profit or loss for the year ended 31 December 2017.

(b) New Business Convertible Bonds

On 15 September 2017, an indirect wholly-owned subsidiary of the Company, Fair Million Asia Limited ("Fair Million"), which was incorporated in the British Virgin Islands, acted as a subscriber, entered into a subscription agreement pursuant to which Fair Million has agreed to subscribe for the convertible bonds ("NB CBs") which were issued by New Business, a company incorporated in the British Virgin Islands, in the principal amount of HK$8,000,000 which will be matured on 30 September 2020. The NB CBs bears 4% coupon rate per annum. Assuming the conversion rights attaching to the NB CBs are exercised in full at the conversion price of HK$50,000 per conversion share, up to 160 conversion shares of New Business will be allotted and issued. New Business is an investment holding company and its subsidiary is engaged in provision of corporate finance advisory service (Type 6 regulated activity). As at 31 December 2017, the fair values of the NB CBs is approximately HK$7,500,000. The loss arising from the fair value change of NB CBs of approximately HK$500,000 was recognised in profit or loss for the year ended 31 December 2017.

A fair value gain on the convertible instruments designated as financial assets at FVTPL of approximately HK$2,265,000 (2016: fair value loss of HK$6,229,000) in aggregate was recognised for the year ended 31 December 2017.

25. CONVERTIBLE INSTRUMENTS DESIGNATED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes: *(Continued)*

The fair values of the convertible instruments designated as financial assets at FVTPL were valued by Grant Sherman, an independent qualified professional valuer not connected with the Group, using the Binominal Option Pricing Model and Black Scholes Model. The inputs into the models of each convertible bonds as at 31 December 2017 and 2016 were as follows:

As at 31 December 2017

	NB CBs	**CEF CBs B**
Valuation model	**Black Scholes Model**	**Binominal Option Pricing Model**
Stock price	**N/A**	**HK$0.089**
Conversion price	**HK$50,000**	**HK$0.25**
Volatility	**37.64%**	**56.92%**
Dividend yield	**N/A**	**0%**
Option life (years)	**2.75**	**0.75**
Risk free rate	**1.35%**	**1.45%**

As at 31 December 2016

	CEF CBs A	CEF CBs B
Valuation model	Binominal Option Pricing Model	Binominal Option Pricing Model
Stock price	HK$0.113	HK$0.113
Conversion price	HK$0.25	HK$0.25
Volatility	51.39%	59.04%
Dividend yield	0%	0%
Option life (years)	0.25	1.75
Risk free rate	1.02%	1.93%

* The information are extracted from the valuation reports issued by Grant Sherman.

Details of the fair value measurement for the convertible instruments designated as financial assets at FVTPL are disclosed in Note 6(c) to the consolidated financial statements.

26. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivable (Note (a))	**4,200**	–
Deposits paid for acquisition of potential investments (Note (b))	**20,000**	20,000
Accumulated impairment losses on the deposits paid for acquisition of potential investments	**(20,000)**	(20,000)
	–	–
Prepayments	**2,101**	2,073
Rental and utility deposits	**1,268**	1,592
Other receivables (Note (c))	**258,960**	236,036
	262,329	239,701
Accumulated impairment losses (Note (d))	**(164,624)**	(169,517)
	97,705	70,184
Cash balance in securities account	**10,765**	317
	112,670	70,501

Notes:

(a) Trade receivables at the end of the reporting period comprise amounts receivable from sales of goods. No interest is charged on the trade receivable.

26. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

The Group generally allows an average credit period of 60 days to its customers. The aging analysis of the Group's trade receivables presented based on invoice date as at the end of the reporting period is as follows:

	2017	2016
	HK$'000	HK$'000
0 – 30 days	**4,200**	–

No trade receivable was neither past due nor impaired as at 31 December 2017.

(b) During the year ended 31 December 2011, King Perfection Limited ("King Perfection"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Peak Prosper Holdings Limited ("PPH"), an independent third party, for a conditional purchase of the convertible bonds in the principal amount of HK$110,040,000, which are convertible into 70 shares in the share capital of Precise Billion Limited ("PBL"), a wholly-owned subsidiary of PPH, for a total consideration of HK$220,000,000. Deposit of HK$20,000,000 was paid by the Group to PPH in September 2011.

However, the conditions of the agreement had not been fulfilled before the long stop date and King Perfection is entitled to the refund of the deposit paid pursuant to the agreement. Management considers that the recoverability of the deposit paid was uncertain and impairment loss on the full amount of the deposit paid of HK$20,000,000 was made during the year ended 31 December 2011.

On 9 March 2012, King Perfection issued a writ of summons in the Court of First Instance against PPH, claiming for the refund of the deposit in the sum of HK$20,000,000. Judgment was arranged by the court on 22 February 2013 which PPH has to pay King Perfection (a) the sum of HK$20,000,000, (b) damages to be assessed and (c) costs to be taxed. As at the date of this report, no amount has been received. Details of the litigation are set out in Note 42(ii) to the consolidated financial statements.

26. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

The movements in provision for impairment losses of the deposit paid for acquisition of potential investments were as follows:

	2017	2016
	HK$'000	HK$'000
At 1 January and 31 December	**20,000**	20,000

(c) Other receivables

(i) Included in other receivables as at 31 December 2017 is an amount of approximately HK$151,638,000 (2016: HK$151,638,000) regarding an agency agreement (the "Agency Agreement") entered into between Gain Millennia Limited (the "GML"), a wholly-owned subsidiary of the Company, Hong Kong Entertainment (Overseas) Investments Limited ("HKE") and Well Target Limited ("WTL") on 17 July 2014. Pursuant to the Agency Agreement, GML, as preferred agent, would render the agency services of and for the guest rooms of and in the Dynasty Hotel in Tinian, the CNMI, and GML shall pay to HKE a refundable prepayment in the total sum of approximately HK$151,638,000 ("Rental Prepayment") which shall be settled upon the execution of the Agency Agreement. Subsequently, GML considered it is inappropriate and undesirable to continue with the Agency Agreement. On 9 December 2014, GML, WTL and HKE entered into a deed of settlement (the "Deed of Settlement"), in which both parties agree to terminate the Agency Agreement.

On 15 February 2015 and 24 March 2015, HKE and Tinian Entertainment Co., Ltd ("TEC"), an indirect wholly-owned subsidiary of the Company, entered into a provisional operating agreement and an operating agreement respectively (collectively referred to as the "Operating Agreements"). Pursuant to the Operating Agreements, HKE intended to lease to TEC the leased property comprising of the Tinian Dynasty Hotel & Casino and the relevant assets and the lease shall commence on 30 June 2015. The Group agreed to pay HK$50,000,000 to HKE, by set-off against part of the Rental Prepayment, as refundable deposit. However, the lease had not been commenced on 30 June 2015.

26. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(c) Other receivables *(Continued)*

(i) *(Continued)*

On 6 July 2015, HKE and TEC entered into another operating agreement ("Another Operating Agreement"). Pursuant to the Another Operating Agreement, TEC has paid a refundable deposit of USD3,000,000 (equivalent to approximately HK$23,290,000) to HKE. The Another Operating Agreement has not yet been commenced as at 31 December 2015.

On 23 February 2016, legal action has been taken by the Group in respect of claiming for the refundable deposit. Details of the litigation are set out in Note 42(v) to the consolidated financial statements.

On 7 April 2016, GML, HKE, Tinian Realty International Co., Ltd ("TRI"), a wholly-owned subsidiary of the Company, and an independent third party (collectively referred to as the "Parties") entered into an agreement, pursuant to which the Parties agreed to offset the amounts due to each others. Part of the refundable deposit were set-off against other payables of approximately HK$11,256,000. After the offset, the net amount due from HKE to the Group was approximately HK$164,624,000. Details of the offset are set out in Note 29 to the consolidated financial statements.

As at 31 December 2017, the amount due from HKE to the Group was, in aggregate, approximately HK$164,624,000 (2016: HK$164,624,000).

In the opinion of the Directors, the recoverability of refundable deposit is remote and approximately of HK$164,624,000 was fully impaired during the year ended 31 December 2016.

26. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(c) Other receivables *(Continued)*

(ii) Included in other receivables, the Group subscribed for a promissory notes from a private company incorporated in Hong Kong, with the principal amount of HK$41,000,000 during the year ended 31 December 2015. The promissory notes were unsecured and bear fixed interest rate at 12% per annum based on the principal amount. On 20 December 2016, the Group and the issuer have entered into a repayment schedule and the balance should be repayable during the year ended 31 December 2017. As at 31 December 2016, the outstanding receivable amount to HK$45,920,000 which including interest receivable of HK$4,920,000.

During the year ended 31 December 2017, an amount of approximately HK$3,000,000 was repaid to the Group.

