South China Assets Holdings Limited
南華資產控股有限公司

Incorporated in the Cayman Islands with limited liability
Stock Code : 08155



2017
ANNUAL REPORT

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

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

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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Hung Sang (*Chairman*)
Ms. Cheung Choi Ngor
Mr. Richard Howard Gorges
Ms. Ng Yuk Mui Jessica (*Executive Vice Chairman*)

Non-executive Director

Mr. Ng Yuk Yeung Paul

Independent Non-executive Directors

Mr. Cheng Hong Kei
Ms. Pong Scarlett Oi Lan, BBS, J.P.
Mr. Yeung Chi Hang

COMPLIANCE OFFICER

Ms. Cheung Choi Ngor

COMPANY SECRETARY

Mr. Chong Man Kit

AUTHORISED REPRESENTATIVES

Ms. Cheung Choi Ngor
Mr. Chong Man Kit

AUDIT COMMITTEE

Mr. Cheng Hong Kei (*Committee Chairman*)
Ms. Pong Scarlett Oi Lan, BBS, J.P.
Mr. Ng Yuk Yeung Paul

REMUNERATION & NOMINATION COMMITTEE

Ms. Pong Scarlett Oi Lan, BBS, J.P. (*Committee Chairman*)
Mr. Cheng Hong Kei
Mr. Yeung Chi Hang

AUDITOR

BDO Limited

PRINCIPAL BANKERS

Chong Hing Bank Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia (China) Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

P. O. Box 31119
Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman KY1-1205
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

28th Floor, Bank of China Tower
1 Garden Road, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

08155

WEBSITE OF THE COMPANY

www.scassets.com

Chairman's Statement and Management Discussion and Analysis

I am pleased to report the activities of South China Assets Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL SUMMARY AND KEY PERFORMANCE INDICATORS

The Group recorded revenue and loss attributable to the equity holders of the Company, both being the financial key performance indicators, for the year ended 31 December 2017 of HK$1.7 million (2016: HK$5.5 million) and HK$14.8 million (2016: HK$292.6 million), respectively.

The loss attributable to the equity holders of the Company decreased for the year ended 31 December 2017 primarily resulted from the one-off compensation receivable based on the court rulings dated 2 March 2017 ("2017 Litigation Judgement") in our favor that Shenyang City Huanggu Region Construction Administration Bureau (瀋陽市皇姑區城市建設局) and Shenyang Land Reserve & Exchange Centre (瀋陽市土地交易中心) (collectively referred as the "Shenyang Bureau") are required to pay to the Company's subsidiary the compensation and reliefs, netting of a related one-off operating expense payable, the Group has recorded other operating income from 2017 Litigation Judgement of HK$62.7 million, together with net exchange gains and bank interest income, amounting to other operating income, net of HK$65.5 million in total. This was partially offset by fair value loss on financial assets at fair value through profit or loss, fair value loss on redemption option embedded in redeemable convertible preference shares ("RCPS") of a related company, loss on disposal of available-for-sale financial assets and finance costs.

FINANCIAL REVIEW

During the year under review, money lending business has generated revenue of HK$1.7 million (2016: HK$5.5 million). The property development segment did not record any revenue from external customers for the years ended 31 December 2017 and 2016 as the property development projects on hand were still at the planning stage.

During the year ended 31 December 2017, the fair value loss on financial assets at fair value through profit or loss and the fair value loss on redemption option embedded in RCPS were HK$8.2 million and HK$1.6 million, respectively (2016: gain of HK$1.8 million and gain of HK$14.9 million, respectively). The change in fair value gain/loss mainly resulted from the movements in various parameters including share price of South China Holdings Company Limited.

Loss on disposal of available-for-sale financial assets of HK$2.0 million was incurred (2016: HK$13.8 million) as RCPS was redeemed during the year under review. Administrative and other operating expenses decreased to HK$21.6 million in the year under review as compared to HK$41.2 million in 2016.

BUSINESS REVIEW

The principal businesses of the Group include financial services and property development.

(a) Financial Services

The segment is made up of South China Asset Management Limited ("SCA"), a licensed corporation holding the licences for type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). SCA has not recorded any revenue in the year under review.

The Group also carries out money lending business via South China Financial Credits Limited ("SCFC"), a wholly-owned subsidiary of the Company. SCFC is governed by the Hong Kong Money Lender Ordinance (Chapter 163 of the Laws of Hong Kong) with business scope encompassing unsecured personal loans, tax loans, small business loans, specialised lending and debt consolidation. The gross loan portfolio of the money lending business amounted to HK$10.3 million as at 31 December 2017.

In furthering the Group's strategy to build up an "one-stop financial services center" to offer customers with a diverse range of financial services, the Group has been granted by the Securities and Futures Commission ("SFC") the corporate licence to carry out regulated activities in dealing in securities ("Type 1 Licence") in October 2016 and the corporate licence to carry out regulated activities in dealing in futures contracts ("Type 2 Licence") in July 2017. The Group is currently in the process of completing the application to be participants of Hong Kong Exchanges and Clearing Limited for Type 1 Licence and Type 2 Licence, and has not recorded any revenue in the year under review.

The directors considered that the key risk exposures of our investment advisory, asset management business and money lending business are market risk, credit risk and the need to maintain sufficient liquidity to satisfy regulatory capital requirements and working capital needs. The Group does not take trade positions which expose it to material price risk or foreign exchange risk.

The Group's risk management objectives are therefore to minimise the key financial risks through clearly defined terms of business with customers, stringent investment and credit control over transactions with them, and regular monitoring of cash flow and management accounts to ensure that the relevant regulated entities comply with the regulatory capital requirements and the financial services operations maintain adequate working capital.

(b) Property development

(i) *Shenyang, Liaoning Province*

Under the development plan of the Huanggu District (皇姑區) property development project, the Huanggu District (皇姑區) property development project has a site area of approximately 67,000 square metres. A mixed development which comprises commercial/retail, residential and office/hotel will be built. According to the Auction Confirmation Letter (掛牌交易成交確認書), the consideration for the land use rights is RMB1,176.8 million and RMB235.4 million land premium was paid.

Since the local government failed to perform its obligations in carrying out site demolition work and occupants relocation and the delivering vacant possession of the site to a subsidiary of the Company, the Company and the subsidiary of the Company commenced legal proceedings against Shenyang City Huanggu Region Construction Administration Bureau (瀋陽市皇姑區城市建設局) and Shenyang Land Reserve & Exchange Centre (瀋陽市土地交易中心) (collectively referred as the"Shenyang Bureau") in the Liaoning High People's Court (遼寧省高級人民法院) for damages and other reliefs.

On 4 May 2016, Liaoning High People's Court (遼寧省高級人民法院) ruled in our favor that the Shenyang Bureau is required to pay to the Company's subsidiary the interests on the land premium paid by the Company.

On 23 May 2016, the Shenyang Bureau appealed to the Supreme People's Court of The People's Republic of China (中華人民共和國最高人民法院).

On 2 March 2017, the Supreme People's Court of The People's Republic of China ruled in our favor, and the ruling on 4 May 2016 was upheld, that the Shenyang Bureau is required to pay to the Company's subsidiary the compensation and reliefs.

The Group has received full amount of the said land premium during the year. The Group has received the said compensation and reliefs in full from Shenyang Bureau as at the date of this report.

(ii) *Cangzhou, Hebei Province*

The Huanghua New City (黃驊新城) property development project, with a site area of 32,336 square metres, is a commercial/retail development to provide shopping mall, entertainment, dining and recreational facilities with a total GFA of approximately 45,000 square metres. The consideration for the land use rights is RMB15.3 million. The Group has obtained the State-owned Land Use Right Certificate (國有土地使用證), the Land Use Permit (建設用地規劃許可證) and the Construction Planning Permit (建設工程規劃許可證) for the project. Main contract work is expected to commence upon the issuance of the Construction Permit (建設工程施工許可證).

In 2014, the Group won a bid at the tender for the acquisition of the land adjacent to the then existing Huanghua New City property development project with a site area of 32,921 square metres and allowable GFA of approximately 87,000 square metres. The consideration for the land acquisition, which amounted to RMB15.5 million, has been paid in full. This newly acquired land, being the second phase of the Huanghua New City property development project, will further provide commercial/retail/office/hotel facilities. The Group has obtained the State-owned Land Use Right Certificate (國有土地使用證) and the Land Use Permit (建設用地規劃許可證) for the project.

The existing property portfolio of the Group is located in the PRC and is therefore subject to the risks associated with the PRC property market. Our property development operations in the PRC may also be exposed to the risks of policy change, interest rate change, demand-supply imbalance, and the overall economic conditions, which may pose an adverse impact on the Group's business, financial condition or results of operations. To mitigate the abovementioned risks, the Group will monitor such exposures closely with a view to reacting timely to any change.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had a current ratio of 2.2 (2016: 2.0) and a gearing ratio of 2.3% (2016: 4.7%). The decrease in gearing ratio was due to decrease in interest-bearing bank borrowing and is considered at a healthy level.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the year ended 31 December 2017, the Group did not make any material acquisition and disposal of subsidiaries and associates.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 31 December 2017, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no pledge of assets and contingent liabilities.

EMPLOYEES

As at 31 December 2017, the total number of employees of the Group was 11 (2016: 7). Employees' cost (including Directors' emoluments) amounted to HK$11.8 million for the year (2016: HK$22.7 million).

In addition to salary, other fringe benefits such as medical subsidies, life insurance and provident fund are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on performance. Employees may also be granted share options and share awards under the share option scheme and the employee's share award scheme adopted by the Company on 8 May 2012 and 18 March 2011 respectively.

PROSPECTS

Management believes it is the best interest of the Group to continue consolidate its existing property development business and diversify into new business in the financial services sector which is able to produce steady income stream given the existing market conditions and the resources available.

The year of 2018 will be another challenging year given the dynamic changes in both macroeconomic environment and policy changes in the PRC. Despite the challenges, management believes opportunities still exist for our business growth. The Group will pay close attention to the internal and external economic situations and continue to closely monitor and make great efforts on adjusting internal structure and optimising businesses.

(a) Financial services business

To capitalise strong demand for financial services and surging needs of customers in the Greater China region, the Group's strategy is to build up a "one-stop financial services center" to offer customers with a diverse range of financial services. To pursue this goal, the Group acquired SCA, the asset management arm, and SCFC, the money lending business unit, in 2015.

SCA was in the incubation stage in the year under review and is continuing its effort in structuring private funds with various investment strategies and asset classes to meet our clients' investment needs and risk appetites. SCA has been in on-going discussion with potential investors for engagement as investment manager to provide tailor-made discretionary portfolio and management solutions which will then generate revenue upon successful rollout.

SCFC is in the progress to devise a new market positioning strategy during the year under review. The move is to tap into customer segments with better credibility background and new products to cater needs from the market as a step towards building a healthy loan portfolio, which is conducive to the sustained growth of business in the future. Amidst product repositioning strategy, SCFC has tightened its credit approval and strategy of new loan and loan refinancing applications, and dwindled the amount of new loan disbursements in the year under review. To grasp more business opportunities in year 2018, SCFC plans to enlarge its sales force, strengthen its credit approval process and debt collection functions which provides safeguard to the Group for excessive credit risk.

In addition to the Group's successful application for Type 1 Licence in October 2016, the Group has further progressed towards the mission as a "one-stop financial services center" as the SFC has granted Type 2 Licence to the Group in July 2017. The Group is currently in the process of completing the application to be participants of Hong Kong Exchanges and Clearing Limited for Type 1 Licence and Type 2 Licence for potential commencement of business in near future.

(b) Property development business

After the completion of the disposal of entire issued share capital of Elite Empire Investments Limited and Bigwin Investments Limited in 2015, the projects on hand has aggregate site area of approximately 72,000 square meters. As mentioned in the section"BUSINESS REVIEW", the Group has received full amount of the said land premium during the year. The Group has received the said compensation and reliefs in full from Shenyang Bureau as at the date of this report.

To diversify its business, the Group has shifted its focus to the small to medium size projects to relieve the burden on resources for the capital intensive projects.

ENVIRONMENTAL POLICIES

We are committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving electricity and encouraging recycle of office supplies and other materials. In this regard, we have implemented various environmental policies and guidelines to manage the efficient use of resources in our day to day operations. Going forward, we will strive to continue to enforce new efficiency measures to reduce the consumption of energy and water, and indirectly reduce the emissions of greenhouse gas.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, which have significant impact on the Group. The Group has established a compliance department which is operated by experienced compliance officers and is monitored by management. The principal roles of the compliance department are to monitor the daily financial status and to review internal control of the Group regularly to ensure the Group is in compliance with related regulations. Updates on the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees

Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees. The Group has also adopted share option schemes and share award schemes to recognize and reward the contribution of the employees to the growth and development of the Group.

Customers

The Group has the mission to provide excellent customer service whilst maintaining long term profitability, business and asset growth. Various means have been established to strengthen the communications between the customers and the Group in the provision of excellent customer service towards market penetration and expansion.

Service vendors

Sound relationships with key service vendors of the Group are important in supply chain, premises management and meeting business challenges and regulatory requirements, which can derive cost effectiveness and foster long term business benefits. The key service vendors comprise system and equipment vendors, external consultants which provide professional services, suppliers of office goods/merchandise and other business partners which provide value-added services to the Group.

Shareholders

One of the corporate goals of the Group is to enhance corporate value to shareholders. The Group is poised to foster business developments for achieving the sustainability of earnings growth and rewarding shareholders taking into account capital adequacy levels, liquidity positions and business expansion needs of the Group.

APPRECIATION

On behalf of the Board, I wish to express my gratitude to our customers and shareholders for their continued support and all our staff members for their hard work and dedicated service.

Ng Hung Sang
Chairman

Hong Kong, 20 March 2018

Directors' Biographical Details

EXECUTIVE DIRECTORS

Mr. Ng Hung Sang, aged 68, is an Executive Director, the Chairman and a member of the Executive Committee of the Company. He is actively involved in the overall corporate policies, strategic planning and business development of the Group. He is also an executive director and the chairman of South China Financial Holdings Limited and South China Holdings Company Limited, both being listed on the Main Board of The Stock Exchange of Hong Kong Limited. He holds a Master degree in Marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. He was appointed as a Director of the Company on 28 January 2002. He is the father of Ms. Ng Yuk Mui Jessica, an Executive Director and the Executive Vice Chairman of the Company, and Mr. Ng Yuk Yeung Paul, a Non-executive Director of the Company, and a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. Cheung Choi Ngor, aged 64, is an Executive Director and a member of the Executive Committee of the Company. She is also an executive director, a vice chairman and chief executive officer of South China Holdings Company Limited, and an executive director and a vice chairman of South China Financial Holdings Limited, both being listed on the Main Board of The Stock Exchange of Hong Kong Limited. She also holds several directorships in certain subsidiaries of the Group. She holds a Master degree in Business Administration from University of Illinois in the United States of America. She is a member of 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference. She was appointed as a Director of the Company on 7 January 2009. She is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Richard Howard Gorges, aged 74, is an Executive Director and a member of the Executive Committee of the Company. He is also an executive director and a vice chairman of South China Holdings Company Limited, being listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He also holds several directorships in certain subsidiaries of the Group. He was an executive director and a vice chairman of South China Financial Holdings Limited, being listed on the Main Board of the Stock Exchange during the period from 7 December 1988 to 12 November 2015. He holds a Master degree in Law from University of Cambridge in the United Kingdom. He was appointed as a Director of the Company on 7 January 2009. He is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. Ng Yuk Mui Jessica, aged 39, is an Executive Director, an Executive Vice Chairman and a member of the Executive Committee of the Company. She is also a non-executive director of South China Holdings Company Limited, and an executive director and an executive vice chairman of South China Financial Holdings Limited, both being listed on the Main Board of The Stock Exchange of Hong Kong Limited. She is the executive vice chairman of South China Media Limited. She holds a Bachelor degree in Law from King's College London, University of London in the United Kingdom and was admitted to the Hong Kong Bar in 2006. She is an associate member of the Chartered Institute of Management Accountants and a member of 12th Hebei Provincial Committee of the Chinese People's Political Consultative Conference. She was appointed as Director of the Company on 20 August 2003. She is the daughter of Mr. Ng Hung Sang, an Executive Director, the Chairman and a controlling shareholder of the Company, and is the elder sister of Mr. Ng Yuk Yeung Paul, a Non-executive Director of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Ng Yuk Yeung Paul, aged 36, is a Non-executive Director and a member of Audit Committee of the Company. He is also an executive director and an executive vice chairman of South China Holdings Company Limited, being listed on the Main Board of The Stock Exchange of Hong Kong Limited (the"Stock Exchange"). He was also an executive director and a vice chairman of South China Financial Holdings Limited, a company listed on the Main Board of the Stock Exchange, during the period from 15 September 2003 to 12 November 2015. He also holds several directorships in certain subsidiaries of the Group. He graduated in law from Corpus Christi College, University of Cambridge (the "University") in the United Kingdom and is a Scholar of the University. He is an associate member of the Chartered Institute of Management Accountants and a member of 13th National Committee of the Chinese People's Political Consultative Conference. He has been engaged in the financial services, tourism and media businesses for more than ten years. He was appointed as a Director of the Company on 9 October 2003. He is the son of Mr. Ng Hung Sang, an Executive Director, the Chairman and a controlling shareholder of the Company, and is the younger brother of Ms. Ng Yuk Mui Jessica, an Executive Director and Executive Vice Chairman of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheng Hong Kei, aged 63, is an Independent Non-executive Director, the chairman of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company. He studied accountancy in Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University). He is a fellow member of the Hong Kong Institute of Certified Public Accountants (Practicing), the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. He is a co-founding director of Cheng & Cheng Limited and had worked as an assessor for the Hong Kong Inland Revenue Department for 12 years. He has over 30 years of experience in accounting and taxation. He is currently an independent non-executive director of Great China Properties Holdings Limited, being listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and GET Holdings Limited, being listed on the Growth Enterprise Market of the Stock Exchange. He was an independent non-executive director of Jayden Resources Inc., a company listed on the Toronto Stock Exchange during the period from 14 December 2009 to 15 October 2015. He was appointed as a Director of the Company on 31 March 2017.