Subsequent to the financial reporting date, the Group and the issuer have entered into another repayment schedule and the remaining balance of HK$42,920,000 will be repayable during the year ending 31 December 2018. Up to date, an amount of HK$5,000,000 was repaid to the Group after the reporting date.

(iii) Included in other receivables as at 31 December 2017 is the deposit for the shareholder's loan of HK$10,000,000 (2016: HK$10,000,000) to 金地毯(北京)文化傳媒有限公司 (transliterated as Gold Carpet (Beijing) Culture Media Limited) ("Gold Carpet").

On 25 February 2016, 北京華鼎匯金投資有限責任公司 (transliterated as Beijing Huading Huijin Investment Company Limited) as vendor (the "Vendor"), Selected Team Limited, a newly incorporated wholly-owned subsidiary of the Company ("Selected Team") and the Company entered into a sale and purchase agreement, pursuant to which the Vendor has conditionally agreed to sell and Selected Team has conditionally agreed to acquire, through a wholly foreign owned enterprise, the 51% equity interests in Gold Carpet at the consideration of HK$120,000,000, which shall be satisfied by the issue of the convertible bonds by Selected Team. The convertible bonds in the principal amount of HK$120,000,000, upon full conversion, are convertible into 240,000,000 new shares, which is issued and allotted by the Company under the specific mandate, at the conversion price of HK$0.5 per conversion share.

Pursuant to the sale and purchase agreement, Selected Team warrants that upon the completion of the acquisition, it will provide shareholder's loan to Gold Carpet under the sale and purchase agreement. The amount of such shareholder's loan shall not be more than RMB20,000,000.

On 2 March 2016, Selected Team and the Vendor entered into an addendum (the "Addendum") to the sale and purchase agreement, pursuant to which Selected Team agreed to advance a sum of HK$10,000,000 within five days as deposit for the shareholder's loan to Gold Carpet upon execution of the Addendum. As at 31 December 2016, the deposit for the shareholder's loan of HK$10,000,000 is unsecured, non-interest bearing and repayable on demand.

26. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(c) Other receivables *(Continued)*

(iii) *(Continued)*

On 29 April 2016, Selected Team and the Vendor entered into a supplemental sale and purchase agreement (the "Supplemental Agreement"), pursuant to which Selected Team and the Vendor agreed that Selected Team shall, in place of issuing the convertible bonds, issue an exchangeable note to the Vendor. Selected Team further undertakes that upon fulfillment of all the conditions stated in Supplemental Agreement by no later than 30 June 2017 or such later date as agreed in writing by Selected Team and the Vendor, the Vendor may exercise its right under the exchangeable note to exchange the exchangeable note for the convertible bonds. No exchangeable note was issued by Selected Team to the vendor since the acquisition of the 51% equity interests in Gold Carpet had not been completed before the expiry date on 30 June 2017.

Subsequent to financial reporting date, the entire share capital of Selected Team was disposed on 15 January 2018. The outstanding amount of HK$10,000,000 was settled through the consideration of disposal of Selected Team. Details of the disposal are disclosed in Note 49(c) to the consolidated financial statements.

(iv) During the year ended 31 December 2015, Magic Red Limited ("Magic Red"), an indirectly wholly-owned subsidiary of the Company acted as a subscriber, and Mr. Yeung Kui Wong, the guarantor and the shareholder of Homely Manufacturing Limited ("HML"), entered into the subscription agreement pursuant to which Magic Red has agreed to subscribe for the convertible bonds which were issued by HML in the principal amount of (i) HK$3,000,000 which are matured on 23 June 2016 ("HML CBs A"); and (ii) HK$1,200,000 which are matured on 5 October 2016 ("HML CBs B"). Both HML CBs A and HML CBs B bear 5% coupon rate over the prime rate per annum. Assuming the conversion rights attaching to the convertible bonds are exercised in full at the conversion price of HK$1 per conversion share, up to 4,200,000 conversion shares of HML will be allotted and issued. HML is an investment holding company and its subsidiaries is engaged in trading of electrical appliances and kitchenware. As at 31 December 2015, the fair values of the HML CBs A and the HML CBs B were same as their principal amounts and no fair value changes were recognised in profit or loss for the year ended 31 December 2015.

The HML CBs A and HML CBs B were expired and reclassified as other receivables during the year ended 31 December 2016.

On 29 July 2016, the Group issued a writ of summon in respect of claiming for the principal of HK$4,200,000. In the opinion of the Directors, the recoverability of the receivables is remote and the other receivables was fully impaired during the year ended 31 December 2016. The amount was written-off during the year ended 31 December 2017. Detail of the litigation are set out in Note 42(vi) to the consolidated financial statements.

26. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(c) Other receivables *(Continued)*

(v) Included in other receivables as at 31 December 2017 was amount of HK$23,000,000 due by CEF in relation to the redemption of the CEF CBs A on the maturity date on 31 March 2017. The receivable is unsecured, interest bearing at fixed rate of 5% per annum, and repayable on demand. Details are disclosed in Note 25 (a) to the consolidated financial statements.

(vi) Subsequent to the financial reporting date, included in the Group's other receivables in amount of approximately HK$4,500,000 was set-off against the partial consideration of acquisition of a subsidiary Note 49 (d).

(d) The movements in provision for impairment losses of the other receivables were as follows:

	2017 **HK$'000**	2016 HK$'000
At 1 January	**169,517**	–
Impairment losses recognised	**–**	169,517
Written-off	**(4,893)**	–
At 31 December	**164,624**	169,517

27. INVESTMENTS HELD FOR TRADING

Investments held for trading consisted of:

	2017 **HK$'000**	2016 HK$'000
Listed securities held for trading, at fair value – Equity securities listed in Hong Kong	**204,232**	222,868

As at 31 December 2017, the carrying amount of the investments held for trading which has been pledged as security for margin accounts (Note 30(b)), is approximately HK$140,426,000 (2016: HK$66,722,000).

28. BANK BALANCES AND CASH

Bank balances carry interest at market rates ranging from 0.001% to 0.05% (2016: 0.01% to 0.05%) per annum.

The bank balances are deposited with creditworthy banks with no recent history of default.

Included in bank balances and cash are the following amount which are subject to foreign exchange control regulations or not freely transferable:

	2017	2016
	HK$'000	HK$'000
Amounts denominated in:		
RMB	**94**	88

29. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	HK$'000
Trade payable (Note (a))	**4,000**	–
Accruals	**17,265**	26,987
Other payables (Note (b))	**11,769**	2,145
Rental deposit received	**1,085**	–
	34,119	29,132

Notes:

(a) The purchases of goods should be settled on delivery.

The following is an aging analysis of the Group's trade payable presented based on invoice date as at the end of the reporting period:

	2017	2016
	HK$'000	HK$'000
0 – 30 days	**4,000**	–

(b) During the year ended 31 December 2016, included in other payables, the amount of approximately HK$11,256,000 was set-off against the refundable deposit included in other receivables. Details are disclosed in Note 26(c)(i) to the consolidated financial statements.

30. BORROWINGS

	2017 HK$'000	2016 HK$'000
Secured:		
Bank borrowings (Note (a))	**23,631**	25,004
Other loans (Note (a))	**50,200**	64,700
Margin accounts (Note (b))	**31,583**	10,103
	105,414	99,807
Unsecured:		
Other borrowing (Note (c))	**33,812**	50,000
	139,226	149,807
Carrying amount repayable*:		
Within one year	**116,945**	126,187
Within a period of more than one year but not exceeding two years	**1,530**	1,445
Within a period of more than two years but not exceeding five years	**4,545**	8,475
Within a period of more than five years	**16,206**	13,700
	139,226	149,807
Carrying amount repayable within one year	**116,945**	126,187
Carrying amount of borrowings that are not repayable within one year from the end of reporting period but contain a repayment on demand clause and show under current liabilities (Note (d))	**22,281**	23,620
	139,226	149,807

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

30. BORROWINGS *(Continued)*

Notes:

(a) The Group's borrowings are all denominated in HK$. As at 31 December 2017, the borrowings were secured by Group's seven (2016: seven) investment properties with the carrying amount of HK$117,700,000 (2016: HK$111,240,000). The bank borrowings bear interest from HIBOR+1.75% to 2.5% (2016: HIBOR+1.75% to 2.5%) per annum. The range of effective interest rates due in the Group's bank borrowings for the year ended 31 December 2017 are from 1.98% to 2.5% (2016: 1.98% to 2.5%). Other loans bear interest at fixed rate ranging from 12% to 27% (2016: 12% to 27%) per annum.

(b) As at 31 December 2017, approximately HK$31,583,000 (2016: HK$10,103,000) represented the margin value balances in brokers' accounts. The Group pledged the listed securities with carrying amount of HK$140,426,000 which held in the margin account as collateral to the brokers. The range of interest rates on the Group's margin accounts are 8% to 11.25% per annum (2016: 8% to 11.25% per annum).

(c) On 16 June 2016, the Company entered into a loan agreement with EverCare Finance Company Limited ("EverCare") and Mr. Chen Chien Yeh ("Mr. Chen") to advance a loan in the principal sum of HK$50,000,000 for six months to the Company. The loan bears interest at fixed rate of 12% per annum and is repayable on 15 December 2016.

On 11 January 2017, the Company entered into a deed of addendum with Mr. Chen and EverCare to extend the term of the loan agreement to revise repayment arrangement. The Company and EverCare agree that the outstanding principle and interest up to 28 February 2017 in the total sum of approximately HK$44,197,000 shall be extended for 18 months commencing from 1 March 2017 at fixed interest rate of 1.25% per month. On 28 February 2017, the Company had repaid HK$10,000,000 to EverCare for settling part of the loan and the accrued interests. On 1 March 2017, the Company and EverCare entered into a revised loan agreement to extend the repayment date of the outstanding balances of the loan and accrued interest in aggregate of approximately HK$44,196,000 to 31 August 2018. The balance bears interest at fixed interest rate of 1.25% per month. As at 31 December 2017, the outstanding loan and accrued interest is amounting to HK$33,812,000 (2016: HK$50,000,000).

(d) Included in bank borrowings of the Group are mortgage loans with an aggregate principal of approximately HK$22,281,000 (2016: HK$23,620,000) of which the respective loan agreements contain a repayment on demand clause giving the bank the unconditional right to call the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as current liabilities.

31. DERIVATIVE FINANCIAL LIABILITIES

The derivative financial liabilities of the Group are not for the hedging purpose.

On 18 June 2014, the Company and a placing agent entered into the option placing agreement pursuant to which the Company has conditionally agreed to place and the placing agent has conditionally agreed to procure, not less than six independent placees to subscribe for up to 130 options at a premium of HK$10,000 per option ("CB Option A"). Completion was taken place on 27 June 2014.

31. DERIVATIVE FINANCIAL LIABILITIES *(Continued)*

Upon exercise of each of the option, the optionholder was entitled to subscribe for the convertible bonds of the Company in the principal amount of HK$1,000,000 at the subscription price of HK$1,000,000. Assuming exercise of all the 130 options, the optionholders were entitled to subscribe for, in aggregate, the convertible bonds of the Company in the principal amount of HK$130,000,000 at the subscription price of HK$130,000,000. Receipt of HK$1,300,000 in relation to the premium of 130 options of HK$10,000 per option was credited to liabilities at the date of the issue of the options and its fair value was approximately HK$3,156,000 as at 31 December 2014. During the year ended 31 December 2014, the loss arising from fair value changes of HK$1,856,000 was recorded in profit or loss for the year ended 31 December 2014. During the year ended 31 December 2015, CB Option A is expired and no option has been exercised.

On 15 June 2015, the Company and another placing agent entered into the placing agreement (as revised and supplemented by three supplemental agreements on 25 June 2015, 17 July 2015 and 6 August 2015), pursuant to which the Company has conditionally agreed to place and the placing agent has conditionally agreed to procure, on a best effort basis, not less than six placees to subscribe for the convertible bonds of the Company in the principal amount of up to HK$76,000,000 (the "CB"). Each holder of the CB in the principal amount of HK$1,900,000, shall have the priority to subscribe up to three options at the option premium of HK$30,000 per option. Each option entitles the holder of the option to subscribe for the further convertible bonds (the "Further CBs") in the principal amount of HK$1,900,000 at the subscription price of HK$1,900,000, pursuant to which a maximum of 120 options shall be issued. The exercisable period of options is commencing from the date when a total of not less than HK$68,400,000 in principal amount of the CB has been converted into new shares and ending on 14 October 2016. Upon exercise of the 120 options to subscribe the Further CBs, the Further CBs will be in the aggregate amount of HK$228,000,000. Upon full conversion of the CB in the principal amount of HK$76,000,000 and the Further CBs in the principal amount of HK$228,000,000 at the initial conversion price of HK$1.90, a total of 40,000,000 new shares and 120,000,000 new shares shall be allotted and issued by the Company. Details are set out in the announcements of the Company dated 25 June 2015, 17 July 2015, 6 August 2015 and 31 August 2015 respectively. On 24 September 2015, the subscription of options was completed and an aggregate of 120 options ("CB Option B") were issued and total option premium of HK$3,600,000 was received. During the year ended 31 December 2015, the loss arising from fair value changes of HK$4,525,000 was recorded in profit or loss for the year ended 31 December 2015. As at 31 December 2015, no CB Option B had been exercised.

31. DERIVATIVE FINANCIAL LIABILITIES *(Continued)*

The following is the derivative financial liabilities recognised and movements thereon during the year ended 31 December 2016:

	HK$'000
At 1 January 2016	8,125
Expiration	(8,125)
At 31 December 2016	**–**

32. BOND PAYABLES

As at 31 December 2017 and 2016, the bond payables held by 1 and 4 bond holders are due in 2019 and 2020 respectively. The bond payables are unsecured, transferrable and bearing interest rate ranging from 6% to 8% per annum.

33. DEFERRED TAXATION

The following are the major deferred tax liability recognised and movements thereon during the reporting period:

	Accelerated tax depreciation HK$'000
At 1 January 2016	967
Charge to profit or loss (Note 12)	213
At 31 December 2016 and 1 January 2017	1,180
Charge to profit or loss (Note 12)	213
At 31 December 2017	**1,393**

No deferred tax assets attributable to tax losses of the Group have been recognised for both years due to unpredictability of future profit streams. At the end of the reporting period, the Group had unexpired estimated tax losses available for off-setting future taxable profits of approximately HK$275,836,000 (2016: HK$255,142,000).

No tax loss was utilised during the years ended 31 December 2017 and 2016.

34. CONVERTIBLE LOAN NOTES

The Company issued a 12% convertible loan notes at a par value of HK$76,000,000 on 16 September 2015. The convertible loan notes are denominated in Hong Kong dollars. The notes entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the notes and the date on the fifth business day before 30 September 2016 at a conversion price of HK$1.9 per convertible loan note. Assuming the conversion rights attaching to the convertible loan notes are exercised in full at the conversion price of HK$1.9, a total of 40,000,000 ordinary shares of the Company will be allotted and issued. If the notes have not been converted, they would be redeemed on 30 September 2016 at par value.

The fair value of the convertible loan notes was valued by Grant Sherman. The fair value of liability component of the convertible loan notes has been calculated by discounting the future cash flows at the market rate.

The inputs into the model were as follows:

Applicable stock price	HK$0.69
Conversion price	HK$1.9
Volatility	104.34%
Dividend yield	0%
Contractual life	1.04 years
Risk-free rate	0.113%

The convertible loan notes contain two components, liability and equity elements. The equity element is presented in equity heading "convertible loan notes reserve". The effective interest rate of the liability component is 18.96% per annum.

34. CONVERTIBLE LOAN NOTES *(Continued)*

The movement of the liability component of the convertible loan notes for the year ended 31 December 2016 is set out below:

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
At 1 January 2016	52,895	3,368	56,263
Effective interest expense (Note 10)	2,790	–	2,790
Loss on early redemption	1,315	–	1,315
Early redemption	(57,000)	(3,368)	(60,368)
At 31 December 2016	**–**	**–**	**–**

Notes:

On 16 June 2016, the Company entered into two loan agreements with EverCare and Mr. Chen, and Chinese Capital Management Limited ("Chinese Capital") in which EverCare and Chinese Capital agreed to lend the Company HK$50,000,000 and HK$5,700,000 respectively for the Company to redeem the convertible loan notes with principal of HK$57,000,000. The loans were unsecured, bear fixed interest rate of 12% per annum and repayable within 6 months.

On 23 June 2016, the Company had issued 12,266,236 shares at the issue price of HK$0.5 to Mr. Chen to settle the principal amount and the accrued interest of the convertible loan notes of approximately HK$1,300,000 and HK$4,833,000 respectively, and had issued 1,023,189 shares at the issue price of HK$0.5 to Chinese Capital to settle the accrued convertible loan notes interest of approximately HK$512,000.

During the year ended 31 December 2016, the loan from Chinese Capital had been fully settled.

35. OBLIGATIONS UNDER FINANCE LEASES

Analysed for reporting purposes as:

	2017 HK$'000	2016 HK$'000
Current liabilities	**608**	658
Non-current liabilities	**891**	1,154
	1,499	1,812

It is the Group's policy to lease certain motor vehicles under finance leases. The average lease term is 3 to 5 years (2016: 3 to 5 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 2.25% to 3.09% (2016: 2.25% to 4.48%) per annum. There are purchase options in these leases.