Ms. Pong Scarlett Oi Lan, BBS, J.P., aged 58, is an Independent Non-executive Director, the Chairman of the Remuneration and Nomination Committee and a member of the Audit Committee of the Company. She is the Chairman of Health Quotient HQ International Institute Limited. She completed her executive program at Harvard Business School in the United States of America and also obtained a graduate diploma in business administration at Monash University in Australia and a Bachelor degree in pharmaceutical sciences from the University of Saskatchewan in Canada. She is an elected District Councilor, the Chairman of The International Drug Abuse Treatment Foundation Limited and The League of Health Professionals of Hong Kong Limited. She was a part-time lecturer of Master of Science in Women's Health Studies & Postgraduate Diploma in Women's Health Studies, The Chinese University of Hong Kong. She has been the president of The Practising Pharmacists Association of Hong Kong for eight years and the President of the Outstanding Young Persons' Association. She is being appointed in a number of government boards and committees such as the Council Member of Hong Kong Baptist University, Grantham Scholarships Fund Committee, Part-time Member of the Central Policy Unit (2008-2009), Chairman of ACAN Sub-committee on Preventive Educations and Publicity (2007-2012). She received an award of the Ten Outstanding Young Persons' Selection in 1998 and the Hundred Outstanding Women Entrepreneur in China in 2007 and was appointed as a Justice of the Peace (J.P.) by the Government of the Hong Kong Special Administrative Region in July 2010. She was appointed as a Director of the Company on 27 March 2008.

Mr. Yeung Chi Hang, aged 50, is an Independent Non-executive Director and a member of the Remuneration and Nomination Committee of the Company. He is a qualified accountant with a Bachelor's degree in Accountancy from City of London Polytechnic and Executive Master of Business Administration from the Chinese University of Hong Kong. He has more than 25 years' experience in audit, finance, PRC tax and project administration. Now he has his own consultancy firm to provide professional advice to clients mainly on project administration and financial and management report system. After graduation, he joined KPMG leading audit engagement of luxury goods retail group, MNC and WOFE. He then joined New World China Land as Assistant Project Administration Manager and in charge of JV projects in Wuhan, China to handle accounting, finance and tax issues, and liaise with JV partners and government officials. Subsequently, he worked for manufacturing MNC to oversee HK and China operations (Finance, Administration, Human Resources and IT) which including setting up of sales team and logistics team in China. Prior to starting his own business, he was in charge of finance and accounting functions for China property development projects of two listed companies. He was appointed as a Director of the Company on 6 September 2017.

Directors' Report

The directors of the Company (the "Directors") submit herewith their report and the audited financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. Its subsidiaries are property investment and development in the People's Republic of China, money lending, provision of investment advisory and asset management service and dealing in securities and futures.

There were no significant changes in the nature of the Group's principal activities during the year.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement and Management Discussion and Analysis set out on pages 4 to 10 of this Annual Report. The discussion forms part of this directors' report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 and the financial position of the Group at that date are set out in the financial statements on pages 52 to 136 of this Annual Report.

No interim dividend was paid (2016: Special dividend as detailed in Note 11 to consolidated financial statements). The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 137 of this Annual Report.

SHARE CAPITAL AND EQUITY-LINKED AGREEMENT

Details of movements in the ordinary shares, share options and share awards of the Company during the year are set out in notes 28 to 30 to the consolidated financial statements.

Save as disclosed under the section headed "Share Option Scheme" and "Employees' Share Award Scheme", no equity-linked agreements were entered into during the year or subsisted at the end of the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

MAJOR SUPPLIERS

During the year ended 31 December 2017, aggregate purchases attributable to the Group's five largest suppliers were less than 30% of total purchases.

At no time during the year have the directors, their 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 any interest in these major suppliers.

DIRECTORS

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

Executive Directors:

Ng Hung Sang (*Chairman*)
Cheung Choi Ngor
Richard Howard Gorges
Ng Yuk Mui Jessica (*Executive Vice Chairman*)
Law Albert Yu Kwan (*resigned on 1 July 2017*)

Non-executive Director:

Ng Yuk Yeung Paul

Independent Non-executive Directors:

Cheng Hong Kei (*appointed on 31 March 2017*)
Pong Scarlett Oi Lan
Yeung Chi Hang (*appointed on 6 September 2017*)
Chan Mei Bo Mabel (*resigned on 31 March 2017*)
Leung Tony Ka Tung (*retired on 14 June 2017*)

In accordance with Article 116 of the Articles of Association of the Company, Mr. Ng Hung Sang, Ms. Ng Yuk Mui Jessica, Ms. Pong Scarlett Oi Lan, BBS, J.P. will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company ("AGM") of the Company. In accordance with Article 99 of the Articles of Association of the Company, Mr. Yeung Chi Hang will retire from office by rotation and, being eligible, offer himself for re-election at the AGM of the Company. Save as disclosed, all other remaining Directors continue in office.

All Directors (including Non-executive Directors) of the Company are subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM Listing Rules") of the Stock Exchange from each of the Independent Non-executive Directors namely, Mr. Cheng Hong Kei, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Yeung Chi Hang, and considers all the Independent Non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 11 to 13 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

No Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or its subsidiaries which is not determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

The remuneration payable to executive directors are determined by the Remuneration and Nomination Committee with reference to the prevailing market practice, the Company's remuneration policy, the respective Directors' duties and responsibilities and their contributions to the Group. The Board considers and, where it thinks fit, approves the remuneration of the non-executive directors as recommended by the Remuneration and Nomination Committee based on the abovementioned factors. No Director shall be involved in the decision of his own remuneration.

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

As at 31 December 2017, the interests and short positions of the Directors and the chief executive 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 ("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 Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules, were as follows:

(i) Long positions in ordinary shares of the Company (the "Shares")

Directors	Capacity	Number of Shares	Total number of Shares	Approximate percentage of shareholding to total issued Shares
Ng Hung Sang ("Mr. Ng")	Beneficial owner	363,393,739	7,257,178,811	64.92%
	Interest of spouse	967,923,774		
	Interest of controlled corporations	5,925,861,298 (Note (a))		
Ng Yuk Yeung Paul ("Mr. Paul Ng")	Beneficial owner		2,602,667	0.02%

(ii) Long positions in underlying Shares

Directors	Capacity	Number of underlying Shares	Approximate percentage of shareholding to total issued Shares
Cheung Choi Ngor ("Ms. Cheung")	Beneficial owner	55,896,000 (Note (b))	0.50%
Mr. Paul Ng	Beneficial owner	83,840,000 (Note (b))	0.75%

Notes:

(a) 5,925,861,298 Shares held by Mr. Ng through controlled corporations include 1,088,784,847 Shares held by Bannock Investment Limited ("Bannock"), 1,150,004,797 Shares held by Earntrade Investments Limited ("Earntrade"), 1,817,140,364 Shares held by Fung Shing Group Limited ("Fung Shing"), 1,728,362,917 Shares held by Parkfield Holdings Limited ("Parkfield"), 76,464,373 Shares held by Ronastar Investments Limited ("Ronastar"), 65,104,000 Shares held by Green Orient Investments Limited ("Green Orient"). Fung Shing, Parkfield and Ronastar were all directly wholly-owned by Mr. Ng. Mr. Ng holds Green Orient indirectly via South China Holdings Company Limited ("SCHC"). Bannock was a wholly-owned subsidiary of Earntrade which was directly owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges ("Mr. Gorges") and 20% by Ms. Cheung. SCHC was owned as to approximately to 62.59% by Mr. Ng. As such, Mr. Ng was deemed to have interest in the 65,104,000 Shares held by Green Orient and the aggregate 2,238,789,644 Shares held by Bannock and Earntrade.

(b) The respective underlying Shares held by Ms. Cheung and Mr. Paul Ng were the share options granted to them on 1 October 2013 under the share option scheme adopted by the Company on 8 May 2012. For more details, please refer to note 29 to the consolidated financial statements under the section headed "Share Option Scheme".

Apart from the foregoing, none of the directors of the Company or any of their spouses or children under eighteen years of age had interests or short positions in the Shares, underlying Shares or debentures of the Company, or any of its holding company, subsidiaries or other associated corporations, 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 pursuant to the required standard of dealings by Directors as referred to Rules 5.48 to 5.67 of the GEM Listing Rules, at 31 December 2017.

SHARE OPTION SCHEME

The Company adopted a share option scheme in May 2012 ("2012 Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants, who contribute to the success of the Group's operations, and retaining such participants for their continuing support to the Group. The share options granted under the 2012 Share Option Scheme is unlisted. Further details of the 2012 Share Option Scheme are disclosed in note 29 to the consolidated financial statements.

No new share option was granted under the 2012 Share Option Scheme during the year ended 31 December 2017.

EMPLOYEES' SHARE AWARD SCHEME

On 18 March 2011, the Company adopted the employee's share award scheme (the "Share Award Scheme") whereby the Company may grant share awards to selected employees in recognition of their contributions to the Group, and as incentive to retain them to support the operations and ongoing development of the Group and attract suitable personnel for the Group's further development. Pursuant to the terms and conditions of the Share Award Scheme, the Company shall settle a sum up to HK$50 million for the purchase of shares in the Company and/or SCHC from the market. Such shares shall form part of the capital of the trust set up for the Share Award Scheme. The Board may, from time to time, select employees for participation in the Share Award Scheme and cause to be paid an amount to the trustee from the Company' resources for the purpose of purchase of shares as referred to in the above. Details of the Share Award Scheme are set out in note 30 to the consolidated financial statements.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Share Option Scheme", at no time during the year was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, and none of the Directors or the chief executives or any of their spouses or children under the age of 18, was granted any rights to subscribe for any equity or debt securities of the Company or any other body corporate nor had exercised any such right.

RETIREMENT SCHEME

The Group operates a defined benefit occupational retirement scheme and a mandatory provident fund scheme. The employees employed by the PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. Particulars of these retirement schemes are set out in note 3.16 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Details of the transactions during the year between the Group and connected persons (as defined in the GEM Listing Rules) in which a Director has beneficial interest are set out in the section "Connected and Continuing Connected Transactions" of this report and note 35 to the consolidated financial statements.

Save as disclosed above, no transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or any connected entity thereof had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

The Company has not entered into any contract by which a person undertakes the management and administration of the whole or any substantial part of the business of the Company and there was no such contract subsisted at any time during the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The Company has been notified of the following interest in its issued Shares at 31 December 2017 amounting to 5% or more of the Shares in issue:

Long positions in Shares

Shareholders	Capacity	Number of Shares	Approximate percentage of shareholding to total issued Shares
Earntrade	Beneficial owner and interest of a controlled corporation	2,238,789,644 (Note (a))	20.03%
Fung Shing	Beneficial owner	1,817,140,364	16.26%
Parkfield	Beneficial owner	1,728,362,917	15.46%
Bannock	Beneficial owner	1,088,784,847 (Note (a))	9.74%
Ng Lai King Pamela ("Ms. Ng")	Beneficial owner and interest of spouse	7,257,190,003 (Note (b))	64.92%

Notes:

(a) Bannock is a wholly-owned subsidiary of Earntrade. Earntrade was deemed to have interest in the Shares held by Bannock.

(b) Ms. Ng, who held 967,923,774 Shares directly, is the spouse of Mr. Ng, the Chairman and an Executive Director of the Company. By virtue of the SFO, Ms. Ng was deemed to have interest in the 363,393,739 Shares and 5,925,861,298 Shares held by Mr. Ng directly and indirectly through controlled corporations, respectively, as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the above.

Apart from the forgoing, as at 31 December 2017, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the above, had registered an interest or short position in the Shares or underlying Shares that was required to be recorded pursuant to section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The Company, SCHC and South China Financial Holdings Limited ("SCF"), both, being listed on the Stock Exchange, have certain common directors. The principal activities of SCHC and SCF include property investment or development business and provision of investment advisory or asset management services or dealing in securities.

Mr. Ng, Ms. Cheung and Mr. Gorges, all being Executive Directors of the Company, are also the executive directors of SCHC. Mr. Ng and Ms. Cheung are also the executive director of SCF. Ms. Ng Yuk Mui Jessica, an Executive Director of the Company, is also the non-executive director of SCHC and the executive director of SCF. Mr. Paul Ng, a Non-executive Director of the Company, is also an executive director of SCHC.

Mr. Ng is the chairman of the board and controlling shareholder of SCHC, is also chairman of board and substantial shareholder of SCF. Mr. Gorges and Ms. Cheung are the substantial shareholders of a controlled corporation of Mr. Ng, which, together with its direct wholly-owned subsidiary, holds 19.80% interest in SCHC.

The Group seeks to undertake property development projects in smaller size and diversify into the financial services businesses while SCHC mainly focuses on the medium to large scale property investment and development projects.

The Group is in the course of diversifying into the financial services businesses while SCF undertakes a wide range of financial services businesses of sizable scale in operations and with solid client portfolio.

The abovementioned common directors declare their interests in competing business and abstain from voting in transactions in which the Company and SCHC or SCF compete or is likely to compete with each other and, therefore, do not control the Board as far as transaction in relation to competing business is concerned. As such, the Board is independent from the board of SCHC or SCF, and the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of SCHC or SCF. Given the difference in business focus as referred to in the preceding paragraph, the competition between the businesses of the Company and SCHC or SCF is considered to be relatively remote.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In accordance with GEM Rule 17.50A(1), the changes to information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of GEM Rule 17.50(2) of the GEM Listing Rules during the course of the Directors' terms of office for the period from date of publication of the Company's latest annual report up to the date of this Annual Report are set out below:

1. Ms. Chan Mei Bo Mabel resigned as an Independent Non-executive Director of the Company and ceased to act as the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company with effect from 31 March 2017;

2. Mr. Cheng Hong Kei has been appointed as an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company with effect from 31 March 2017;

3. Sr Dr. Leung Tony Ka Tung has retired as an Independent Non-executive Director and a member of the Remuneration and Nomination Committee of the Company upon the conclusion of the annual general meeting of the Company held on 14 June 2017;

4. Mr. Law Albert Yu Kwan resigned as an Executive Director of the Company with effect from 1 July 2017;

5. Mr. Yeung Chi Hang has been appointed as an Independent Non-executive Director and a member of the Remuneration and Nomination Committee of the Company with effect from 6 September 2017; and

6. With effect from 1 January 2017, Ms. Pong Scarlett Oi Lan, BBS, J.P.'s director's fee has been adjusted from HK$100,000 to HK$120,000 per annum.