	Minimum lease payments		Present value of minimum lease payments	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Obligations under finance leases payable:				
Within one year	**653**	710	**608**	658
Within a period of more than one year but not more than two years	**630**	564	**606**	534
Within a period of more than two years but not more than five years	**296**	631	**285**	620
	1,579	1,905	**1,499**	1,812
Less: future finance charges	**(80)**	(93)	**N/A**	N/A
Present value of lease obligations	**1,499**	1,812	**1,499**	1,812
Less: Amount due for settlement with 12 months (shown under current liabilities)			**(608)**	(658)
Amount due for settlement after 12 months			**891**	(1,154)

36. SHARE CAPITAL

	Par value per share HK$	Number of shares '000	Amount HK$'000
Authorised:			
Ordinary shares			
At 1 January 2016, 31 December 2016 and 1 January 2017	0.001	100,000,000	100,000
Share consolidation (Note (e))	N/A	(90,000,000)	–
At 31 December 2017	**0.01**	**10,000,000**	**100,000**
Issued and fully paid:			
Ordinary shares			
At 1 January 2016	0.001	982,494	982
Exercise of share options (Note (a))	0.001	3,000	3
Issuance of shares upon placing (Note (b))	0.001	150,000	150
Issuance of shares upon settlement of loan (Note (c))	0.001	13,289	14
At 31 December 2016 and 1 January 2017	0.001	1,148,783	1,149
Issuance of shares upon open offer (Note (d))	0.001	574,392	574
Share consolidation (Note (e))	N/A	(1,550,857)	–
Issuance of shares upon placing (Note (f))	0.01	34,460	345
At 31 December 2017	**0.01**	**206,778**	**2,068**

36. SHARE CAPITAL *(Continued)*

Notes:

(a) On 5 May 2016, 3,000,000 share options had been exercised at the exercise price of HK$0.612 each by option holder to subscribe for 3,000,000 ordinary shares of the Company with par value of HK$0.001 each. The proceeds from the exercise of share options are approximately HK$1,836,000.

(b) On 17 October 2016, the Company entered into a placing agreement with a placing agent to place 150,000,000 placing shares, not less than six placees, with the par value of HK$0.001 each at a price of HK$0.24 per placing share. The placing has been completed on 27 October 2016. The net proceeds from the placing were to be used for settlement of liabilities and financing general working capital of the Group.

(c) Pursuant to the Company's announcement dated 16 June 2016, the Company had issued 12,266,236 shares and 1,023,189 shares at the issue price of HK$0.5 to Mr. Chen and Chinese Capital respectively as partial settlement of balances due from the Company to Mr. Chen (HK$6,133,000) and Chinese Capital (HK$512,000) under the convertible loan notes issued by the Company on 16 September 2015. On 23 June 2016, an aggregate of 13,289,425 shares at HK$0.5 per share were allotted and issued as fully paid. Details are set out in Note 34 to the consolidated financial statements.

(d) Pursuant to the Company's announcement dated 10 April 2017, the Company proposed an open offer (the "Open Offer") on the basis of one offer share for every two existing shares held by the qualifying shareholders at the subscription price of HK$0.1 per offer share. An aggregate of 574,391,712 shares were issued under the open offer on 26 June 2017. The net proceeds from the Open Offer are approximately HK$55,175,000. The net proceeds from the Open Offer were to be used for settlement of liabilities and financing general working capital for the Group.

(e) Pursuant to an ordinary resolution passed at the special general meeting on 26 June 2017, a share consolidation (the "Share Consolidation") on the basis that every 10 shares of HK$0.001 each in the issued and unissued share capital of the Company had been consolidated into one consolidated share of HK$0.01 each with effective from 27 June 2017. Prior to the date of the Share Consolidation, there were 1,723,175,137 issued shares, after such Share Consolidation, the number of issued shares had changed to 172,317,513.

(f) On 17 October 2017, the Company entered into a placing agreement with a placing agent, pursuant to which the Company has conditionally agreed to place, through the placing agent, on a best effort basis a maximum of 34,460,000 placing shares, not less than six placees, at a placing price of HK$0.80 per placing share under general mandate. The gross proceeds from the placing are approximately HK$27,568,000. The net proceeds after deducting the placing commission and other related expenses was approximately HK$26,879,000. The placing was completed on 9 November 2017. The net proceeds from the placing were to be used for settlement of liabilities and financing general working capital of the Group.

All the shares issued during the years rank pari passu with the then existing shares in all respects.

37. SHARE OPTION SCHEME

(i) Share option scheme adopted on 22 November 2002 (the "Expired Share Option Scheme")

Pursuant to resolutions passed at a special general meeting of the shareholders held on 22 November 2002, the Company terminated the old share option scheme and adopted a new share option scheme ("Expired Share Option Scheme") in order to comply with the new requirements of Chapter 23 of GEM Listing Rules effective on 1 October 2001. Under the terms of the Expired Share Option Scheme, the Directors may, at their discretion, grant options to the participants fall within the definition prescribed in the Expired Share Option Scheme including the employees, non-executive directors of the Company or its subsidiaries etc., to subscribe for shares in the Company at a price determined by the Company's Board of Directors, and will not be less than the highest of (i) the nominal value of the shares; (ii) the average closing price of the shares quoted on the GEM on the five trading days immediately preceding the date of grant; and (iii) the closing price of the shares quoted on the GEM on the date of grant, subject to a maximum of 10% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital in issue and with an aggregate value (based on the closing price of the shares on the date of grant) in excess of HK$5,000,000 must be approved by the Company's shareholders.

The Expired Share Option Scheme remained in force for a period of 10 years from 22 November 2002. The Expired Share Option Scheme was expired during the year ended 31 December 2012. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

37. SHARE OPTION SCHEME *(Continued)*

(ii) Share option scheme adopted on 2 April 2014 (the "Share Option Scheme")

Pursuant to resolutions passed at a special general meeting of the shareholders held on 2 April 2014, the Company adopted a new share option scheme to continue to provide incentives and/or rewards to the participants by way of granting options. Under the terms of the Share Option Scheme, the Directors may, at their discretion, grant options to the participants fall within the definition prescribed in the Share Option Scheme including the employees, non-executive directors of the Company or its subsidiaries etc., to subscribe for shares in the Company at a price determined by the Company's Board of Directors, and will not be less than the highest of (i) the nominal value of the shares; (ii) the average closing price of the shares quoted on the GEM on the five trading days immediately preceding the date of grant; and (iii) the closing price of the shares quoted on the GEM on the date of grant, subject to a maximum of 10% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital in issue and with an aggregate value (based on the closing price of the shares on the date of grant) in excess of HK$5,000,000 must be approved by the Company's shareholders.

The Share Option Scheme will remain in force for 10 years from 2 April 2014, unless otherwise cancelled or amended. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

37. SHARE OPTION SCHEME *(Continued)*

(ii) Share option scheme adopted on 2 April 2014 (the "Share Option Scheme") *(Continued)*

				Number of share options			
Name of category of participant	Date of grant	Exercise price HK$	Exercise period	Outstanding as at 1 January	Granted during the year	Exercised during the year	Outstanding as at 31 December
Year ended 31 December 2016							
Directors	23 March 2016	0.612	23 March 2016 to 22 March 2026	–	9,000,000	–	9,000,000
Employees	3 April 2007	7.350	3 April 2007 to 2 April 2017	1,000,000	–	–	1,000,000
	23 March 2016	0.612	23 March 2016 to 22 March 2026	–	9,820,000	(3,000,000)	6,820,000
Consultants	3 April 2007	7.350	3 April 2007 to 2 April 2017	1,200,000	–	–	1,200,000
	23 March 2016	0.612	23 March 2016 to 22 March 2026	–	19,640,000	–	19,640,000
				2,200,000	38,640,000	(3,000,000)	37,660,000
Weighted average exercise price				7.35			1.006
Weighted average remaining contractual life				1.25 years			8.70 years

37. SHARE OPTION SCHEME *(Continued)*

(ii) Share option scheme adopted on 2 April 2014 (the "Share Option Scheme") *(Continued)*

Details of the share options outstanding during the years ended 31 December 2017 and 2016 were:

Name of category of participant	Date of grant	Exercise price HK$	Exercise price after adjustment# HK$	Exercise period	Number of share options: Outstanding as at 1 January	Adjustment due to Share Consolidation and Open Offer#	Lapsed during the year	Outstanding as at 31 December
Year ended 31 December 2017								
Directors	23 March 2016	0.612	6.1640	23 March 2016 to 22 March 2026	9,000,000	(8,106,390)	–	893,610
Employees	3 April 2007	7.350	N/A*	3 April 2007 to 2 April 2017	1,000,000	–	(1,000,000)	–
	23 March 2016	0.612	6.1640	23 March 2016 to 22 March 2026	6,820,000	(6,142,843)	–	677,157
Consultants	3 April 2007	7.350	N/A*	3 April 2007 to 2 April 2017	1,200,000	–	(1,200,000)	–
	23 March 2016	0.612	6.1640	23 March 2016 to 22 March 2026	19,640,000	(17,689,944)	–	1,950,056
					37,660,000	(31,939,177)	(2,200,000)	3,520,823
Weighted average exercise price					1.006			6.1640
Weighted average remaining contractual life					8.70 years			8.23 years

\# Following the Open Offer and Share Consolidation on 26 June 2017 and 27 June 2017, respectively, the exercise price of the outstanding share options was adjusted from HK$0.612 to HK$6.1640. The numbers of outstanding share options were also adjusted from 35,460,000 shares to 3,520,823 as a result of the Open Offer and the Share Consolidation.

* The adjusted exercise price was effective after the share options lapsed.

37. SHARE OPTION SCHEME *(Continued)*

During the year ended 31 December 2017, the Group reversed the share options reserve of approximately HK$3,590,000 upon the lapse of 2,200,000 share options (2016: Nil). No share options had been exercised during the year ended 31 December 2017. During the year ended 31 December 2017, there was no share option granted to the directors and employees of the Company and to the consultants.

The fair value of the share options granted during the year ended 31 December 2016 were determined by the Directors at the date of grants by using the Binomial Option Pricing Model, evaluated by Grant Sherman, with the following inputs:

	23 March 2016
Share price at date of grant	HK$0.600
Exercise price	HK$0.612
Risk-free rate	1.735%
Expected dividend yield	0%
Expected life	10 years

The details of the fair value per option for options granted during the year ended 31 December 2016 were set out below:

During the year ended 31 December 2016, the fair value of total 18,820,000 share options granted to directors and employees was approximately HK$6,399,000 and was included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016. During the year ended 31 December 2016, the Group granted 19,640,000 share options with fair value of approximately HK$6,125,000 to the consultants in exchange for cost of services provided. In the opinion of the Directors, in view of the fair value of the service received from the consultants could not be estimated reliably by the Company, the fair value of the services received from the consultants was measured indirectly by reference to the fair value of the share options granted to the consultants.

The Group recognised an expense for approximately HK$12,524,000 for the year ended 31 December 2016 in relation to share options granted by the Company.

38. COMMITMENTS

(a) Operating lease commitment

The Group as lessor

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

	2017 **HK$'000**	2016 HK$'000
Within one year	**2,482**	2,185
In the second to fifth year inclusive	**1,309**	119
	3,791	2,304

Operating lease receipts represent rentals receivable by the Group for certain of its investment properties. They are expected to generate rental yield of 2.1% (2016: 2.2%) on an ongoing basis. All of the properties held have committed tenants for the next one to two years (2016: one to two years).

The Group as lessee

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

	2017 **HK$'000**	2016 HK$'000
Within one year	**3,000**	2,698
In the second to fifth year inclusive	**1,770**	3,000
	4,770	5,698

38. COMMITMENTS *(Continued)*

(a) Operating lease commitment *(Continued)*

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

(b) Capital commitment

As at 31 December 2017, the Group did not have any material capital commitment (2016: Nil).

39. RETIREMENT BENEFITS SCHEMES

The Group maintains various retirement schemes for its employees. The retirement scheme for employees of the PRC office is a mandatory central pension scheme organised by the PRC government, the assets of which are held separately from those of the Group. Contributions made are based on a percentage of the eligible employees' salaries and charged as expenses when the employees have rendered services entitling them to the contribution. The employer contributions vest fully once they are made.

The Group's Hong Kong employees are covered by the Mandatory Provident Fund, which is managed by an independent trustee. The Group and its Hong Kong employees each make monthly contributions to the scheme at 5% of the employees' income with the maximum contribution by each of the Group and the employees limited to HK$1,500.

During the year, the aggregate contributions made by the Group to the retirement schemes were approximately HK$626,000 (2016: HK$624,000).

40. RELATED PARTY TRANSACTIONS

(a) Compensation of directors and key management personnel

The remuneration of Directors and other members of key management during the years were as follows:

	2017 **HK$'000**	2016 HK$'000
Short-term benefits	**10,703**	11,786
Post-employment benefits	**108**	126
Share-based payment expenses	**–**	6,399
	10,811	18,311

The remuneration of Directors and key executives are determined by the remuneration committee having regard to the performance of individuals and market trends.

(b) Save as disclosed elsewhere in these consolidated financial statements, the Group had not entered into any significant related party transactions during the years ended 31 December 2017 and 31 December 2016.

41. MAJOR NON-CASH TRANSACTIONS

For the year ended 31 December 2016:

(a) Included in other receivables as at 31 December 2015 is an amount of HK$32,000,000 due from an independent third party. During the year ended 31 December 2016, the other receivables was settled with listed securities in Hong Kong provided by the debtors.

(b) During the year ended 31 December 2015, the Group paid a refundable deposit of HK$2,800,000 to an independent third party in setting up a joint venture in Tinian. During the year ended 31 December 2016, the project has not completed and the independent third party refunded the deposit to the Group by transferring certain listed securities in Hong Kong.

(c) On 16 June 2016, the Company entered into two loan agreements with EverCare and Mr. Chen, and Chinese Capital in which EverCare and Chinese Capital agreed to lend the Company HK$50,000,000 and HK$5,700,000 respectively for the Company to redeem the convertible loan notes with aggregate principal of HK$57,000,000 (Note 34).

(d) On 7 April 2016, the Parties (defined in Note 26(c)(i)) entered into an agreement, pursuant to which the Parties agreed to offset the amounts due to each others. After the offset, certain part of other payables of approximately HK$11,256,000 was set off against the refundable deposit included in other receivables. Details of the offset are set out in Note 26(c)(i) and Note 29 to the consolidated financial statements.

42. LITIGATIONS

(i) On 28 March 2012, 7 September 2012 and 23 May 2013, Fameway Finance Limited ("Fameway"), a wholly-owned subsidiary of the Group, issued writ of summons in the High Court of Hong Kong against certain borrowers, claiming for repayment of the loan receivables of HK$218,529,000 and HK$226,709,000 as at 31 December 2014 and 31 December 2013, respectively. Management considers that the recoverability of the loan receivables was uncertain and impairment loss of nil and HK$11,238,000 was recognised in profit and loss for the year ended 31 December 2014 and 31 December 2013, respectively.

42. LITIGATIONS *(Continued)*

(i) *(Continued)*

Fameway issued amended writ of summons in the High Court of Hong Kong against certain borrowers on 4 December 2012, 24 December 2012 and 28 December 2012 in relation to the above loan receivable balances except for the litigation case which got court judgments on 23 November 2012 and 19 February 2013. Both judgments were in favour of the Group. The defendants were ordered to pay the outstanding amount of loan receivables of total HK$110,544,000 and the relative interest and the costs of the action incurred by the Group. Securities of HK$2,015,000 were received as part of the settlement of the loan. Due to the uncertainty of the recoverability of the remaining loan receivables, the management considered that no reversal of impairment loss should be made for the remaining loan receivable for the year ended 31 December 2013.

Fameway succeeds in enforcing partial payment of the judgment debt against some of such borrowers on 2 September 2015. Fameway is able to enforce the share charge granted by the defendants and in favour of Fameway over certain shares in Singapore and the shares in which are listed on Singapore Exchange Limited. Fameway will rely on legal advice for further and possible enforcement.

(ii) On 9 March 2012, King Perfection Limited ("King Perfection"), an indirect wholly-own subsidiary, issued a writ of summons in the Court of First Instance against PPH, claiming for the refund of the deposit paid in the sum of HK$20,000,000. Judgment was issued by the court on 22 February 2013 which PPH has to pay King Perfection (a) the sum of HK$20,000,000; (b) damages to be assessed; and (c) costs to be taxed.

A separate hearing regarding the above case was heard on 2 March 2016 since the Company and King Perfection had not received any refund of deposit from PPH, the Judge reserved judgment to a later date. In the opinion of legal advisor, the proof of debt of King Perfection and the Group be admitted in full in the sum of approximately HK$20,011,000. As at the date of this report, no amount has been received. The Company and King Perfection would rely on legal advice for further conduct and for protection of their interest.

42. LITIGATIONS *(Continued)*

(iii) On 6 May 2013, a writ of summons has been served to the Company, claiming for payment for the loss of the plaintiff of approximately RMB5,188,732,000. The legal case is related to the breach of contracts in respect of the investment in a joint venture which will conduct railway cargo transportation services in the PRC. On 13 May 2014, the plaintiff had completely crossed out its statement of claim and replaced the same with a new one and the amount of monetary claim was reduced from approximately RMB5,188,732,000 to HK$100,000,000. The Company has taken out the relevant applications to disallow such amendments of the statement of claim by the plaintiff and to strike out the amended statement of claim if such amendments are allowed by the Court.

The Plaintiff's amendments to its statement of claim in so far as it relates to the cause of action against the Company were struck out by the order of Master Hui on 3 June 2015 ("the Said Order") with costs in favour of the Company. The plaintiff then filed the notice of appeal on 17 June 2015 ("the Said Appeal") to appeal against the Said Order. The Said Appeal was heard on 9 December 2015 and had been dismissed by the Court with costs in favour of the Company on indemnity basis.