INDEMNITY OF DIRECTORS

Pursuant to the Company's Articles of Association, every Director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings in which judgment is given in his favour, or in which he is acquitted. The Company has taken out directors' and officers' liability insurance to protect the Directors against potential costs and liabilities arising from the claims brought against them, if any.

SUFFICIENCY OF PUBLIC FLOAT

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

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Details of the significant related party transactions undertaken by the Group during the year in the ordinary course of business are set out in note 35 to the consolidated financial statements.

CONTINUING CONNECTED TRANSACTION

During the year and up to the date of this Annual Report, the Group had the following continuing connected transaction, details of which were disclosed in compliance with the requirements of Chapter 20 of the GEM Listing Rules:

Reference is made to the circular of the Company dated 4 September 2015 (the "Circular"), regarding the very substantial and connected disposals of the entire interest in Elite Empire and Bigwin by Crystal Hub, a direct wholly-owned subsidiary of the Company, the announcement of the poll results of the EGM of the Company dated 30 September 2015 and the joint announcements of the Transactions dated 7 October 2015 and 1 February 2016 respectively. Unless otherwise defined herein, the capitalized terms used shall have the same meanings as those defined in the Circular.

Under the Sale Shares Agreement, the Vendor shall procure the Company, by entering into the Deed of Undertaking, to indemnify SCHC against all guaranteed sum (which shall not exceed HK$100 million) together with all costs and expenses (including, without limitation, interest, legal costs and recovery costs) incurred by SCHC under or by virtue of each Guarantee. Upon SCHC being notified of any claim pursuant to a Guarantee, the Company shall forthwith on demand pay to SCHC the amount of such claim and, if valid receipts are provided together with the demand for payment for the said claim, the costs and expenses incurred by SCHC in dealing with or defending such claim. In any other case, demand for payment of the costs and expenses incurred by SCHC in dealing with or defending any claim pursuant to any Guarantee shall be settled by the Company within 14 days from the day of presentation of the relevant valid receipts to the Company.

On 2 November 2015, SCHC provided a guarantee in the amount of HK$15 million to a bank in respect of a loan facility granted to a subsidiary of the Company. In return, the Company also provided a counter guarantee in the amount of HK$15 million to SCHC against the said guaranteed sum. Such guarantee is replaced by a new guarantee as detailed in note 25 to the consolidated financial statements and such counter guarantee has been released during the year accordingly.

The above continuing connected transaction has been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transaction has been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) according to the agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 20.54 of the GEM Listing Rules.

The Directors confirm that the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules have been complied with by the Company.

COMPANY SECRETARY

Mr. Chong Man Kit, the company secretary of the Company, is a fellow of the Hong Kong Institute of Certified Public Accountants.

AUDITOR

Messrs. BDO Limited, the auditor of the Group, will retire and, being eligible, will offer itself for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Ng Hung Sang
Chairman

Hong Kong, 20 March 2018

Corporate Governance Report

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize accountability and transparency to the shareholders. Periodic review will be made to the corporate governance practices to comply with the regulatory requirements.

CORPORATE GOVERNANCE CODE

The Company had complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") throughout the year ended 31 December 2017 except the following as stated:

Mr. Ng Hung Sang, the Chairman and an Executive Director of the Company, was unable to attend the annual general meeting of the Company held on 14 June 2017 since he had other business engagements, which deviated from code provision E.1.2.

BOARD COMPOSITION AND BOARD PRACTICES

As at 31 December 2017, the members of the Board were as follows:

Executive Directors:

Ng Hung Sang (*Chairman*)
Cheung Choi Ngor
Richard Howard Gorges
Ng Yuk Mui Jessica (*Executive Vice Chairman*)

Non-executive Director:

Ng Yuk Yeung Paul

Independent Non-executive Directors:

Cheng Hong Kei
Pong Scarlett Oi Lan
Yeung Chi Hang

The Independent Non-executive Directors represented not less than one-third of the Board for the year ended 31 December 2017. Directors' biographies and the relevant relationships amongst them are set out in the Directors' Biographical Details on pages 11 to 13 in this Annual Report.

Ms. Chan Mei Bo Mabel resigned as an Independent Non-executive Director and ceased to act as the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company on 31 March 2017. Mr. Cheng Hong Kei was appointed as an Independent Non-executive Director, Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company on 31 March 2017. As a result of Sr Dr. Leung Tony Ka Tung retired as an Independent Non-executive Director and ceased to act as a member of the Remuneration and Nomination Committee of the Company after conclusion of the annual general meeting of the Company held on 14 June 2017, the composition of the Board fell below the requirements under Rule 5.05(1) and Rule 5.05A of the GEM Listing Rules. Following the appointment of Mr. Yeung Chi Hang as Independent Non-executive Director and a member of the Remuneration and Nomination Committee of the Company on 6 September 2017, the Company met the requirements under Rules 5.05(1) and 5.05A of the GEM Listing Rules.

The Board composition is reviewed regularly to ensure that it has a balance of skills and experience appropriate to the requirements of the businesses of the Group. A balanced composition of Executive Directors and Non-executive Directors is maintained to enable the Board to exercise independent judgement effectively and provide sufficient checks and balances that safeguard the interests of shareholders and the Group. The Company has also complied with the GEM Listing Rules requirement that at least one of the Independent Non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise.

The Company is committed to equality of opportunity and does not discriminate on the grounds of race, gender, age, disability, nationality or any other factors. It also recognizes and embraces the benefits of diversity in Board members. The Company has adopted a board diversity policy in August 2013. Under the board diversity policy, a range of diversity perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service are taken into account when considering the nomination of a candidate for directorship and all Board appointments are based on meritocracy. Candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board and the ultimate decision is based on merit and contribution that the selected candidates will bring to the Board. The Remuneration and Nomination Committee monitors the implementation of the diversity policy and review the same as appropriate.

The appointment of Directors is recommended by the Remuneration and Nomination Committee and approved by the Board based on the formal written procedures and policy for the appointment of new directors. When selecting potential candidates for directorship, their skills, experience, expertise, devotion of time and conflicts of interests are the key factors to consider.

All Directors (including Non-executive Director) of the Company are subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association. The Board is collectively responsible for the formulation of the Group's strategy and overseeing the management of the business and affairs of the Group.

Pursuant to Code Provision A.4.3, any further appointment of an independent non-executive director serving more than nine years should be subject to a separate resolution to be approved by the shareholders of the Company. Notwithstanding that Ms. Pong Scarlett Oi Lan, BBS, J.P. has served as an independent non-executive director of the Company for more than nine years, (i) the Board has assessed and reviewed her annual confirmation of independence under Rule 5.09 of the GEM Listing Rules and affirmed that Ms. Pong Scarlett Oi Lan, BBS, J.P. remains independent; (ii) the remuneration and nomination committee of the Company has assessed and is satisfied with the independence of Ms. Pong Scarlett Oi Lan, BBS, J.P.; and (iii) the Board considers that Ms. Pong Scarlett Oi Lan, BBS, J.P. remains independent of management and free of any relationship which could materially interfere with the exercise of her independent judgment. Despite the length of service of Ms. Pong Scarlett Oi Lan, BBS, J.P., the Company believes that she will continue to make her independent judgments in all related matters for the benefit of the Company and the shareholders as a whole.

Daily operation and management of the business of the Group including, inter alia, the implementation of strategies are delegated to the Executive Committee, which comprises all Executive Directors. The Executive Committee reports its work and business decisions to the Board periodically.

The roles of Chairman and Chief Executive Officer are separate and are clearly defined. Such roles are performed by different individuals with a view to reinforce independence and accountability. Key and important decisions are fully discussed at board meetings.

The Chairman has delegated the responsibility for drawing up the agenda for each board meeting to the Company Secretary. With the assistance of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and have received adequate and reliable information in a timely manner.

The Board held four meetings in 2017:

	Number of Meetings Attended/Eligible to Attend
Executive Directors	
Ng Hung Sang (*Chairman*)	4/4
Cheung Choi Ngor	4/4
Richard Howard Gorges	4/4
Ng Yuk Mui Jessica (*Executive Vice Chairman*)	4/4
Law Albert Yu Kwan (*resigned on 1 July 2017*)	2/2
Non-executive Director	
Ng Yuk Yeung Paul	4/4
Independent Non-executive Directors	
Cheng Hong Kei (*appointed on 31 March 2017*)	3/3
Pong Scarlett Oi Lan	4/4
Yeung Chi Hang (*appointed on 6 September 2017*)	1/1
Chan Mei Bo Mabel (*resigned on 31 March 2017*)	1/1
Leung Tony Ka Tung (*retired on 14 June 2017*)	1/2

The Board meets at least four times a year. At least fourteen days' notice is given to all Directors for each regular Board meeting. All Directors are given the opportunity to include matters for discussion in the agenda. Agenda and Board papers are sent to all Directors at least three days before each regular Board meeting. Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles of Association of the Company.

The Company Secretary ensures that the procedures and all applicable rules and regulations are complied with. Minutes of Board meetings and meetings of Board committees are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

Directors have full access to information on the Group and are able to seek independent professional advice at the Group's expense as they consider appropriate.

SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the required standard of dealing set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct regarding securities transactions by Directors. In addition, the Board has established similar guidelines for relevant employees who are likely to possess inside information in relation to the Group or its securities.

In response to the Company's specific enquiry, all Directors of the Company confirmed that they have complied with the required standard of dealing and its code of conduct regarding securities transactions by Directors throughout the year ended 31 December 2017.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for overseeing and maintaining a sound and effective risk management and internal control systems and reviewing the effectiveness of same. The Board assesses the effectiveness of the risk management and internal control systems through the ongoing reviews performed by the Audit Committee, executive management and both internal and external auditors. Taking into account the views of the Audit Committee, the Internal Audit Department formulates audit plan periodically, agree the same with the Audit Committee and reports its findings and recommendations to the Audit Committee which, in turn, reports to the Board on the effectiveness of the risk management and internal control systems. The audit plan covers the key financial, operational and compliance controls of the major business units on a rotation basis. The scope of and time budgeted for an audit assignment normally depend on the assessed risk level. The Audit Committee meets with the internal auditor and external auditor at least twice a year. During the year, Internal Audit Department reviewed the money lending business in Hong Kong and made a number of recommendations for improvement of control environment.

The risk management and internal control systems aims at safeguarding assets from inappropriate use and ensuring the maintenance of proper accounting records and compliance with the applicable rules and regulations. Management is primarily responsible for the design, implementation and maintenance of the risk management and internal control systems, which are designed to provide reasonable but not absolute assurance against misstatement or loss, and to manage risks of failure in the Group's operational systems.

The Internal Audit Department may also conduct ad hoc review in light of the concerns expressed by management or the Audit Committee from time to time, if any.

With the support of the relevant business unit managers, the Board identifies and assesses the key risks, existing or emerging, facing the Group, and formulates strategies and measures to mitigate the relevant risk exposures. A risk register is prepared to facilitate the management of key risks of the Group. For each key risk identified, the risk register records the risk exposure estimation, current risk mitigation measures and further management actions to better control the risks. The Board has reviewed the Group's risk management and internal control systems for the year ended 31 December 2017. The review included considering risk register and the risk management and internal control evaluations conducted by the Audit Committee, executive management and the internal and external auditors.

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Group.

The statement by the auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 50 to 51 of this Annual Report.

AUDITOR'S REMUNERATION

The fees paid/payable to the auditor of the Company for the year ended 31 December 2017 in respect of the audit and non-audit services provided to the Company and its subsidiaries amounted to HK$620,000 and HK$6,000, respectively. Such non-audit services consist of professional service rendered to review and report on the continuing connected transactions of the Group.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors must keep abreast of their collective responsibilities. Each newly appointed Director receives an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company.

To enhance the Directors of the changes in applicable rules and regulations and the developments in corporate governance, the Company also provides the Directors with updates on the relevant topics. In addition, the Directors are encouraged to participate in continuous professional development activities to develop and refresh their knowledge and skills.

According to the records maintained by the Company, the Directors have received the following training in the year ended 31 December 2017:

	Type of trainings	
	Attending Seminars/Conferences and/or Similar Events	**Reading Materials and Updates**
Executive Directors		
Ng Hung Sang (*Chairman*)		✓
Cheung Choi Ngor		✓
Richard Howard Gorges		✓
Ng Yuk Mui Jessica (*Executive Vice Chairman*)		✓
Law Albert Yu Kwan (*resigned on 1 July 2017*)		✓
Non-executive Director		
Ng Yuk Yeung Paul		✓
Independent Non-executive Directors		
Cheng Hong Kei (*appointed on 31 March 2017*)		✓
Pong Scarlett Oi Lan		✓
Yeung Chi Hang (*appointed on 6 September 2017*)	✓	✓
Chan Mei Bo Mabel (*resigned on 31 March 2017*)		✓
Leung Tony Ka Tung (*retired on 14 June 2017*)		✓

AUDIT COMMITTEE

The Audit Committee currently consists of two Independent Non-executive Directors, namely Mr. Cheng Hong Kei (Chairman of the Audit Committee) and Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Ng Yuk Yeung Paul, a Non-executive Director.

As set out in the terms of reference posted on the websites of the Stock Exchange and the Company, the principal duties of the Audit Committee, which are substantially the same as the relevant code provisions in the CG Code, include, among others, overseeing the Group's financial reporting system, risk management and internal control procedures and the relationship with the Company's auditor, and reviewing the Group's financial information. The Board has also delegated the responsibility of risk management and corporate governance duties to the Audit Committee.

The Audit Committee held four meetings and met with the internal auditors and external twice in the year ended 31 December 2017. It has reviewed, among others, the quarterly, the half-yearly and annual results, internal audit plan, internal audit reports on risk management and internal control system, audit strategy, external auditor's report to the Audit Committee, the independence and terms of engagement of the external auditor's and corporate governance report. There were two private sessions between the Audit Committee members and the external auditor without the presence of management in the Audit Committee meetings held in 2017. The attendance records of the members of the Audit Committee at the abovementioned Audit Committee meetings are as follows:

	Number of Meetings Attended/Eligible to Attend
Cheng Hong Kei (*appointed on 31 March 2017*)	3/3
Pong Scarlett Oi Lan	4/4
Ng Yuk Yeung Paul	4/4
Chan Mei Bo Mabel (*resigned on 31 March 2017*)	1/1

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee performs both remuneration and nomination functions under the CG Code. It currently consists of three Independent Non-executive Directors, namely Ms. Pong Scarlett Oi Lan, BBS, J.P. (Chairman of the Committee), Mr. Cheng Hong Kei and Mr. Yeung Chi Hang.

As set out in the terms of reference posted on the websites of the Stock Exchange and the Company, the principal duties of the Remuneration and Nomination Committee, which are substantially the same as the relevant code provisions in the CG Code, include, among others, reviewing the policy and structure for Directors' and (if any) senior management's remuneration, remuneration proposals for Directors' and (if any) senior management's remuneration, determining the remuneration packages of Executive Directors and (if any) senior management, making recommendations to the Board on the remuneration of Non-executive Directors, reviewing the structure, size and diversity of the Board, identifying suitable candidate for directorship and making recommendations to the Board on the remuneration and Director nomination matters as referred to in the terms of reference of the Remuneration and Nomination Committee.