As regards the plaintiff's outstanding application to amend its amended statement of claim, the hearing of this summons had been adjourned sine die. There is no hearing date for this summons yet.

After consultation with the legal advisor, the management considered that the Company has good case to strike out the claim.

(iv) The claimant, Chan Yu Yiu Henry, against Onway Logistics Limited (the 1st Defendant), China Railway Investments Group (HK) Limited (the 2nd Defendant) and the Company (the 3rd Defendant) claiming director's fee in the aggregate sum of HK$4,146,666.66 allegedly due and owing since June 2008 (the "Claim"). It was the 2nd Defendant appointed the claimant as director of the 1st Defendant and the 2nd Defendant was the former joint venturer of 1st Defendant, which is the former joint venture of the Company on 13 October 2008.

The entire proceedings start afresh in the Court of First Instance. The claimant's application for legal aid failed, and due to his alleged impecuniosity, the claimant is not legally represented. As at 31 December 2015, the claimant has yet to serve his statement of claim.

42. LITIGATIONS *(Continued)*

(iv) *(Continued)*

In the opinion of the legal advisor, it will be meritorious to apply for striking out the Claim, and the legal advisor are preparing the summons and the affirmation in report of such striking out application.

(v) On 23 February 2016, GML has filed complaint for breach of contract in the Superior Court in CNMI against HKE for claiming the refundable deposit of approximately HK$174,928,000 (Note 26(c)(i)). On 28 March 2016, GML has obtained default judgement from the Superior Court in CNMI against HKE. GML is waiting for the legal advice for further conduct of the proceedings in CNMI.

(vi) On 29 July 2016, Magic Red issued a writ of summon to HML to claim the sum of HK$4,200,000 being the principal amount of convertible bonds issued by HML and subscribed by Magic Red. Judgement was issued on 1 February 2017 which HML has to pay Magic Red (a) the sum of HK$4,200,000, and (b) fixed cost in the sum of HK$11,045.

Magic Red will rely on legal advice for further and possible enforcement.

43. BUSINESS COMBINATION

For the year ended 31 December 2017

Acquisition of Tack On Limited ("Tack On")

On 14 March 2017, Blossom Team Limited ("Blossom Team"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party pursuant to which Blossom Team has acquired the entire share capital of Tack On, a company incorporated in British Virgin Islands, at a consideration of HK$1,250,001. The acquisition was completed on 14 March 2017. Tack On is principally engaged in trading of securities. The acquisition has been accounted for using the purchase method.

43. BUSINESS COMBINATION *(Continued)*

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

Acquisition of Tack On Limited ("Tack On") *(Continued)*

	HK$'000
Consideration transferred:	
Cash	1,250

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Investments held for trading	1,382
Other payables	(71)
Shareholder's loan	(9,397)
Net liabilities assumed	(8,086)
Add: Assignment of shareholder's loan	9,397
Gain on bargin purchase	(61)
Total consideration	1,250

Net cash outflow on acquisition of Tack On:

	HK$'000
Cash consideration paid	1,250

43. BUSINESS COMBINATION *(Continued)*

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

Acquisition of Tack On Limited ("Tack On") *(Continued)*

No acquisition-related costs was incurred from the acquisition.

Included in the loss for the year ended 31 December 2017 is loss of approximately HK$248,000 attributable to the additional business from Tack On. No revenue for the year ended 31 December 2017 was generated from Tack On.

Had the acquisition been completed on 1 January 2017, total group revenue for the year would have been approximately HK$10,267,000, and loss for the year would have been approximately HK$83,626,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

43. BUSINESS COMBINATION *(Continued)*

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

Disposal of Luck Bloom International Limited ("Luck Bloom")

On 18 July 2017, Rich Best entered into a sale and purchase agreement with an independent third party pursuant to which Rich Best has agreed to sell the entire issued share capital of Luck Bloom at a consideration of HK$2,600,000. The disposal was completed on 18 July 2017.

Consideration

	HK$'000
Cash	**2,600**

Analysis of assets and liabilities over which control was lost:

	HK$'000
Investments held for trading	**29,570**
Prepayments, deposits and other receivables	**49**
Bank balances and cash	**1**
Other payables	**(9,535)**
Amount due to the Group	**(34,491)**
Net liabilities disposal of	**(14,406)**
Waiver of amount due to the Group	**22,762**
Loss on disposal of a subsidiary	**(5,756)**
Total consideration received	**2,600**

Net cash inflow arising on the disposal:

	HK$'000
Cash consideration	**2,600**
Less: Bank balances and cash disposed of	**(1)**
	2,599

43. BUSINESS COMBINATION *(Continued)*

For the year ended 31 December 2016

a. *Disposal of Tinian Entertainment Co., Limited ("TEC")*

On 11 May 2016, the Group entered into a sale and purchase agreement with an independent third party (the "Purchaser") and pursuant to which the Group has agreed to sell to the Purchaser, and the Purchaser has agreed to purchase from the Group, the entire interests of TEC, a wholly-owned subsidiary at a consideration of USD300,000. The disposal was completed on 11 May 2016.

Consideration

	HK$'000
Consideration receivable	2,340

Analysis of assets and liabilities over which control was lost:

	HK$'000
Net asset of TEC	–
Gain on disposal of a subsidiary	2,340
	2,340

b. *Disposal of Wisdom Team Limited ("Wisdom Team")*

On 4 January 2016, the Group entered into a sale and purchase agreement with an independent third party, pursuant to which the Group has agreed to sell 51% issued share capital of Wisdom Team at a consideration of USD510 (equivalent to HK$3,978). The disposal was completed on 4 January 2016.

43. BUSINESS COMBINATION *(Continued)*

For the year ended 31 December 2016 *(Continued)*

b. *Disposal of Wisdom Team Limited ("Wisdom Team")* *(Continued)*

Consideration

	HK$'000
Cash	4

Analysis of assets and liabilities over which control was lost:

	HK$'000
Amount due to the Group	(1)
Gain on deemed disposal of a subsidiary	5
Total consideration received	4

Net cash inflow arising on the deemed disposal:

	HK$'000
Cash	4

After the completion of the deemed disposal, the Group owns 49% issued share capital of Wisdom Team and Wisdom Team became as an associate of the Group (Note 20).

44. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

For the year ended 31 December 2016

Acquisition of Alpaco Company Limited ("Alpaco")

On 23 November 2016, Rich Best, entered into a sale and purchase agreement with an independent third party pursuant to which Rich Best has acquired 99.99% of issued share capital of Alpaco, a company incorporated in British Virgin Islands at a consideration of HK$77,992. The acquisition was completed on 23 November 2016. On 31 December 2016, Rich Best acquired the remaining 0.01% of issued share capital from an independent third party at a consideration of HK$7.80. Alpaco is principally engaged in the property investment business and is holding an investment property in Hong Kong. The acquisition has been accounted for an acquisition of assets.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Investment property (Note 19)	11,125
Other receivables and deposits	3,652
Other borrowings	(10,758)
Other payables and accrual	(427)
Net assets acquired of	3,592
Less: Waiver of the former director's current account	(3,575)
Settlement of former director's current account by deduction from the consideration	61
Total consideration	78

	HK$'000
Consideration transferred:	
Cash	17
Other payable	61
	78

44. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY *(Continued)*

For the year ended 31 December 2016 *(Continued)*

Acquisition of Alpaco Company Limited ("Alpaco") *(Continued)*

Net cash outflow on acquisition of assets through acquisition of Alpaco:

	HK$'000
Cash consideration paid	17

No acquisition-related costs was incurred from the acquisition.

Included in the loss for the year ended 31 December 2016 is loss of approximately HK$102,000 attributable to the additional business from Alpaco. Revenue for the year ended 31 December 2016 includes approximately HK$26,000 generated from Alpaco.

Had the acquisition been completed on 1 January 2016, total group revenue for the year would have been approximately HK$8,868,000, and loss for the year would have been approximately HK$350,831,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

45. PLEDGE OF ASSETS

As at 31 December 2017, investment properties and certain investments held for trading with an aggregate carrying value of approximately HK$258,126,000 have been pledged to banks and other financial institutions to secure the credit facilities granted to the Group.

As at 31 December 2016, certain loan receivables, investment properties and certain investments held for trading with an aggregate carrying value of approximately HK$193,455,000 have been pledged to banks and other financial institutions to secure the credit facilities granted to the Group.

46. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were, or future cashflows will be classified in the Group's consolidated statement of cash flows from financing activities.