For new appointment of Director, the Remuneration and Nomination Committee identifies and selects suitable candidates following the board diversity policy as referred to in the section "BOARD COMPOSITION AND BOARD PRACTICES" and taking into account the candidate's his/her independence and capability to devote sufficient time and commitment to the role as well as potential conflict of interests. Once the Remuneration and Nomination Committee has selected a candidate, it seeks the comments on such candidate from the Executive Committee for its consideration and approves the appointment as it thinks fit. The Remuneration and Nomination Committee met once in the year ended 31 December 2017 to review, consider and, where appropriate, approve/make recommendation to the Board on the remuneration packages of the Directors (based on the skills, knowledge, performance and involvement in the Company's affairs of the relevant Director taking into consideration the Company's performance), the policy and structure for Directors' remuneration, the structure, size and diversity of the Board, the Director nomination policy, the independence of the Independent Non-executive Directors and the retirement and re-election of Directors. The attendance records of the members of the Remuneration and Nomination Committee at the abovementioned Remuneration and Nomination Committee meeting are as follows:

	Number of Meetings Attended/Eligible to Attend
Pong Scarlett Oi Lan	1/1
Chan Mei Bo Mabel	1/1
Leung Tony Ka Tung	1/1

SHAREHOLDERS' RIGHTS

The Company uses general meeting, annual report, interim report, quarterly report, announcement, circular and its website as communication tools to keep its shareholders informed of the matters of significance and latest development of the Group.

Shareholders are provided with contact details of the Company to enable them to make enquiries with respect to the Company's affairs. Shareholders can also send their enquiries to the Company through these channels or contact Union Registrars Limited, the branch share registrar of the Company, in case of enquiries about shareholdings.

The annual general meeting of the Company ("AGM") allows the Directors to meet and communicate with shareholders. The Company ensures that shareholders' views are communicated to the Board. The chairman of the AGM proposes separate resolutions for each issue to be considered. Members of the Audit Committee and the Remuneration and Nomination Committee and the external auditor also attend the AGM to answer questions from shareholders. AGM proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of AGM is distributed to all shareholders at least 20 clear business days prior to the AGM. The accompanying circular sets out the details of each proposed resolution and other relevant information as required under the GEM Listing Rules. Voting results are posted on the websites of the Stock Exchange and the Company on the day of the AGM.

Extraordinary general meeting of the Company ("EGM") shall be convened on the requisition of any one member of the Company which is a recognised clearing house or any two or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board of Directors or the Company Secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 3 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them may convene such meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The attendance record of the Directors at the AGM and EGMs held in 2017 is set out below:

	AGM (14 June 2017)
Executive Directors	
Ng Hung Sang (*Chairman*)	✗
Cheung Choi Ngor	✓
Richard Howard Gorges	✓
Ng Yuk Mui Jessica (*Executive Vice Chairman*)	✓
Law Albert Yu Kwan (*resigned on 1 July 2017*)	✓
Non-executive Director	
Ng Yuk Yeung Paul	✗
Independent Non-executive Directors	
Cheng Hong Kei (*appointed on 31 March 2017*)	✓
Pong Scarlett Oi Lan	✓
Yeung Chi Hang (*appointed on 6 September 2017*)	N/A
Chan Mei Bo Mabel (*resigned on 31 March 2017*)	N/A
Leung Tony Ka Tung (*retired on 14 June 2017*)	✓

Environmental, Social and Governance Report

Subsequent to the release of the Group's first Environmental, Social and Governance Report for the financial period from 1 January 2016 to 31 December 2016, it is the Group's commitment to continuously reviewing and updating its Environmental, Social and Governance ("ESG") strategy and report by reference to the provisions set forth in Appendix 20 (Environmental, Social and Governance Reporting Guide) ("ESG Guide") of the Listing Rules.

During the period under review, the Group continued to focus on four (4) key areas — (a) Environment; (b) Employment and Labour Practices; (c) Operation Practices; and (d) Community Investment, and to strive to balance the impacts of environmental protection and social responsibility in the Group's strategic plans for the purpose of driving sustainable value for the Group's stakeholders and the communities in which the operations of the Group are located. There were no significant changes in the Group's businesses, operation location and share capital structure during the period under review. This ESG Report was prepared by the Group ESG Committee and reviewed by the board of directors of the Company (the "Board").

Risk management is crucial for maintaining the Group's stable daily operation and quick response to the changing environment. With the support of the relevant business unit managers, the Board identifies and assesses the key risks, and formulates strategies and measures to mitigate such relevant risk exposures. A risk register is prepared to facilitate the management of key risks of the Group, including those relating to ESG, which will be reviewed by the Board or any committee delegated by the Board as part of the risk management and internal control process.

The material aspects under the four (4) key areas — 1. Environment; 2. Employment and Labour Practices; 3. Operation Practices; and 4. Community Investment are set out as follows:

1. ENVIRONMENT

1.1 Emission:

Environmental protection plays a crucial role for a corporation's sustainability. It is the strategy of the Group to keep reducing the environmental impact from its operations, and to promote environmental protection within the Group, its marketplace and the communities in which the Group's operations are located. Notwithstanding the nature of business of the Group does not consume much energy and cause severe air and water pollution, the Group keeps minimizing the environmental impacts from its operations by means of:

(a) Control of emission of greenhouse gases ("GHG"):

The Group has encouraged staff to (a) use environmentally-friendly public transportation, e.g. MTR for local travelling; (b) use video/audio conferences for business meetings for reducing the frequency of business travel by air so as to reduce direct and indirect emissions of GHG; and (c) use electronic messages, especially internal communications, for the purpose of reduction of paper consumption which in turn will be helpful for reduction of indirect emission of GHG.

Paper consumption is another main source of indirect GHG emissions. The Group has continuously implemented such guides as "Energy Efficiency of Lightings, Air Conditioning and Office Machines Services Guide" and "Recycle Paper and Toner Cartridge Services Guide" to manage the efficient use of resources in the Group's daily operations. In addition, the Group has implemented administrative measure to reduce paper consumption, e.g. e-leave system (application and approval of leave), e-pay slip (salary payment notification), e-internal communications, e-reports, printing on duplex mode, paperless storage and regular waster paper collection for recycling etc. In addition, the Group has encouraged its customers to use e-statements. For giving greater efforts in reduction of GHG emissions, the Group has arranged an independent recycling paper collector to collect used papers from the offices of the Group at regular intervals.

Emission summary:

Indicators	2016	**2017**	Notes
Total GHG emissions (tonnes)	113.7	**79.5**	
Direct emissions (tonnes)[1]:	–	**–**	
Indirect emissions (tonnes):			
— Electricity	42.4	**40.5**	
— Business travel[2]	69.3	**37.0**	#
— Paper consumption	2.0	**2.0**	
GHG emissions avoided by recycling of used papers (tonnes)	1.1	**1.2**	

1 No company vehicle so no direct emission of GHG

2 It is based on the International Civil Aviation Organization Carbon Emissions Calculator.

Notes:

Business travel decreased by approximately 46.6% was mainly due to the change of meeting mode by video/audio conference.

(b) *Control of production of hazardous and non-hazardous wastes:*

In view of the nature of the Group's operations, it did not generate any hazardous wastes. Areas are designated in the offices of the Group for disposal of electronic equipment. The Group will arrange an independent third party collector to collect all scrapped electronic equipment for proper treatment. The Group is operating in several leased office premises of which the respective building management is responsible for both water consumption and discharge. The management fee of each of the leased premises paid to the respective building management includes charges for water supply and discharge. The Group had only about six (6) employees during the period under review, water consumption volume was only about 7 m^3.

Waste summary:

Indicators	2016	2017	Notes
Electronic equipment (pieces)	–	–	#

Notes:

No electronic equipment was disposed of during the period under review

1.2 Use of Resources:

(a) Fuel (unleaded petrol) consumption and electricity consumption is respectively the main source of direct and indirect energy consumption. Both fuel and electricity consumptions are the main sources of GHG emissions. The Group issued an e-notice of "Save Our World and Build our Green Office" to all employees for promoting awareness of saving of water, energy and paper at work. In addition, an office of the Group has been using LED energy saving light tubes during the period under review. The results achieved by such improvements are reflected in the energy consumption summary below:

Energy consumption summary:

Indicators	2016	2017
Total energy consumption (KWh)	53,601	**51,175**
Direct energy consumption (unleaded petrol) (KWh)[1]:	–	–
Indirect emissions (electricity) (KWh):	53,601	**51,175**
Expenses on energy consumption (HK$'000):	76.3	**62.5**

1 No company vehicle so no consumption of unleaded petrol.

(b) The Group is committed to conserving clean water. "Save Water" labels are placed in such water consumption areas as pantries and lavatories to remind employees not to waste water. As mentioned above, the Group is operating in several leased office premises of which the respective building management is responsible for both water consumption and discharge. The management fee of each of the leased premises paid to the respective building management includes charges for water supply and discharge.

(c) During the period under review, the Group mainly engaged in various regulated activities, e.g. dealings in securities, advising on securities; money lending; and asset management. Therefore, the Group did not involve packaging materials.

1.3 Environmental and Natural Resources:

Environmental protection is a continuous process, including management of energy and water consumption, and waste production. During the period under review, such environmental protection measures as using energy saving fluorescent tubes and LED light tubes in office areas; and a notice of "Environmental Initiative and Cost Saving" to all staff to keep office area temperature at 25°C was issued, which would be monitored and reviewed regularly pursuant to the environmental and legal requirements.

2. EMPLOYMENT AND LABOUR PRACTICES

2.1 Employment:

"People Oriented" is the Group's persistent notion. In conformity with the principle of harmonious sustainable development, the Group continuously invests its available resources in providing a supportive, comfortable and healthy workplace for employees, and in fostering a caring community in the working environment.

The Group recognizes that attracting competent talents is important for its sustainable growth, so it is committed to providing fair and competitive remuneration package in form of salary and fringe benefits, e.g. personal and life insurance, paid leave and education sponsorship etc. apart from those mandatory employment-related benefits. It is the policy that salary of employees will be reviewed on an annual basis in December, and the eligible employees will be subject to performance appraisal evaluation to be carried out by the respective department heads and then endorsed by such employees, and all such evaluations are subject to the final approval by the relevant executive director or to whom that the director delegates. The Group Human Resources Department will provide a guideline of salary range of each category in light of the current market rate to each department head for reference for ensuring that the salary for each category of the Group remains competitive. In addition, the Group is committed to compliance with the code provisions set out in Appendix 15 of the Listing Rules, regarding of remuneration of directors and senior management.

In order to provide a framework and guidance for ensuring (a) fairness in recruitment; (b) maximization of diversity of applicants; and (c) high caliber candidates are attracted and selected by taking into account of equal opportunities, anti-discrimination, non-harassment and prohibition of child and forced labour, such policies as "Recruitment Policy", "Equal Opportunities and Anti-Discrimination Policy" and "Code of Conduct" have been in force.

For (a) providing basic understanding of the Group's background, organization structures and business objectives; (b) safeguarding the agreed employment terms and conditions, e.g. working hours, probation period, rest periods, termination of employment, other fringe benefits; and (c) adherence to the relevant policies, systems and procedures etc., an orientation training will be provided for all newcomers by the Group Human Resources Department, and the Staff Handbook and the aforesaid policies are available in the Group's intranet folder (paperless for upholding of environmental protection) for reference at any time by the employees.

The Group explicitly opposes any discrimination on the grounds of age, gender, marital status, pregnancy, family status, race, nationality, religion and disability, and from time to time observes the provisions of such relevant laws as Employment Ordinance, Cap. 57, Employees' Compensation Ordinance, Cap. 282, Sex Discrimination Ordinance, Cap. 480, Disability Discrimination Ordinance, Cap. 487 and Race Discrimination Ordinance, Cap. 602 in Hong Kong.

The Group had 11 male employees as at 31 December 2017. Indicators of employment type of each gender, employees' age group of each gender, geographical region of employment of each gender and turnover rate of each gender during the years of 2016 and 2017 are as follows:

(a) Employment type and gender:

Number of employees:	2016		**2017**	
	Male	Female	**Male**	**Female**
Management and Department Head	1	0	**3**	**0**
Managerial	1	0	**1**	**0**
Supervisory	2	1	**2**	**0**
General Staff	2	0	**5**	**0**

(b) Employees' age group and gender:

Number of employees:	2016		**2017**	
	Male	Female	**Male**	**Female**
18 ~ below 30	0	0	**0**	**0**
30 ~ below 50	5	1	**10**	**0**
50 and over	1	0	**1**	**0**

(c) ***Geographical region and gender:***

Number of employees:	2016		**2017**	
	Male	Female	**Male**	**Female**
Hong Kong	4	1	**6**	**0**
PRC	2	0	**5**	**0**

(d) ***Turnover rate:***

2016: The average turnover rate for the year of 2016 was about 4.2%

2017: The average turnover rate for the year of 2017 was about 4.6%

2.2 Health and Safety:

The Group is committed to providing employees a safety and healthy working environment by reference to such occupational safety and health publications issued by Occupational Safety and Health Council as Office Lighting, Design of Office Station, Office Stretching Exercises, Work Stress, Work Postures, Correct Use of Display Screen Equipment and OSH Guides for Computer Workstation.

All office premises of the Group are well-equipped with typical safety facilities, e.g. first-aid boxes, fire exits, fire extinguishers, fire detectors and sprinklers and emergency lights. In addition, employees are encouraged to participate to annual fire drill for emergency evacuation organized by the building management.

The Group Human Resources Department oversees the occupational health and safety matters. All occupational health and safety-related accidents must be reported to the Group Human Resources Department which will report all serious injuries and occupational diseases to the Board or any committee delegated by the Board as and when necessary. Staff has been notified that any potential or suspected occupational health and safety-related issues may be notified to the Group Human Resources Department by means of email to the designated email address. The Group Human Resources Department will carry out investigation and remedial actions as and when necessary.

During the period under review, the Group did not have any work-related fatalities. Number of reportable injuries, reportable occupational diseases and lost days due to work-related injury and occupational diseases are as follows:

Number of cases and lost days:	2016	**2017**
Number of reportable injuries[1]	0	**0**
Number of reportable occupational diseases[2]	0	**0**
Number of lost days due to reportable injuries	0	**0**
Number of lost days due to reportable occupational diseases	0	**0**

1 Any work-related injury resulting in incapacity, which is required to notify the Commissioner for Labour pursuant to the Employees' Compensation Ordinance in Hong Kong.

2 Any occupational disease resulting in incapacity, which is required to notify the Commissioner for Labour pursuant to the Employees' Compensation Ordinance.

2.3 Development and Training:

For sustainable development of the Group and its employees, Employees Training and Development Policy continued in force during the period under review.

For compliance with the continuous professional training ("CPT") requirements for both corporations and persons carrying on regulated activities set out by the Securities and Futures Commission ("SFC"), the Group is committed to evaluate its training programs annually and to make commensurate adjustments, if necessary, to cater for the training needs of the relevant employees. For ensuring each license representative of the Group remains "fit and proper" at all times, each licence representative of the Group completed at least 5 CPT hours during the period under review for each regulated activity that the employee engaged.

For compliance with Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, Cap. 615 and the Guideline on Anti-Money Laundering and Counter-Terrorist Financing ("AML Guideline") issued by the SFC, the Group provided appropriate Anti-Money Laundering and Counter-Terrorists Financing training to the relevant employees, including but not limited to introduction to the background to money laundering and terrorist financing ("AML/CTF") and the importance placed on AML/CTF by the Group to all new staff during the period under review.

Performance appraisal evaluation is an interactive exercise between an employee and his/her department head, which involves appraising an employee's past performance and identifying the employee's areas for improvement and enhancement for fulfillment of the agreed objectives. The Group encourages and supports employees to improve and enhance their knowledge and skills that are attributable to achievement of the agreed objectives by granting study and examination leave.

Number of employees trained by employment type and gender during the years of 2016 and 2017 are as follows:

Number of employees:	2016		**2017**	
	Male	Female	**Male**	**Female**
Management and Department Head	1	1	**1**	**1**
Managerial	1	0	**2**	**0**
Supervisory	1	0	**0**	**0**
General Staff	3	0	**1**	**0**

Average training hours completed per employee by employment type and gender during the years of 2016 and 2017 are as follows:

Number of training hours per employee:	2016		**2017**	
	Male	Female	**Male**	**Female**
Management and Department Head	5	8	**23**	**1**
Managerial	5	0	**4**	**0**
Supervisory	20	0	**0**	**0**
General Staff	37.5	0	**7**	**0**

2.4 Labour Standards:

The Group strictly complies with the Employment Ordinance in respect of employment in Hong Kong. As per the Recruitment Policy, employment of child and forced labour is strictly prohibited. In addition, all such illegal means as retention of identity cards or passports, intimidation, coercion and undue pressure are strictly prohibited. It is the policy that all employees are aged 18 and above. It is a standard procedure in screening stag that all interviewees are required to present their identity cards for inspection for ascertaining their identities, ages and validity of employment status. No employment offer will be made to any candidates whose ages are below 18. In the event that any irregularities in ages, identities and/or validities of employment status is subsequently found, employment with all such concerned candidates will be immediately terminated, and the Group will report such incident to the relevant authorities as soon as possible.