	Interest payables (included in other payables) HK$'000	Borrowings HK$'000	Obligations under finance leases HK$'000	Bond payables HK$'000	Total HK$'000
At 1 January 2017	5,844	149,807	1,812	50,000	207,463
Changes from cash flows:					
Proceeds from interest-bearing borrowings	–	21,480	–	–	21,480
Repayment of interest-bearing borrowings	–	(32,061)	–	–	(32,061)
Repayment of interest expenses	(16,810)	–	–	–	(16,810)
Payment of finance lease liabilities	–	–	(1,734)	–	(1,734)
	(16,810)	(10,581)	(1,734)	–	(29,125)
Non-cash changes:					
Other Changes					
– New leases	–	–	1,358	–	1,358
– Finance charges on obligations under finance leases	–	–	63	–	63
– Interest expenses	20,610	–	–	–	20,610
	20,610	–	1,421	–	22,031
At 31 December 2017	**9,644**	**139,226**	**1,499**	**50,000**	**200,369**

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2017 **HK$'000**	2016 HK$'000
Non-current assets		
Unlisted investments in subsidiaries (Note (a))	**31**	31
Current assets		
Prepayments, deposits and other receivables	**720**	838
Amounts due from subsidiaries (Note (a))	**327,402**	513,695
Amount due from an associate (Note (b))	**–**	10,034
Amount due from a joint venture (Note (c))	**5,509**	–
Bank balances and cash	**37,815**	23,958
	371,446	548,525
Current liabilities		
Other payables and accruals	**13,053**	16,549
Amounts due to subsidiaries (Note (a))	**74,112**	98,401
Amount due to an associate (Note (b))	**723**	–
Borrowings	**39,435**	54,686
	127,323	169,636
Net current assets	**244,123**	378,889
Total assets less current liabilities	**244,154**	378,920
Non-current liabilities		
Bond payables	**50,000**	50,000
Net assets	**194,154**	328,920
Capital and reserves		
Share capital	**2,068**	1,149
Reserves (Note (d))	**192,086**	327,771
Total equity	**194,154**	328,920

The Company's statement of financial position was approved and authorised for issue by the board of directors on 16 March 2018 and are signed on its behalf by:

Lam Kwok Hing Wilfred
Director

Chan Shui Sheung Ivy
Director

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Notes:

a. Investments in subsidiaries/amounts due from (to) subsidiaries

	2017	2016
	HK$'000	HK$'000
Investments in subsidiaries, at cost		
Unlisted shares	**31**	31
Amounts due from subsidiaries	**3,069,978**	3,068,487
Less: accumulated impairment losses recognised	**(2,742,576)**	(2,554,792)
	327,402	513,695

The amounts due from (to) subsidiaries are unsecured, non-interest bearing and repayable on demand.

b. Amount due from (to) an associate

The amount due from (to) an associate are unsecured, non-interest bearing and repayable on demand.

c. Amount due from a joint venture

The amount due from a joint venture is unsecured, non-interest bearing and repayable on demand.

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Notes: *(Continued)*

d. Movements of reserves during the years are as follows:

	Share premium	Contributed surplus	Share options reserve	Convertible loan notes reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2016	3,042,196	16,500	3,590	3,368	(2,743,348)	322,306
Loss for the year	–	–	–	–	(51,416)	(51,416)
Exercise of share option (Note 37)	2,810	–	(977)	–	–	1,833
Issuance of shares upon placing (Note 36)	35,850	–	–	–	–	35,850
Transaction cost attributable to issuance of shares upon placing	(1,020)	–	–	–	–	(1,020)
Settlement of loan upon issuance of shares (Note 36)	7,694	–	–	–	–	7,694
Early redemption of convertible loan notes (Note 34)	–	–	–	(3,368)	3,368	–
Recognition of equity-settled share-based payments (Note 37)	–	–	12,524	–	–	12,524
At 31 December 2016	3,087,530	16,500	15,137	–	(2,791,396)	327,771
Loss for the year	–	–	–	–	(216,820)	(216,820)
Lapsed of share options (Note 37)	–	–	(3,590)	–	3,590	–
Issuance of shares upon open offer (Note 36)	56,865	–	–	–	–	56,865
Transaction cost attributable to issuance of shares upon open offer (Note 36)	(2,264)	–	–	–	–	(2,264)
Issuance of shares upon placing (Note 36)	27,223	–	–	–	–	27,223
Transaction cost attributable to issuance of shares upon placing (Note 36)	(689)	–	–	–	–	(689)
At 31 December 2017	**3,168,665**	**16,500**	**11,547**	**–**	**(3,004,626)**	**192,086**

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries directly and indirectly held by the company at the end of the reporting period are set out below:

Name of subsidiaries	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2017 %	2016 %	2017 %	2016 %	2017 %	2016 %	2017 %	2016 %	
Alpaco Company Limited (Note (d))	British Virgin Islands ("BVI")	Ordinary	USD10,000	–	–	100%	100%	–	–	100%	100%	Holding of investment properties
Asia Pacific Resort and Entertainment Limited	BVI	Ordinary	USD1,000	–	–	100%	100%	–	–	100%	100%	Project development
Asiaciti Management Limited	Hong Kong	Ordinary	HK$100	–	–	100%	100%	–	–	100%	100%	Investment holdings
Best Core Investment Limited	BVI	Ordinary	USD1,000	–	–	100%	100%	–	–	100%	100%	Holding of investment properties
Bright Amazing Limited	BVI	Ordinary	USD1,000	–	–	100%	100%	–	–	100%	100%	Provision of financing services
Charm State International Limited	Hong Kong	Ordinary	HK$1	–	–	100%	100%	–	–	100%	100%	Office administration
Chinese Travel (Holdings) Limited	BVI	Ordinary	USD1,000	–	–	100%	100%	–	–	100%	100%	Investment holdings
Deluxe Charm Limited	BVI	Ordinary	USD1,000	–	–	100%	100%	–	–	100%	100%	Investment holdings
Dragon Billion Limited	Hong Kong	Ordinary	HK$1	100%	100%	–	–	100%	100%	–	–	Investment holdings

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiaries	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2017 %	2016 %	**2017** %	2016 %	**2017** %	2016 %	**2017** %	2016 %	
Ease Power Investment Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Office administration
Easy Champ Corporation Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Office administration
Excel Return Enterprises Limited	BVI	Ordinary	USD1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Trading of securities
Fameway Finance Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Provision of financing services
First Champion Worldwide Limited ("First Champion") (Note 49 (b))	BVI	Ordinary	USD1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Trading of securities
Forever Success International Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Office administration
Gain Millennia Limited	BVI	Ordinary	USD1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Investment holdings
Gold Wide Holdings Limited	Hong Kong	Ordinary	HK$160,000	**–**	–	**75%**	75%	**–**	–	**75%**	75%	Investment holdings
Host Luck Limited	Hong Kong	Ordinary	HK$10,000	**–**	–	**99.9%**	99.9%	**–**	–	**99.9%**	99.9%	Holding of investment properties

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiaries	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2017 %	2016 %	**2017** %	2016 %	**2017** %	2016 %	**2017** %	2016 %	
Kenbo Trading Company Limited	Hong Kong	Ordinary	HK$10,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Holding of investment properties
Luck Bloom (Note (b))	Hong Kong	Ordinary	HK$1	**–**	–	**–**	100%	**–**	–	**–**	100%	Office administration
Magic Red Limited	BVI	Ordinary	USD1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Investment holdings
Master Premium Limited	BVI	Ordinary	USD1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Investment holdings
Much Million Limited	BVI	Ordinary	USD1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Fund investment
Rich Best	BVI	Ordinary	USD1,000	**100%**	100%	**–**	–	**100%**	100%	**–**	–	Investment holdings
Richmax Corporation Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Office administration
Right Magic Limited	BVI	Ordinary	USD1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Trading of securities
Sina Winner Investment Limited	BVI	Ordinary	USD1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Trading of securities
Sino Apex International Limited	BVI	Ordinary	USD1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Investment holdings

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiaries	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2017 %	2016 %	**2017 %**	2016 %	**2017 %**	2016 %	**2017 %**	2016 %	
Sun Famous Investment Limited	Hong Kong	Ordinary	HK$1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Holding of investment properties
Sure Venture Investment Limited	BVI	Ordinary	USD1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Trading of securities
Tack On (Note (a))	BVI	Ordinary	USD1	**–**	–	**100%**	–	**–**	–	**100%**	–	Trading of securities
Tinian Realty International Co.	CNMI	Common Stock	USD1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Investment holdings
Top Galaxy (Asia) Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Office administration
Top Status International Limited	BVI	Ordinary	USD1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Trading of securities
Victory Time Global Limited (Note (c))	BVI	Ordinary	USD1	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Trading of securities
Victory Global (Hong Kong) Investment Limited (Note (e))	Hong Kong	Ordinary	HK$10,000	**–**	–	**100%**	–	**–**	–	**100%**	–	Office administration
Watson China Limited	Hong Kong	Ordinary	HK$900,000	**–**	–	**88.89%**	88.89%	**–**	–	**88.89%**	88.89%	Holding of investment Properties
Winner Performance Limited	BVI	Ordinary	USD1,000	**–**	–	**100%**	100%	**–**	–	**100%**	100%	Trading of securities

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

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

None of the subsidiaries had any debt securities at the end of both years or at any time during both years.