No child labour was hired or subsequently found in both 2016 and 2017.

3. OPERATION PRACTICES

3.1 Supply Chain Management:

In consideration of the Group's provision of various regulated activities as mentioned in paragraph 1.2(c) above, supply chain management is not applicable.

3.2 Product Responsibility:

The Group is committed to maintain quality of its regulated activities by compliance with such prevailing guidelines and codes issued by the SFC as "Code of Conduct for Persons Licensed by or Registered with the SFC", "Corporate Finance Adviser Code of Conduct", AML Guidelines, "Fit and Proper Guidelines", "Guidelines on Competence", "Licensing Handbook" and "Guidelines on Continuous Professional Training".

To safeguard and maintain the Group's quality of services in provision of regulated activities, the Group's Compliance Department is responsible for handling all complaints (all other non-regulated service complaints, especially corruption or malpractice in nature, are handled by the Group's Internal Audit Department as more detailed set forth in paragraph 3.3 hereinbelow). Complainants may raise their complaints by means of email, facsimile, letter and telephone. The Group's Compliance Department is responsible for collection of all basic information of the complainant, including names and contact details, and the matter of complaint, and then notify the relevant department head on a strict confidential basis for investigation after basic review and evaluation. The outcome of evaluation (if no investigation is required) or of investigation will notify the complainant on a strict confidential basis.

Engagement of regulated activities is not subject to any recall for safety and health reasons, and the Group has not received any complaint about its regulated activities during the period under review.

The Group respects privacy rights of its stakeholders, and a privacy policy statement is published on its website (www.scassets.com). All personal data collected, processed, used, disclosed and retained are subject to the Personal Data Privacy Policy which is prepared by reference to Personal Data (Privacy) Ordinance, Cap. 486. Personal Information Collection Statement (PICS) will be provided for all candidates pertaining to employment, which sets out the purposes of personal data collection, disclosure, retention and storage. In addition, the Group is obliged to safeguard the personal data of its stakeholders and to use such data for specific purpose, e.g. verifying identity and checking creditability for provision of goods and services.

3.3 Anti-corruption:

The Group is committed to conducting its business activities legally and ethically, and zero-tolerance on any form of corruption or malpractice, such as bribery, money laundering, extortion or fraud. Anti-bribery Policy, Anti-Fraud Policy, Compliance Manual and AML Manual, are the main tools for safeguarding against corruption and malpractice. In addition, Code of Conduct stipulates no bribes, kickbacks or advantages solicited from or given to any person for any purposes, the way of handling gifts and other benefits valued at more than HK$500, and no violation of any applicable laws and ethical standards. The Internal Audit Department is responsible for reviewing and auditing the business activities.

During the period under review, there were no confirmed incidents in relation to corruption.

In addition, the Group encourages its stakeholders to report its employees' misconduct by reference to its Whistleblowing Policy and Procedures which are set out on the corporate website (www.scassets.com). Any complainant may raise his/her complaints against inappropriate and unlawful behavior or malpractice of any Group's employees (including its contractors and consultants) on confidential base, directly to the Group Internal Audit Department, without the fear of incrimination. The Group Internal Audit Department will review and evaluate the complaints, and then determine the mode of investigation. If the alleged misconduct, malpractice or irregularity is confirmed, a report prepared by the Group Internal Audit Department will then be circulated to the relevant department head and the Group Human Resources Department for the purpose of consideration and determination of any remedial and disciplinary actions to be taken. A summary of complaints received, results of such complaints and the actions taken will be made available to the Board on an annual basis.

4. COMMUNITY INVESTMENT

As a responsible corporate citizen, the Group uses its expertise and resources to support the communities in which it operates in such manner as helping people in need and organizing charitable events and donating funds raised by such events to local charities etc. During the period under review, the Group participated into "Jessica Run" organized by the Group's fellow subsidiary for raising funds for under-privilege. In addition, the Group encourages staff to participate organ donation organized by Department for Health.

The Group is a supporter for developing a healthy and green community, so it will not only continuously dedicates its efforts to protect the environment by controlling emissions of GHG, consumption of energy and water and waste production etc. but also participates in different events to contribute positivity to the communities in which it operates.

Summary of compliance with the ESG Guide

Subject Areas	Aspects	General Disclosure and KPIs	Disclosure in this Report
A. Environmental	A1: Emissions	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Pages 34 to 35
		KPI A1.1 and A1.2	Page 35
		KPI A1.3, A1.4, A1.5 and A1.6	Pages 35 to 36
	A2: Use of Resources	Policies on the efficient use of resources, including energy, water and other raw materials.	Page 36
		KPI A2.1, A2.2, A2.3 and A2.4	Page 36
		KPI A2.5	Page 37
	A3: The Environment and Natural Resources	Policies on minimizing the Group's significant impact on the environment and natural resources.	Page 37
		KPI A3.1	Page 37

Subject Areas	Aspects	General Disclosure and KPIs	Disclosure in this Report
B. Social — Employment and Labour Practices	B1: Employment	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Pages 37 to 38
		KPI B1.1	Page 38
		KPI B1.2	Page 39
	B2: Health and Safety	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting from occupational hazards.	Pages 39 to 40
		KPI B2.1, B2.2 and B2.3	Page 40
	B3: Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Page 40
		KPI B3.1 and B3.2	Page 41
	B4: Labour Standard	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labour.	Page 41
		KPI B4.1 and B4.2	Page 41

Subject Areas	Aspects	General Disclosure and KPIs	Disclosure in this Report
B. Social — Operating Practices	B5: Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	Page 42
		KPI B5.1 and B5.2	Page 42
	B6: Product Responsibility	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Page 42
		KPI B6.1, B6.2, B6.3, B6.4 and B6.5	Page 42
	B7: Anti-corruption	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering.	Page 43
		KPI B7.1	Page 43
		KPI B7.2	Page 43
B. Social — Community	B8: Community Investment	Policies on community engagement to understand the needs of the communities where the Group operates and to ensure its activities taken into consideration the communities' interests.	Page 43
		KPI B8.1 and 8.2	Page 43

Independent Auditor's Report

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To The Members of South China Assets Holdings Limited 南華資產控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of South China Assets Holdings Limited (the "Company") and its subsidiaries (herein referred to as the "Group") set out on pages 52 to 136, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, the consolidated statement of 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 its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(Continued)*

Assessment of net realisable value of properties under development

Refer to notes 3.13, 4(a)(ii) and 19 to the consolidated financial statements.

The Group has properties under development with carrying value of HK$130,308,000 as at 31 December 2017. The valuation of properties under development is based on lower of cost and net realisable value. The calculations of the net realisable value are based on assumptions relating to future market developments and future changes in costs and price.

Because these estimates related to terms which vary periodically, the estimation uncertainty relating to the valuation of properties under development is significant.

OUR RESPONSE:

Our procedures in relation to the management's assessment of net realisable value of properties under development included:

- Reviewing the calculations of the properties under development's net realisable value and assessing the reasonableness and consistency of the assumptions used by management;
- Verifying management's assumptions around the possibilities for future property development are consistent with underlying documentation which include the plans and decisions of government bodies;
- Testing the appropriateness of the management's assumptions concerning the development of sales prices to comparable sites; and
- Assessing the future costs based on underlying documentation and reasonableness.

Assessment of fair value of redeemable convertible preference shares ("RCPSs")

Refer to notes 3.11, 3.18, 4(b), 17 and 37(g)(ii) to the consolidated financial statements.

As at 31 December 2017, the carrying amount of the Group's available-for-sale ("AFS") financial assets amounted to HK$339,455,000, of which the carrying amount of RCPSs issued by a related company is amounted to approximately HK$273,609,000. The Group's financial liabilities in respect of the redemption option ("FL Redemption Option") embedded in the RCPSs with a carrying amount of approximately HK$12,595,000 as at 31 December 2017, represented the embedded derivative related to the RCPSs issued by the related company classified as derivative financial liabilities. The embedded derivative has economic characteristics and risks not closely related to the host contract.

The amounts of AFS financial assets and FL Redemption Option upon the RCPSs are derived from fair value measurement which are categorised as level 3. The fair value measurement requires a significant degree of management judgment on valuation assumptions.

KEY AUDIT MATTERS *(Continued)*

Assessment of fair value of redeemable convertible preference shares (“RCPSs”) *(Continued)*

OUR RESPONSE:

Our procedures in relation to management’s fair value assessment of RCPSs included:

- Assessing the valuation methodology of fair value calculation on the RCPSs provided by the Group’s independent professional valuer;
- Corroborating and reviewing the key assumptions and critical judgements used in the valuation;
- Reconciling the input data of the valuation provided by the Group’s independent professional valuer to its supporting evidence; and
- Assessing the scope, expertise and independence of the independent professional valuer appointed by the Group.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises 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 and will 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 identified above 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.

DIRECTORS’ RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants

Cheung Or Ping
Practising Certificate Number P05412

Hong Kong, 20 March 2018

Consolidated Income Statement

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	5	**1,736**	5,539
Other operating income, net	6	**65,452**	151
Fair value (loss)/gain on financial assets at fair value through profit or loss		**(8,239)**	1,760
Fair value (loss)/gain on redemption option embedded in redeemable convertible preference shares of a related company	17	**(1,595)**	14,888
Loss on disposal of available-for-sale financial assets		**(1,951)**	(13,759)
Loss on derecognition of available-for-sale financial assets upon distribution of redeemable convertible preference shares		**–**	(233,392)
Administrative and other operating expenses		**(21,646)**	(41,205)
Operating profit/(loss)	8	**33,757**	(266,018)
Finance costs	9	**(26,372)**	(26,562)
Profit/(loss) before income tax		**7,385**	(292,580)
Income tax expense	10	**(22,204)**	–
Loss for the year attributable to equity holders of the Company		**(14,819)**	(292,580)
Loss per share attributable to equity holders of the Company for the year — Basic and diluted	12	**HK(0.13) cent**	HK(2.66) cent

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Loss for the year		**(14,819)**	(292,580)
Other comprehensive income, that may be reclassified subsequently to profit or loss			
Release of available-for-sale financial assets revaluation reserve upon distribution of redeemable convertible preference shares		**–**	233,392
Release of available-for-sale financial assets revaluation reserve upon disposal of available-for-sale financial assets		**4,613**	(2,442)
Fair value loss on available-for-sale financial assets	17	**(76,831)**	(622,265)
Exchange differences on translation of financial statements of overseas subsidiaries		**25,411**	(26,281)
Other comprehensive income for the year, net of tax		**(46,807)**	(417,596)
Total comprehensive income for the year attributable to equity holders of the Company		**(61,626)**	(710,176)

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**485**	731
Goodwill	16	**17,068**	16,207
Loans receivable	18	**1,138**	3,820
Available-for-sale financial assets	17	**339,455**	425,622
		358,146	446,380
Current assets			
Loans receivable	18	**1,934**	6,172
Properties under development	19	**130,308**	101,422
Financial assets at fair value through profit or loss	20	**29,985**	38,260
Deposits paid, prepayments and other receivables	21	**158,930**	330,695
Amount due from a related company	27	**–**	112
Tax recoverable		**669**	645
Cash and bank balances	22	**190,577**	29,815
		512,403	507,121
Current liabilities			
Trade payables	23	**1,682**	1,564
Other payables, accrued expenses and receipts in advance	24	**188,383**	154,742
Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company	17	**12,595**	11,529
Interest-bearing bank borrowing	25	**4,000**	11,000
Loan from a related company	26	**–**	75,500
Amounts due to related companies	27	**–**	558
Income tax payable		**23,132**	–
		229,792	254,893
Net current assets		**282,611**	252,228

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Total assets less current liabilities		**640,757**	698,608
Non-current liabilities			
Loans from shareholders	26	**465,290**	465,290
Net assets		**175,467**	233,318
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	28	**111,785**	111,785
Reserves	31	**63,682**	121,533
Total equity		**175,467**	233,318

On behalf of the Board

Cheung Choi Ngor
Director

Richard Howard Gorges
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital HK$'000	Share premium HK$'000	Treasury shares HK$'000	Capital reserve HK$'000	Capital contribution reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Employee compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total equity HK$'000
At 31 December 2015 and 1 January 2016	111,785	771,842	(20,274)	6,044	291,562	403,591	17,592	16,805	885,353	2,484,300
Transactions with owners										
Recognition of equity settled share-based compensation	–	–	–	–	–	–	7,100	–	–	7,100
Special dividend approved (note 11)	–	(771,842)	–	–	(291,562)	–	–	–	(691,214)	(1,754,618)
Re-measurement of dividend payable	–	–	–	–	–	–	–	–	176,429	176,429
Vesting of share award under share award scheme	–	–	83	–	–	–	(48)	–	(35)	–
Special dividend received on treasury shares (note 31)	–	–	–	–	–	–	–	–	30,283	30,283
Transactions with owners	–	(771,842)	83	–	(291,562)	–	7,052	–	(484,537)	(1,540,806)
Comprehensive income										
Loss for the year	–	–	–	–	–	–	–	–	(292,580)	(292,580)
Other comprehensive income										
Release of reserve upon distribution of redeemable convertible preference shares	–	–	–	–	–	233,392	–	–	–	233,392
Release of reserve upon disposal of available-for-sale financial assets	–	–	–	–	–	(2,442)	–	–	–	(2,442)
Change in fair value of available-for-sale financial assets (note 17)	–	–	–	–	–	(622,265)	–	–	–	(622,265)
Exchange realignment	–	–	–	–	–	–	–	(26,281)	–	(26,281)
Total comprehensive income for the year	–	–	–	–	–	(391,315)	–	(26,281)	(292,580)	(710,176)
At 31 December 2016	111,785	–	(20,191)	6,044	–	12,276	24,644	(9,476)	108,236	233,318

For the year ended 31 December 2017

	Share capital HK$'000	Share premium HK$'000	Treasury shares HK$'000	Capital reserve HK$'000	Capital contribution reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Employee compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total equity HK$'000
At 31 December 2016 and 1 January 2017	111,785	–	(20,191)	6,044	–	12,276	24,644	(9,476)	108,236	233,318
Transactions with owners										
Recognition of equity settled share-based compensation	–	–	–	–	–	–	3,811	–	–	3,811
Forfeiting of share options under share option scheme	–	–	–	–	–	–	(6,004)	–	6,004	–
Vesting of share award under share award scheme	–	–	–	–	–	–	(34)	–	(2)	(36)
Transactions with owners	–	–	–	–	–	–	(2,227)	–	6,002	3,775
Comprehensive income										
Loss for the year	–	–	–	–	–	–	–	–	(14,819)	(14,819)
Other comprehensive income										
Release of reserve upon disposal of available-for-sale financial assets	–	–	–	–	–	4,613	–	–	–	4,613
Change in fair value of available-for-sale financial assets (note 17)	–	–	–	–	–	(76,831)	–	–	–	(76,831)
Exchange realignment	–	–	–	–	–	–	–	25,411	–	25,411
Total comprehensive income for the year	–	–	–	–	–	(72,218)	–	25,411	(14,819)	(61,626)
At 31 December 2017	111,785	–	(20,191)	6,044	–	(59,942)	22,417	15,935	99,419	175,467

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Profit/(loss) before income tax		**7,385**	(292,580)
Adjustments for:			
Interest income	6	**(159)**	(8)
Depreciation	8	**270**	476
Fair value loss/(gain) on financial assets at fair value through profit or loss		**8,239**	(1,760)
Fair value loss/(gain) on redemption option embedded in redeemable convertible preference shares of a related company	17	**1,595**	(14,888)
Loss on disposal of available-for-sale financial assets		**1,951**	13,759
Loss on derecognition of available-for-sale financial assets upon distribution of redeemable convertible preference shares		**–**	233,392
Impairment of loans receivable, net	8	**1,670**	3,527
Impairment loss on other receivables	8	**–**	1,689
Equity settled share-based payment expenses	13	**3,811**	7,100
Interest expenses	9	**26,372**	26,562
Operating profit/(loss) before working capital changes		**51,134**	(22,731)
Decrease/(increase) in deposits paid, prepayments and other receivables		**187,377**	(23,986)
Movement in amounts due from/to related companies		**(446)**	(28,331)
Increase in other payables, accrued expenses and receipts in advance		**9,005**	2,055
(Increase)/decrease in properties under development		**(21,394)**	23,566
Decrease in loans receivable		**5,250**	599
Cash generated from/(used in) operations		**230,926**	(48,828)
Income tax paid		**–**	(330)
Net cash generated from/(used in) operating activities		**230,926**	(49,158)

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from investing activities			
Interest received	6	**159**	8
Additions of property, plant and equipment	15	**(109)**	(43)
Proceeds from redemption of redeemable convertible preference shares		**11,469**	45,662
Net cash generated from investing activities		**11,519**	45,627
Cash flows from financing activities			
(Repayment)/proceeds from interest-bearing bank loan		**(7,000)**	4,000
Loans from shareholders		**–**	10,000
Repayment of loan from a related company		**(75,500)**	–
Interest paid		**(3,457)**	(4,020)
Net cash (used in)/generated from financing activities		**(85,957)**	9,980
Net increase in cash and cash equivalents		**156,488**	6,449
Cash and bank balances at 1 January		**29,815**	23,332
Effect of foreign exchange rate changes		**4,274**	34
Cash and bank balances at 31 December		**190,577**	29,815
Analysis of balances of cash and cash equivalents			
— Cash and bank balances	22	**190,577**	29,815

1. GENERAL INFORMATION

South China Assets Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The address of its registered office is P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands and its principal place of business is 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong. The Company's shares are listed on The GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 40 to the consolidated financial statements. The Company and its subsidiaries are together defined to as the "Group" hereafter.

The consolidated financial statements on pages 52 to 136 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements also include the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("HK$'000") unless otherwise stated.

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

2. ADOPTION OF HKFRSs

(a) Adoption of new or revised HKFRSs — effective 1 January 2017

During the year, the Group has adopted all the new or amended HKFRSs which are first effective for the reporting year and relevant to the Group. Except as explained below, the adoption of these new or amended HKFRSs did not result in material changes to the Group's accounting policies.

AMENDMENTS TO HKAS 7 — DISCLOSURE INITIATIVE

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to the consolidated statement of cash flows, note 36.

2. ADOPTION OF HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs — effective 1 January 2017 *(Continued)*

AMENDMENTS TO HKAS 12 — RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALISED LOSSES

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on these financial statements.

ANNUAL IMPROVEMENTS TO HKFRSs 2014–2016 CYCLE — AMENDMENTS TO HKFRS 12, DISCLOSURE OF INTERESTS IN OTHER ENTITIES

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements.

(b) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3 Business Combinations, HKFRS 11 Joint Arrangements, HKAS 12 Income Taxes and HKAS 23 Borrowing Costs[2]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Venture[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]

2. ADOPTION OF HKFRSs *(Continued)*

(b) New or revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

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 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncements. The Directors are currently assessing the impact of the new or amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs will not result in material financial impact on the consolidated financial statements. Information on new or amended HKFRSs that are expected to have an impact on the Group's accounting policies is provided below.

AMENDMENTS TO HKFRS 2 — CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS

This standard is effective for accounting periods beginning on or after 1 January 2018. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction cash-settled to equity-settled. The directors of the Company anticipate that this amendment does not result in any significant impact on the Group's financial position and results of operations.

HKFRS 9 — FINANCIAL INSTRUMENTS

This standard is effective for accounting periods beginning on or after 1 January 2018. HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

2. ADOPTION OF HKFRSs *(Continued)*

(b) New or revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 9 — FINANCIAL INSTRUMENTS *(Continued)*

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements. The new impairment model may result in an earlier recognition of credit losses on the Group's financial assets. However, a more detailed analysis is required to determine the extent of the impairment.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

A preliminary assessment on classification and measurement of financial assets under HKFRS 9 performed by the Group, which is subject to changes arising from a more detailed ongoing analysis, is as follows:

The Group's equity securities listed in Hong Kong currently classified as financial assets at fair value through profit or loss will continue to be classified under this category. The measurement requirements for financial assets at fair value through profit or loss under HKFRS 9 are largely unchanged.

For the Group's host equity instrument element of the redeemable convertible preference shares and listed ordinary shares measured at fair value and classified as available-for-sale financial assets, a fair value through other comprehensive income election is available. It is expected, upon adoption of HKFRS 9, the classification and measurement of these financial assets will not be affected. However, cumulative fair value changes on the disposal of financial assets at fair value through other comprehensive income will no longer be recycled to profit or loss, but instead transferred between available-for-sale assets revaluation reserve and retained earnings.

HKFRS 15 — REVENUE FROM CONTRACTS WITH CUSTOMERS

This standard is effective for accounting periods beginning on or after 1 January 2018. The new standard establishes a single revenue recognition framework. The core principle of the framework 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 and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

2. ADOPTION OF HKFRSs *(Continued)*

(b) New or revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 15 — REVENUE FROM CONTRACTS WITH CUSTOMERS *(Continued)*

HKFRS 15 requires the application of 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 each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

AMENDMENTS HKFRS 15 — REVENUE FROM CONTRACTS WITH CUSTOMERS (CLARIFICATIONS TO HKFRS 15)

This standard is effective for accounting periods beginning on or after 1 January 2018. The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The directors of the Company anticipate that the application of HKFRS 15 in the future will not have a material impact on the amounts reported to the consolidated financial statements of the Group in the future based on the existing business model of the Group as at 31 December 2017.

AMENDMENTS TO HKFRS 9 — PREPAYMENT FEATURES WITH NEGATIVE COMPENSATION

This amendment is effective for accounting periods beginning on or after 1 January 2019. The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss. The directors of the Company anticipate that this amendment does not result in any significant impact on the Group's financial position and results of operations.

2. ADOPTION OF HKFRSs *(Continued)*

(b) New or revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 16 — LEASES

This standard is effective for accounting periods beginning on or after 1 January 2019. HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As the Group has no material operating lease commitment, the directors of the Company anticipate that adoption of HKFRS 16 does not result in any significant impact on the Group's financial position and results of operations.

HK(IFRIC)-INT 22 — FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION

This Interpretation is effective for accounting periods beginning on or after 1 January 2018. The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) 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.

The directors of the Company anticipate that this interpretation does not result in any significant impact on the Group's financial position and results of operations.

2. ADOPTION OF HKFRSs *(Continued)*

(b) New or revised HKFRSs that have been issued but are not yet effective *(Continued)*

HK(IFRIC)-INT 23 — UNCERTAINTY OVER INCOME TAX TREATMENTS

This Interpretation is effective for accounting periods beginning on or after 1 January 2019. The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

The directors of the Company anticipate that this interpretation does not result in any significant impact on the Group's financial position and results of operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or revised HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 2.

The consolidated financial statements have been prepared on the historical cost basis except for available-for-sale financial assets, financial assets at fair value through profit or loss and financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company which are measured at fair values as explained in the accounting policies below.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure non-controlling interest that represents a present ownership interest in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

SUBSIDIARIES

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rending of services and the use by others of the Group's assets yielding interests and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

— Interest income from loans receivable is recognised on a time-proportion basis using the effective interest method by applying the rate discounting the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of financial assets.

— Bank interest income is recognised on a time-proportion basis using the effective interest method.

3.4 Foreign currency translation

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Foreign currency translation *(Continued)*

Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into HK$ at the closing rates. Goodwill arising on the acquisitions of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

3.5 Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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

3.6 Goodwill

Goodwill represents the excess of the consideration transferred and the amount recognised for non-controlling interests over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The consideration transferred is measured at the aggregate of fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually (note 3.9).

Any excess of the Group's interest in net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over the consideration transferred is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Segment reporting

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

The Group has identified two reportable segments:

(a) "Financial services" segment which is engaged in provision of investment advisory and asset management services, dealings in securities and futures and money lending business; and

(b) "Property development" segment which is engaged in property development business in the People's Republic of China ("PRC").

Each of these operating segments is managed separately as each of the product and service line requires different resources as well as marketing approaches. All inter-segment transfers, if any, are carried out at arm's length prices.

3.8 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses (note 3.9). The cost of an asset comprises its purchase price and the costs directly attributable to the acquisition of items.

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

Depreciation on property, plant and equipment is provided using the straight-line method to write off the cost less their residual values over their estimated useful lives, as follows:

Leasehold improvement	3 years or over the lease term, whichever is shorter
Furniture and office equipment	4 to 5 years
Motor vehicles	5 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.8 Property, plant and equipment *(Continued)*

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

The gain or loss arising on the disposal of an item of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.9 Impairment of non-financial assets

Goodwill, property, plant and equipment and interests in subsidiaries are subject to impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

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

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash generating unit). As a result, some assets are tested individually for impairment and some are tested at cash generating unit level. Goodwill in particular is allocated to those cash generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Leases

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

OPERATING LEASE CHARGES AS THE LESSEE

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made, over the term of lease. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

Leasehold interests in land represent up-front payments to acquire the land use rights. Certain leasehold interests in land are included in properties under development (note 3.13).

3.11 Financial assets

The Group's financial assets are classified as loans and receivables, financial assets at fair value through profit or loss and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition, depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

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

Derecognition of financial assets occurs when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 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. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

The effective interest method is a method of calculating the amortised cost of the financial instruments and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instruments, or where appropriate, a shorter period.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Financial assets *(Continued)*

IMPAIRMENT LOSS ON FINANCIAL ASSETS

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset. Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

— granting concession to a debtor because of debtor's financial difficulty; and

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

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

LOANS AND RECEIVABLES

For the loans and receivables carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment for impairment.

The amount of any impairment identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Financial assets *(Continued)*

LOANS AND RECEIVABLES *(Continued)*

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in profit or loss of the period in which the impairment occurs. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in subsequent period, the amount of the estimated impairment loss increase or decrease because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. When the Group is satisfied that recovery of loans receivable is remote, the amount considered irrecoverable is written off against loans receivable directly and any amounts held in the allowance account in respect of that receivable are reversed. If a write-off is later recovered, the recovery is credited to profit or loss.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

Any impairment losses on available-for-sale debt investments are subsequently reversed in 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.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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.

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Accounting for income tax *(Continued)*

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

(i) the same taxable entity; or

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

3.13 Properties under development

Properties held under development for future sale in the ordinary course of business are included in current assets and comprise certain land held under operating lease (note 3.10), capitalised depreciation of certain property, plant and equipment (note 3.8), borrowing costs capitalised (note 3.5) and aggregate cost of development, materials and constructions, wages, other direct expenses and an appropriate portion of overheads.

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated selling expenses.

On completion, the properties are transferred to properties held for sale.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

3.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand.

3.15 Share capital and share premium

Ordinary shares issued by the Company are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the issuance of share over the par value. Any transaction costs associated with the issuing of shares are deducted from the share premium (net of any related income tax benefit) to the extent that they are incremental costs directly attributable to the equity transaction.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.16 Pension obligations and employee benefits

DEFINED CONTRIBUTION PLAN

Pensions to employees are provided through a defined contribution plan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

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

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The Scheme is responsible for the entire pension obligations payable to the retired employees and the obligation of the Group under these plans is limited to the fixed percentage contribution payable. Contributions under the Scheme are recognised as an expense in profit or loss as employees rendered services during the year.

SHORT-TERM EMPLOYEE BENEFITS

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.17 Share-based employee compensation

SHARE OPTION SCHEME

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

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

Upon exercise of share options, the amount previously recognised in employee compensation reserve and the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the share options are lapsed, forfeited or still not exercised at the expiry date, the amount previously recognised in employee compensation reserve will be transferred to retained profits.

SHARE AWARD SCHEME

The Group operates a share award plan which allows it to issue equity-settled share-based payments to selected employees.

For the award granted to the employees, the fair value of the employee services received in exchange for the grant of the share award is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards granted. At each reporting date, the Group revises its estimates of the number of share awards that are expected to vest. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity. The share award plan also allows the Group to issue other shares to selected employees, the fair value of the awards granted and measured as the Group's liability at the end of each reporting period, taking into account the terms and conditions on which the other shares are awarded.

All share-based compensation is recognised as an expense in profit or loss unless if qualifies for recognition as asset. If vesting periods or other vesting conditions apply, the expense is recognised over the vest period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of share options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.18 Financial liabilities

The Group's financial liabilities are classified as financial liabilities at fair value through profit or loss and financial liabilities at amortised cost. Management determines the classification of its financial liabilities at initial recognition depending on the purpose for which the financial liabilities were incurred.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

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

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

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

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

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.18 Financial liabilities *(Continued)*

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

OTHER FINANCIAL LIABILITIES

Subsequent to initial recognition, other financial liabilities are measured at amortised cost, using the effective interest method. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 3.5).

3.19 Provisions and contingent liabilities

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.20 Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

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

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

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

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

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

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

(iii) dependents of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, 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 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.

The Group makes estimates and assumptions concerning the future. Such estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Critical judgements in applying accounting policies

(i) ESTIMATED IMPAIRMENT OF GOODWILL

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.9. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors.

(ii) PROVISION OF WRITE-DOWN OF PROPERTIES UNDER DEVELOPMENT

Management of the Group reviews the estimation of net realisable value of the properties under development at the end of each reporting period, and makes provision for impairment loss, if any. These estimates are based on the management's monitoring of the development progress, and the market conditions which may affect the future cost and the sales price. It could change as a result of changes in market conditions or internal factors of the Group. Such changes will have impact on the net realisable value of the properties under development and the provision for impairment in the period, and therefore the Group need to reassesses theses estimates at the end of each report period.

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

(a) Critical judgements in applying accounting policies *(Continued)*

(iii) IMPAIRMENT OF OTHER RECEIVABLES

The Group's management assesses the collectability of other receivables on a regular basis to determine if any provision for impairment is necessary. This estimate based on, where appropriate, the evaluation of an ageing analysis of the receivables and on the management's judgement. If the financial condition of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, provision for impairment may be required. Management reassesses the provision for impairment at the reporting dates. The carrying amounts of other receivables are disclosed in note 21.

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these consolidated financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

FAIR VALUE MEASUREMENT

A number of assets and liabilities included in the Group's consolidated financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial assets and financial liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

— Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;

— Level 2: observable direct and indirect inputs other than quoted prices included within Level 1; and

— Level 3: unobservable inputs are inputs for which market data are not available.

The classification of an item into the different levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfer of items between levels is recognised in the period they occur.

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

(b) Key sources of estimation uncertainty *(Continued)*

FAIR VALUE MEASUREMENT ***(Continued)***

The Group measures a number of items at fair value:

— Financial assets at fair value through profit or loss (note 20)

— Available-for-sale financial assets (note 17)

— Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company (note 17)

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

5. REVENUE

There was no revenue recorded for the Group's property development projects for the years ended 31 December 2017 and 2016. Since the Group's property development projects are still in planning stage, the Group will resume and recognise revenue upon the projects' completion and sale.

During the year, the Group has recorded interest income from loans receivable for financial services related business.

	2017	2016
	HK$'000	HK$'000
Interest income from loans receivable	**1,736**	5,539

6. OTHER OPERATING INCOME, NET

	2017	2016
	HK$'000	HK$'000
Bank interest income	**159**	8
Sundry income	**2,551**	143
Other income, net (note 21)	**62,742**	–
	65,452	151

7. SEGMENT INFORMATION

The management have identified the Group's two business segments as reportable segments as further described in note 3.7.

These segments are monitored and strategic decisions are made on the basis of adjusted segment operating result.