Notes:

(a) Tack On was acquired during the year ended 31 December 2017. Details are disclosed in Note 43 to the consolidated financial statements.

(b) Luck Bloom was disposed during the year ended 31 December 2017. Details are disclosed in Note 43 to the consolidated financial statements.

(c) It was newly incorporated during the year ended 31 December 2016.

(d) On 23 November 2016, the Group completed the acquisition of Alpaco. Details are disclosed in Note 44 to the consolidated financial statements.

(e) It was newly incorporated during the year ended 31 December 2017.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group.

These subsidiaries operate in different countries and are inactive. Details are summarised as follows:

Principal activity	Principal place of business	Number of subsidiaries	
		2017	2016
Inactive	BVI	**39**	39
	Hong Kong	**17**	17
	PRC	**1**	1
	Macau	**1**	1
	CNMI	**–**	2
		58	60

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	**2017**	2016	**2017**	2016
				HK$'000	HK$'000	**HK$'000**	HK$'000
Gold Wide Holdings Limited	Hong Kong	**25.00%**	25.00%	**461**	2,098	**30,719**	30,258
Watson China Limited	Hong Kong	**11.11%**	11.11%	**(54)**	(84)	**(85)**	(31)
Individually immaterial subsidiaries with non-controlling interests				**–**	–	**6**	6
				407	2,014	**30,640**	30,233

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Gold Wide Holdings Limited

	2017 **HK$'000**	2016 HK$'000
Current assets	**23**	85
Non-current assets	**175,924**	173,444
Current liabilities	**(275)**	(315)
Equity attributable to owners of the Company	**144,953**	142,956
Non-controlling interests	**30,719**	30,258

	2017 **HK$'000**	2016 HK$'000
Revenue	**1,866**	8,388
Expenses	**(23)**	(21)
Profit attributable to owners of the Company	**1,382**	6,269
Profit attributable to non-controlling interests	**461**	2,098
Profit for the year	**1,843**	8,367
Other comprehensive expense attributable to owners of the Company	**–**	–
Other comprehensive expense attributable to non-controlling interests	**–**	–
Other comprehensive expense for the year	**–**	–
Total comprehensive income for the year	**1,843**	8,367

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Gold Wide Holdings Limited *(Continued)*

	2017 HK$'000	2016 HK$'000
Total comprehensive income attributable to owners of the Company	**1,382**	6,269
Total comprehensive income attributable to non-controlling interests	**461**	2,098
Total comprehensive income for the year	**1,843**	8,367
Dividends paid to non-controlling interests	**–**	–
Net cash outflow from operating activities	**(63)**	(30)
Net cash outflow from investing activities	**–**	–
Net cash outflow from financing activities	**–**	–
Net cash outflow	**(63)**	(30)

Watson China Limited

	2017 HK$'000	2016 HK$'000
Current assets	**159**	99
Non-current assets	**8,600**	8,000
Current liabilities	**(9,522)**	(8,372)
Equity attributable to owners of the Company	**(678)**	(242)
Non-controlling interests	**(85)**	(31)

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Watson China Limited *(Continued)*

	2017	2016
	HK$'000	HK$'000
Revenue	**620**	400
Expenses	**(1,110)**	(1,154)
Loss attributable to owners of the Company	**(436)**	(670)
Loss attributable to non-controlling interests	**(54)**	(84)
Loss for the year	**(490)**	(754)
Other comprehensive expense attributable to owners of the Company	**–**	–
Other comprehensive expense attributable to non-controlling interests	**–**	–
Other comprehensive expense for the year	**–**	–
Total comprehensive expense for the year	**(490)**	(754)

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Watson China Limited *(Continued)*

	2017 **HK$'000**	2016 HK$'000
Total comprehensive expense attributable to owners of the Company	**(436)**	(670)
Total comprehensive expense attributable to non-controlling interests	**(54)**	(84)
Total comprehensive expense for the year	**(490)**	(754)
Dividends paid to non-controlling interests	**–**	–
Net cash inflow (outflow) from operating activities	**–**	–
Net cash inflow (outflow) from investing activities	**–**	–
Net cash inflow (outflow) from financing activities	**–**	–
Net cash inflow (outflow)	**–**	–

49. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following events after the reporting period.

(a) On 8 January 2018, Amazed Craft Limited ("Amazed Craft"), an indirect wholly-owned subsidiary of the Company, which is incorporated in the British Virgin Islands, entered into a sale and purchase agreement with an independent third party ("Vendor") pursuant to which Amazed Craft has agreed to acquire from the Vendor, and the Vendor has agreed to sell to Amazed Craft, the entire share capital of AID Partners Asset Management Limited ("AID Partners"), a company incorporated in Hong Kong with limited liability, at a consideration of HK$4,800,000.

AID Partners is principally engaged in advising on securities (Type 4 regulated activity) and assets management (Type 9 regulated activity) under the Hong Kong Securities and Futures Ordinance. The proposed acquisition has not been completed at the date of this report.

(b) On 12 January 2018, Team King Global Limited ("Team King"), an indirect wholly-owned subsidiary of the Company, which is incorporated in the British Virgin Islands, entered into a sale and purchase agreement with an independent third party ("Purchaser B") and pursuant to which Team King has agreed to sell to the Purchaser B, and the Purchaser B has agreed to purchase from Team King, the entire issued share of First Champion at a consideration of HK$100,000. The disposal was completed on 12 January 2018.

(c) On 15 January 2018, Rich Best entered into a sale and purchase agreement with an independent third party ("Purchaser C") and pursuant to which Rich Best has agreed to sell to the Purchaser C, and the Purchaser C has agreed to purchase from Rich Best, the entire issued share of an indirect wholly-owned subsidiary of the Company, Selected Team, which is incorporated in the British Virgin Islands, at a consideration of HK$10,000,000. Selected Team is principally engaged in investment holding. The disposal was completed on 15 January 2018.

49. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(d) On 15 January 2018, Unique Jade International Limited ("Unique Jade"), an indirect wholly-owned subsidiary of the Company, which is incorporated in the British Virgin Islands, entered into a share subscription agreement with an independent third party, Hong Kong Newrich Limited ("HK Newrich") which is incorporated in Hong Kong, and pursuant to which HK Newrich allotted and issued 990,000 new ordinary shares, representing 99% of the entire issued share capital of HK Newrich, to Unique Jade, at a consideration of HK$16,830,000 (the "Subscription"). Immediately after the completion of the Subscription, HK Newrich became a non-wholly owned subsidiary of the Group. HK Newrich is principally engaged in property investment.

The consideration was partially set-off with the Group's other receivables in amount of approximately HK$4,500,000 and the loan and interest receivables in amount of approximately HK$12,057,000.

(e) On 29 January 2018, the Company entered into a placing agreement with a placing agent (the "Placing Agent") , pursuant to which the Company has conditionally agreed to place, through the Placing Agent, on a best effort basis to place a maximum of 40,000,000 placing shares, not less than 6 placees, at a placing price of HK$4 per placing share (the "Placing") under specific mandate. The net proceeds from the placing will be used for settlement of liabilities, financing general working capital, the expansion of the money lending business and possible investment of the Group. The Placing has yet been completed up to the date of this report.

RESULTS

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**10,267**	8,738	10,191	8,430	10,755
(Loss) profit before tax	**(85,842)**	(348,701)	(121,859)	60,148	(19,643)
Income tax	**(213)**	(213)	(2,467)	(3,913)	(1,561)
(Loss) profit for the year	**(86,055)**	(348,914)	(124,326)	56,235	(21,204)
Attributable to:					
– Owners of the Company	**(86,462)**	(350,928)	(126,304)	55,542	(22,415)
– Non-controlling interest	**407**	2,014	1,978	693	1,211
(Loss) profit for the year	**(86,055)**	(348,914)	(124,326)	56,235	(21,204)

ASSETS AND LIABILITIES

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total non-current assets	**337,067**	368,116	380,378	462,677	453,077
Total current assets	**440,690**	431,729	792,710	599,664	431,819
Total current liabilities	**186,187**	191,649	264,269	174,286	61,733
Total non-current liabilities	**52,284**	52,334	51,973	35,788	32,525
Equity attributable to owners of the Company	**508,646**	525,629	828,627	827,012	765,951
Non-controlling interest	**30,640**	30,233	28,219	25,255	24,687

MAJOR INVESTMENT PROPERTY

Address	Lot number	Tenure	Existing use
Flat A on 12th Floor with Car Parking Space No. 11 on 2nd Basement Floor, The Colonnade, No. 152 Tai Hang Road, Hong Kong	174/10359th shares of and section A Inland Lot No. 2478	Medium-term lease	Residential and residential car parking