For the year ended 31 December 2017

	Financial services HK$'000	Property development HK$'000	Consolidated HK$'000
Segment revenue:			
Revenue from external customers	1,736	–	1,736
Other income, net	4	62,899	62,903
	1,740	62,899	64,639
Segment profit/(loss)	(5,533)	59,382	53,849
Unallocated corporate income			2,549
Unallocated corporate expenses			(11,025)
Fair value loss on financial assets at fair value through profit or loss			(8,239)
Fair value loss on redemption option embedded in redeemable convertible preference shares of a related company			(1,595)
Loss on disposal of available-for-sale financial assets			(1,951)
Unallocated finance costs			(26,203)
Profit before income tax			7,385
Income tax expense			(22,204)
Loss for the year			(14,819)

7. SEGMENT INFORMATION *(Continued)*

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

	Financial services HK$'000	Property development HK$'000	Unallocated HK$'000	Consolidated HK$'000
Other segment information				
Additions to non-current segment assets	109	–	–	109
Depreciation of property, plant and equipment	(40)	(207)	(129)	(376)
Impairment on loans receivable, net	(1,670)	–	–	(1,670)

As at 31 December 2017

	Financial services HK$'000	Property development HK$'000	Consolidated HK$'000
Segment assets	32,346	304,183	336,529
Available-for-sale financial assets			339,455
Financial assets at fair value through profit or loss			29,985
Other corporate assets			164,580
Total assets			870,549
Segment liabilities	4,786	42,970	47,756
Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company			12,595
Loans from shareholders			465,290
Other corporate liabilities *			169,441
Total liabilities			695,082

* Including accrued shareholders' loans interest.

7. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2016

	Financial services HK$'000	Property development HK$'000	Consolidated HK$'000
Segment revenue:			
Revenue from external customers	5,539	–	5,539
Segment loss	(9,786)	(8,187)	(17,973)
Unallocated corporate expenses			(17,787)
Fair value gain on financial assets at fair value through profit or loss			1,760
Fair value gain on redemption option embedded in redeemable convertible preference shares of a related company			14,888
Loss on disposal of available-for-sale financial assets			(13,759)
Loss on derecognition of available-for-sale financial assets on distribution of redeemable convertible preference shares			(233,392)
Unallocated finance costs			(26,317)
Loss before income tax			(292,580)
Income tax expense			–
Loss for the year			(292,580)

7. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2016 *(Continued)*

	Financial services HK$'000	Property development HK$'000	Unallocated HK$'000	Consolidated HK$'000
OTHER SEGMENT INFORMATION				
Additions to non-current segment assets	43	–	–	43
Depreciation of property, plant and equipment	(33)	(338)	(134)	(505)
Impairment on loans receivable, net	(3,527)	–	–	(3,527)
Impairment of other receivables	–	(1,689)	–	(1,689)

As at 31 December 2016

	Financial services HK$'000	Property development HK$'000	Consolidated HK$'000
Segment assets	35,301	453,604	488,905
Available-for-sale financial assets			425,622
Financial assets at fair value through profit or loss			38,260
Other corporate assets			714
Total assets			953,501
Segment liabilities	11,793	94,363	106,156
Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company			11,529
Loans from shareholders			465,290
Other corporate liabilities *			137,208
Total liabilities			720,183

* Including accrued shareholders' loans interest.

7. SEGMENT INFORMATION *(Continued)*

The Group's non-current assets by geographical areas are presented as followings:

	2017 HK$'000	2016 HK$'000
Hong Kong	**340,867**	429,777
PRC	**17,279**	16,603
	358,146	446,380

The Group's other income by geographical areas are presented as followings:

	2017 HK$'000	2016 HK$'000
Hong Kong	**2,553**	151
PRC	**62,899**	–
	65,452	151

The Group's geographical information of revenue from external customers are not presented as the revenue for the years ended 31 December 2017 and 2016 are attributable to a single geographical region, Hong Kong, and the Group did not depend on any single customer under each of the segments for the years ended 31 December 2017 and 2016.

8. OPERATING PROFIT/(LOSS)

	2017 HK$'000	2016 HK$'000
Operating profit/(loss) is arrived at after charging/(crediting):		
Auditor's remuneration		
— Audit services	620	603
— Non-audit services	6	5
	626	608
Exchange (gain)/loss, net	(2,547)	426
Depreciation (note 15)	376	505
Less: Depreciation capitalised in properties under development	(106)	(29)
Depreciation charged to profit or loss	270	476
Impairment of loans receivable, net (note 18)	1,670	3,527
Impairment of other receivables	–	1,689
Employee benefit expense (including directors' emoluments)	11,823	22,715
Less: Employee benefit expense capitalised in properties under development (note 13)	(528)	(1,268)
Employee benefit expense (including directors' emoluments) charged to profit or loss (note 13)	11,295	21,447
Operating leases rentals	2,170	2,259

9. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest charged on bank borrowing	169	245
Interest charged on loan from a related company	3,288	3,775
Interest charged on loans from shareholders	22,915	22,542
Total interest expenses	26,372	26,562

No interests were capitalised during the years ended 31 December 2017 and 2016 arose on the general borrowing pool to expenditures on qualifying assets incurred.

10. INCOME TAX EXPENSE

No provision for Hong Kong profits tax was made as the Group had no estimated assessable profits arising in or derived from Hong Kong for the years ended 31 December 2017 and 2016.

As at 31 December 2017, the Group's subsidiaries in the PRC are considered subject to the PRC enterprise income tax ("EIT") at the standard rate of 25% on the estimated assessable profits. No provision for EIT has been made as the subsidiaries operated in the PRC had no assessable profits for the year ended 31 December 2016.

Reconciliation between income tax expense and accounting loss at applicable tax rates:

	2017	2016
	HK$'000	HK$'000
Profit/(loss) before income tax	**7,385**	(292,580)
Tax at the applicable tax rates, calculated at the rates applicable to the tax jurisdiction concerned	**6,481**	(48,722)
Tax effect of non-deductible expenses	**15,485**	49,671
Tax effect of non-taxable income	**(1,617)**	(3,403)
Tax effect of tax losses not recognised	**1,868**	2,422
Tax effect on temporary difference not recognised	**(13)**	32
Income tax expense	**22,204**	–

As at 31 December 2017, the Group has estimated unused tax losses of approximately HK$125,589,000 (2016: HK$109,851,000) which were available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams. The amount of estimated tax losses that have no expiry date is approximately HK$121,441,000 (2016: HK$105,953,000) and the remaining tax losses of approximately HK$4,148,000 (2016: HK$3,898,000) are subject to expiry period of five years.

Withholding tax was calculated at 5% of the dividend declared in respect of profits earned by PRC entities to a Hong Kong investor. Deferred taxation of approximately HK$2,953,000 (2016: Nil) has not been provided for in the consolidated financial statements in respect of the tax that would be payable on the distribution of the retained profits of approximately HK$59,068,000 (2016: Nil) as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

11. DIVIDEND

As published in the circular of the Company dated 31 August 2016 (the "Circular") and the joint announcement of the Company and a related company, South China Holdings Company Limited ("SCHC") dated 29 July 2016 (the "Joint Announcement"), the Board resolved to declare a special dividend by distribution of 2,235,406,996 redeemable convertible preference shares ("Distribution CPSs") currently held by Crystal Hub Limited, a wholly-owned subsidiary of the Company, to all shareholders of the Company. Such distribution has been approved in the extraordinary general meeting dated 19 September 2016 and the settlement of dividends has been made to respective shareholders on 3 October 2016. Upon the approval of the distribution in species, the fair value of the Distribution CPSs was approximately HK$1,754,618,000 and recognised as dividend payable on the same day.

During the year ended 31 December 2016, the Group recognised fair value change of dividend payable of approximately HK$176,429,000 in equity from the date of approval to the date of distribution. On the settlement date of the dividend payable, the Group recognised, in profit or loss, a loss on derecognition of Distribution CPSs which were categorised in the account of available-for sale financial assets before distribution and released the corresponding available-for-sale financial assets revaluation reserve of approximately HK$233,392,000 during the year ended 31 December 2016.

The fair values of dividend payables and Distribution CPSs on the date of approval of special dividend and settlement date are with reference to the valuation carried out at that date by BMI Appraisals Limited, an independent qualified professional valuer not connected to the Group.

Details of the transaction are disclosed in the Circular and in the Joint Announcement.

Save for such special dividend, no interim dividend was paid during the year ended 31 December 2016.

The Board does not recommend the payment of a final dividend for the year (2016: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share attributable to equity holders of the Company is based on the following data:

	2017 **HK$'000**	2016 HK$'000
Loss for the year attributable to equity holders of the Company, used in the basic loss per share calculation	**(14,819)**	(292,580)

12. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY *(Continued)*

	2017	2016
Weighted average number of ordinary shares in issue during the year	**11,178,498,344**	11,178,498,344
Less: Weighted average number of shares held for share award scheme	**(169,163,118)**	(169,747,424)
Weighted average number of ordinary shares used in the basic loss per share calculation	**11,009,335,226**	11,008,750,920

Diluted loss per share for the years ended 31 December 2017 and 2016 are the same as the basic loss per share. The Company's share options have no dilution effect for the years ended 31 December 2017 and 2016 because the exercise price of the Company's share options were higher than the average market price of the share for the years.

13. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2017 HK$'000	2016 HK$'000
Wages and salaries	**7,732**	14,983
Equity settled share-based payment expenses	**3,811**	7,100
Defined contribution plans	**280**	632
Less: Wages and salaries and pension costs capitalised in under properties development (note 8)	**(528)**	(1,268)
Total employee benefit expense charged to profit or loss	**11,295**	21,447
Employee benefit expense charged to profit or loss:		
Wages and salaries	**7,296**	13,830
Equity settled share-based payment expenses	**3,811**	7,100
Defined contribution plans	**188**	517
	11,295	21,447

13. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

Included in employee benefit expense is senior management personnel compensation and comprises the following categories:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	**1,844**	2,319
Equity settled share-based payment expenses	**3,249**	5,485
Defined contribution plans	**36**	27
	5,129	7,831

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments for the year, disclosed pursuant to the GEM Listing Rules and Section 383 of the Hong Kong Companies Ordinance (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G), is as follows:

	2017 HK$'000	2016 HK$'000
Fees	**411**	440
Other emoluments:		
Equity settled share-based payment expenses	**2,849**	5,485
	2,849	5,485
	3,260	5,925

Certain directors of the Company were granted share options in the pervious years, in respect of their services to the Group, under the share option scheme of the Company, details are set out in note 29(b) to the consolidated financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the measurement is the same as the Group's accounting policy applicable for share-based payment transactions (see note 3.17).

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

The emoluments paid or payable to the directors and the chief executive were as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity settled share-based payment expenses HK$'000	Defined contribution plans HK$'000	Total HK$'000
Year ended 31 December 2017					
Executive directors					
Ng Hung Sang	–	–	–	–	–
Richard Howard Gorges	–	–	–	–	–
Cheung Choi Ngor	–	–	928	–	928
Law Albert Yu Kwan (note i)	–	–	528	–	528
Ng Yuk Mui Jessica	–	–	–	–	–
Non-Executive directors					
Ng Yuk Yeung Paul	100	–	1,393	–	1,493
Independent non-executive directors					
Pong Scarlett Oi Lan	120	–	–	–	120
Leung Tony Ka Tung (note ii)	54	–	–	–	54
Yeung Chi Hang (note iii)	32	–	–	–	32
Cheng Hong Kei (note iv)	76	–	–	–	76
Chan Mei Bo Mabel (note v)	29	–	–	–	29
	411	–	2,849	–	3,260
Year ended 31 December 2016					
Executive directors					
Ng Hung Sang	–	–	–	–	–
Richard Howard Gorges	–	–	–	–	–
Cheung Choi Ngor	–	–	1,567	–	1,567
Law Albert Yu Kwan	–	–	1,567	–	1,567
Ng Yuk Mui Jessica (note vi)	–	–	–	–	–
Non-Executive directors					
Ng Yuk Yeung Paul (note vii)	100	–	2,351	–	2,451
Independent non-executive directors					
Pong Scarlett Oi Lan	100	–	–	–	100
Leung Tony Ka Tung	120	–	–	–	120
Chan Mei Bo Mabel	120	–	–	–	120
	440	–	5,485	–	5,925

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

Notes:

(i) Mr. Law Albert Yu Kwan has resigned as an executive director of the Company on 1 July 2017.

(ii) Mr. Leung Tony Ka Tung has retired, and ceased to be an Independent non-executive director of the Company on 14 June 2017.

(iii) Mr. Yeung Chi Hang has been appointed as an Independent non-executive director of the Company on 6 September 2017.

(iv) Mr. Cheng Hong Kei has been appointed as an Independent non-executive director of the Company on 31 March 2017.

(v) Ms. Chan Mei Bo Mabel has resigned as an Independent non-executive director of the Company on 31 March 2017.

(vi) Ms. Ng Yuk Mui Jessica has been re-designated from a non-executive director to an executive director of the Company on 1 January 2016.

(vii) Mr. Ng Yuk Yeung Paul has been re-designated from an executive director to a non-executive director of the Company on 1 January 2016.

There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2017 and 2016.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2016: three) directors whose emoluments was reflected in the analysis presented above. The emoluments payable to the two (2016: two) individuals during the year who were also members of senior management of the Group are as follows:

	2017	2016
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,744**	2,219
Defined contribution plans	**36**	27
	1,780	2,246

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals *(Continued)*

Their emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands		
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**–**	–
	2	2

During the year, no amount was paid by the Group to the director or the two (2016: two) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 31 December 2015 and 1 January 2016				
Cost	1,568	3,048	303	4,919
Accumulated depreciation	(1,363)	(2,139)	(188)	(3,690)
Net book amount	205	909	115	1,229
Year ended 31 December 2016				
Opening net book amount	205	909	115	1,229
Additions	–	43	–	43
Depreciation (note 8)	(134)	(342)	(29)	(505)
Exchange realignment	(7)	(22)	(7)	(36)
Closing net book amount	64	588	79	731
At 31 December 2016				
Cost	1,465	2,994	283	4,742
Accumulated depreciation	(1,401)	(2,406)	(204)	(4,011)
Net book amount	64	588	79	731
Year ended 31 December 2017				
Opening net book amount	64	588	79	731
Additions	100	9	–	109
Depreciation (note 8)	(78)	(269)	(29)	(376)
Exchange realignment	2	14	5	21
Closing net book amount	88	342	55	485
At 31 December 2017				
Cost	1,676	3,081	305	5,062
Accumulated depreciation	(1,588)	(2,739)	(250)	(4,577)
Net book amount	88	342	55	485

16. GOODWILL

The net carrying amount of goodwill is analysed as follows:

	2017 HK$'000	2016 HK$'000
At 1 January		
Gross and net carrying amount	**16,207**	16,986
For the year ended		
Net carrying amount at the beginning of year	**16,207**	16,986
Exchange realignment	**861**	(779)
Net carrying amount at the end of year	**17,068**	16,207
At 31 December		
Gross and net carrying amount	**17,068**	16,207

The carrying amount of goodwill, net of any impairment loss, is allocated to the cash generating units of property development.

The recoverable amount for the cash generating units was determined based on the value-in-use calculations, covering a detailed four-year budget plan which represents the business cycle and strategy plan of the Group's property development segment and discount rate of 6% (2016: 7%) estimated by the management.

The key assumption has been determined based on past performance and expectations for the market development after taking into consideration published market forecast and research. The discount rate used is pre-tax rate and reflects specific risks relating to the relevant segment.

Apart from the considerations described in determining the value-in-use of the cash generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates. However, the key estimates are particularly sensitive to the market development.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS AND FINANCIAL LIABILITIES IN RESPECT OF REDEMPTION OPTION EMBEDDED IN REDEEMABLE CONVERTIBLE PREFERENCE SHARES OF A RELATED COMPANY

Available-for-sale financial assets represented approximately 410,475,000 (2016: 424,811,000) redeemable convertible preference shares and 212,405,565 listed ordinary shares (2016: Nil) (resulting from Bonus Shares issued, as below mentioned) issued by a related company of which its shares are listed on the Main Board of the Stock Exchange and was designated as available-for-sale financial assets by the Group. Certain executive directors and major shareholders of the Company are the major shareholders of the related company.

Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares represented the embedded derivative related to the redeemable convertible preference shares issued by the abovementioned related company classified as derivative financial liabilities. The embedded derivative has economic characteristics and risks not closely related to the host contract.

The fair values of the host equity instrument element and the embedded redemption option as at 31 December 2017 and 2016, are determined by the directors of the Company with reference to the valuation carried out at that date by BMI Appraisals Limited, an independent qualified professional valuer not connected to the Group.

The fair value of the listed ordinary shares has been determined by reference to their quoted bid prices at the reporting date in an active market.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS AND FINANCIAL LIABILITIES IN RESPECT OF REDEMPTION OPTION EMBEDDED IN REDEEMABLE CONVERTIBLE PREFERENCE SHARES OF A RELATED COMPANY *(Continued)*

The movements of the carrying amounts of the available for sale financial assets and the embedded redemption option of the redeemable convertible preference shares for the year, are as follows:

	Listed ordinary shares HK$'000	Host equity instrument element of the redeemable convertible preference shares HK$'000	Redemption option embedded in the redeemable convertible preference shares HK$'000
Net carrying amount at 1 January 2016	–	2,715,785	(54,263)
Redeemed during the year	–	(62,467)	604
Change in fair value			
— charged to equity	–	(622,265)	–
— credited to profit or loss	–	–	14,888
Distributed in species (note 11)	–	(1,605,431)	27,242
Net carrying amount at 31 December 2016 and 1 January 2017	–	425,622	(11,529)
Bonus shares issued (note (a))	77,528	(77,528)	–
Redeemed during the year (note (b))	–	(9,336)	529
Change in fair value			
— charged to equity	(11,682)	(65,149)	–
— charged to profit or loss	–	–	(1,595)
Net carrying amount at 31 December 2017	65,846	273,609	(12,595)

Notes:

(a) Pursuant to the extraordinary general meeting held on 23 December 2016 by the related company, the related company had proposed bonus issue and allotment of bonus shares to its holders of redeemable convertible preference shares issued on 7 October 2015, on the basis of 1 bonus share (the "Bonus Share(s)") for every 4 shares that could be converted on an "as converted" basis. Accordingly, 212,405,565 bonus shares offered by the related company were received by the Company and measured at fair value on 10 January 2017.

(b) During the year ended 31 December 2017, the related party redeemed approximately 14,336,000 (2016: 75,584,000) of redeemable convertible preference shares at HK$0.8 (2016: range from HK$0.5 to HK$0.8) per share.

18. LOANS RECEIVABLE

The Group's loans receivable arose from the money lending business acquired during the year. Loans receivable bear interest determined on case by case basis and have credit periods mutually agreed between the contractual parties.

	2017 HK$'000	2016 HK$'000
Loans receivable	**10,337**	15,284
Less: provision for impairment losses	**(7,265)**	(5,292)
	3,072	9,992
Less: Non-current portion	**(1,138)**	(3,820)
Current portion	**1,934**	6,172

The loans receivable relate to a diversified portfolio of customers and there is no significant concentration of credit risk.

The loans receivable at the end of the reporting period are analysed by the remaining period to the contractual maturity date as follows:

	2017 HK$'000	2016 HK$'000
Repayable:		
On demand	**208**	282
Within 3 months	**441**	1,852
3 months to 1 year	**1,285**	4,038
1 to 5 years	**1,138**	3,820
	3,072	9,992

18. LOANS RECEIVABLE *(Continued)*

Movements in the provision for impairment of loans receivable are as follows:

	2017 HK$'000	2016 HK$'000
At 1 January	**5,292**	1,403
Impairment losses recognised (note 8)	**1,973**	3,889
At 31 December	**7,265**	5,292
Recovery of loans receivable written off in previous years (note 8)	**303**	362

Included in the above impairment of loans receivable is a provision for individually impaired loans receivable of approximately HK$7,209,000 (2016: HK$5,212,000) and collectively impaired loans receivable of approximately HK$56,000 (2016: HK$80,000) as at 31 December 2017 with carrying amounts before provision of approximately HK$8,154,000 (2016: HK$9,692,000) and HK$2,183,000 (2016: HK$5,592,000), respectively. The individually impaired loans receivable relate to customers that were in default or delinquency in payments or entered bankruptcy or other financing reorganisation and only a portion of the receivables is expected to be recovered.

The ageing analysis of the loans receivable that are neither individually nor collectively considered to be impaired is as follows:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**2,864**	9,710
1–90 days past due	**35**	126
91–180 days past due	**173**	156
	3,072	9,992

Loans receivable that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

As at 31 December 2017 and 2016, the Group does not hold any collateral nor other credit enhancement over these balances in general.

19. PROPERTIES UNDER DEVELOPMENT

	2017 HK$'000	2016 HK$'000
Leasehold interests in land located in the PRC, at cost	**40,907**	19,989
Development costs and other direct attributable expenses capitalised	**89,401**	81,433
	130,308	101,422

	2017 HK$'000	2016 HK$'000
Balance at beginning of the year	**101,422**	132,568
Additions	**21,500**	2,537
Transfer to other receivables (note)	**–**	(27,763)
Exchange realignment	**7,386**	(5,920)
Balance at end of the year	**130,308**	101,422

Note:

During the year ended 31 December 2016, one of the Group's property projects was under litigation (the "Litigation") with certain land bureaus in Shenyang, the PRC (collectively referred to the "Shenyang Bureau"), and the Group has been negotiating for compensation and related reliefs as the Shenyang Bureau has not fulfilled the agreed demolition work on the site. The related property construction plan has been terminated and therefore, corresponding properties under development with carrying amount of approximately HK$27,763,000 has been transferred to other receivables as at 31 December 2016.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss as at 31 December 2017 and 2016 represented the equity securities listed in Hong Kong. Fair value of the listed equity securities has been determined by reference to their quoted bid prices at the reporting date in an active market.

21. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Deposits paid for land use rights in the PRC	–	280,781
Prepayments	**5,460**	2,078
Other receivables and deposits paid	**153,470**	47,836
	158,930	330,695

During the year ended 31 December 2016, the Group assessed and concluded that part of the other receivables transferred from properties under development (note 19) with carrying amount of approximately HK$1,689,000 is unlikely to be recovered and impaired accordingly. Therefore, the carrying amount of the relevant other receivables (net), was amounting to HK$26,074,000.

In March 2017, the Supreme Peoples' Court of the PRC has ruled in favor of the Group's Claims in the Litigation (note 19), and accordingly, the Group has been refunded the land deposits of approximately RMB235,362,000 (equivalent to approximately HK$282,615,000). Besides, according to the abovementioned court ruling, Shenyang Bureau was obliged to pay the Group compensation claims (the "Claims"). The Claims amount, after netting of the abovementioned other receivables and a related one-off expense payable ("One-off expense"), was recorded as other operating income of approximately HK$62,742,000 (note 6) during the year.

Therefore, included in the other receivables, of approximately HK$130,952,000 (the "Claims Receivables") represented the outstanding Claims receivables in relation to the abovementioned court ruling. Subsequent to the reporting date on 15 March 2018, the Claims Receivables were fully settled.

22. CASH AND BANK BALANCES

Cash at banks earns interest at the floating rates based on the daily bank deposit rates.

As at 31 December 2017, the Group had cash and bank balances denominated in Renminbi ("RMB") of approximately HK$2,212,000 (2016: HK$2,504,000) deposited with the banks in the PRC. RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

The fair values of the cash at banks are not materially different from their carrying amounts because of the short maturity period on their inception.

23. TRADE PAYABLES

The credit terms of trade payables vary according to the terms agreed with different suppliers. Ageing analysis of trade payables as at the reporting dates, based on the invoice dates, is as follows:

	2017	2016
	HK$'000	HK$'000
Over 180 days	**1,682**	1,564

The balances are short term in nature and hence, the directors consider that the carrying amounts of trade payables are approximate to their fair values.

24. OTHER PAYABLES, ACCRUED EXPENSES AND RECEIPTS IN ADVANCE

	2017	2016
	HK$'000	HK$'000
Other payables (note (a))	**12,089**	2,949
Accrued expenses (note (b))	**159,834**	136,491
Receipts in advance	**16,460**	15,302
	188,383	154,742

Notes:

(a) As at 31 December 2017, other payables mainly included certain unsettled One-off expense (note 21).

(b) As at 31 December 2017, accrued expenses included accrued interest expenses on the loans from shareholders of approximately HK$157,753,000 (2016: HK$134,838,000) in respect of the loans made available to the Group. The accrued interest were unsecured, non-interest bearing and repayable on demand.

25. INTEREST-BEARING BANK BORROWING

	2017	2016
	HK$'000	HK$'000
Current		
Bank loan due for repayment which contain a repayment on demand clause — unsecured and guaranteed	**4,000**	11,000

25. INTEREST-BEARING BANK BORROWING *(Continued)*

The bank loan bears interest at floating rate of 2.5% per annum above the HIBOR.

As at 31 December 2016, a bank facility was respectively guaranteed by the Company and a related company to the extent of HK$15,000,000. Certain executive directors of the Company are the major shareholders of the related company. Such guarantees were replaced by a new guarantee to the extent of HK$8,000,000 provided solely by the Company during the year ended 31 December 2017. The Group's banking facility was amounting to HK$8,000,000 (2016: HK$15,000,000), of which HK$4,000,000 (2016: HK$11,000,000) was utilised at 31 December 2017.

26. LOANS FROM SHAREHOLDERS AND A RELATED COMPANY

As at 31 December 2017 and 2016, loans from substantial shareholders are unsecured and bear interest at floating rate with reference to the prime lending rate as established from time to time by The Hong Kong and Shanghai Banking Corporation Limited, except for the loans from shareholders amounted to HK$7,000,000 (2016: HK$7,000,000) which are interest free.

As at 31 December 2017, no repayment on the loans from shareholders is required whether in part or in full on or before 31 December 2018. As at 31 December 2016, no repayment on the loans from shareholders is required whether in part or in full on or before 31 December 2017. The directors of the Company consider that the fair values of the loans are not materially different from their carrying amounts as at 31 December 2017 and 2016.

As at 31 December 2016, loan from a related company was unsecured and borne interest at floating rate with reference to the prime lending rate as established from time to time by The Hong Kong and Shanghai Banking Corporation Limited. It is classified as current liability as the related loan agreement contains a clause that provides the lender with an unconditional right to demand repayable at any time. The directors of the Company consider that the fair value of the loan is not materially different from its carrying amount as at 31 December 2016. The loan was fully paid during the year.

27. AMOUNTS DUE FROM/(TO) RELATED COMPANIES

As at 31 December 2016, the amount due from a related party, in which key management personnel of the Company is the major shareholder, represents receivable of approximately HK$112,000. The balances were unsecured and interest free, repayable on demand. The maximum amount due from the related party during the year amounted to approximately HK$112,000. The amount was fully repaid during the year.

28. SHARE CAPITAL

	2017 Number of shares	2017 HK$'000	2016 Number of shares	2016 HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
At beginning and end of the year	**100,000,000,000**	**1,000,000**	100,000,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At beginning and end of the year	**11,178,498,344**	**111,785**	11,178,498,344	111,785

29. SHARE OPTION SCHEME

The 2012 Share option scheme (the "2012 Scheme")

The Company's 2012 Scheme was approved by shareholders of the Company and became effective on 8 May 2012.

Particulars of the 2012 Scheme as required under the GEM Listing Rules are set out below:

(A) SUMMARY OF THE 2012 SCHEME

(i) Purpose of the 2012 Scheme

The purpose of the 2012 Scheme is to provide incentives or rewards to the Employees (as defined in sub-section headed "Participants of the 2012 Scheme" below) and other person(s) for their contribution to the Group and to enable the Group to attract and retain employees of appropriate qualifications and with necessary experience to work for the Group and any entity in which any member of the Group holds any equity interest.

(ii) Participants of the 2012 Scheme

The board of directors of the Company (the "Board") or a duly authorised committee thereof, may, at its discretion, grant options to any full time or part time employee (including any executive and non-executive director or proposed executive and non-executive director) of the Group (the "Employees"), business partner, agent, consultant, contractor, representative of any member of the Group, invested entity, client or supplier, advisor, any other group or classes of participants and shareholder who have contributed to the Group (collectively the "Participants"), to subscribe for shares of HK$0.01 each in the share capital of the Company ("Shares") in accordance with the provisions of the 2012 Scheme.

29. SHARE OPTION SCHEME *(Continued)*

The 2012 Share option scheme (the "2012 Scheme") *(Continued)*

(A) SUMMARY OF THE 2012 SCHEME *(Continued)*

(iii) Total number of Shares available for issue under the 2012 Scheme

The total number of Shares available for issue under the share options, which may be granted under the 2012 Scheme shall not exceed 1,117,849,834 Shares, being 10% of the total number of Shares in issue as at the date of passing the resolution to adopt the 2012 Scheme.

(iv) Maximum entitlement of each participant

No Participants shall be granted an option if total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant to such participant would exceed in aggregate 1% of the Shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the GEM Listing Rules) abstaining from voting.

(v) Period within which the Shares must be taken up under an option

An option may be exercised in accordance with the terms of the 2012 Scheme at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option during the period an option may be exercised.

(vi) Minimum period, if any, for which an option must be held before it can be exercised

At the time of granting an option, the Board may, at its discretion, specify the minimum period(s), if any, for which an option must be held before it can be exercised.

29. SHARE OPTION SCHEME *(Continued)*

The 2012 Share option scheme (the "2012 Scheme") *(Continued)*

(A) SUMMARY OF THE 2012 SCHEME *(Continued)*

(vii) Amount payable upon acceptance of the option and the period within which the payment must be made

HK$1.00 shall be paid within 28 days from the date of offer of the option.

(viii) Basis of determining the exercise price of the option

The exercise price for Shares under the 2012 Scheme shall be a price determined by the Board, but in any case will not be less than the highest of:

(1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a trading day;

(2) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer; or

(3) the nominal value of a Share.

(ix) Remaining life of the 2012 Scheme

Subject to early termination of the 2012 Scheme pursuant to the terms thereof, the 2012 Scheme shall be valid and effective for a period of 10 years commencing from the date on which the 2012 Scheme becomes effective, i.e. 8 May 2012 and ending on 7 May 2022.

During the year, the Company did not grant any share options under the 2012 Scheme (2016: Nil).

29. SHARE OPTION SCHEME *(Continued)*

The 2012 Share option scheme (the "2012 Scheme") *(Continued)*

(B) DETAILS OF SHARE OPTIONS GRANTED OR OUTSTANDING

Particulars and movements of the outstanding share options granted under the 2012 Scheme during the year ended 31 December 2017 were as follows:

	Number of share options								Price of shares		
Name and category of participant	Balance as at 01/01/2017	Granted during the year	Exercise during the year	Forfeited during the year (Note i)	Cancelled during the year	Balance as at 31/12/2017	Date of grant of share option	Exercisable Periods of share options (Note ii)	Exercise price per share option HK$	Immediately preceding the grant date of share option (Note iii) HK$	Immediately preceding the exercise date of share option (Note iv) HK$
Directors											
Law Albert Yu Kwan	55,896,000	–	–	(55,896,000)	–	–	01/10/2013	01/10/2016–30/09/2023	0.188	0.188	N/A
Cheung Choi Ngor	55,896,000	–	–	–	–	55,896,000	01/10/2013	01/10/2016–30/09/2023	0.188	0.188	N/A
Ng Yuk Yeung Paul	83,840,000	–	–	–	–	83,840,000	01/10/2013	01/10/2016–30/09/2023	0.188	0.188	N/A
Others											
Ng Yuk Fung Peter	55,896,000	–	–	–	–	55,896,000	01/10/2013	01/10/2016–30/09/2023	0.188	0.188	N/A
Sub-total	251,528,000	–	–	(55,896,000)	–	195,632,000					

29. SHARE OPTION SCHEME *(Continued)*

The 2012 Share option scheme (the "2012 Scheme") *(Continued)*

(B) DETAILS OF SHARE OPTIONS GRANTED OR OUTSTANDING *(Continued)*

Particulars and movements of the outstanding share options granted under the 2012 Scheme during the year ended 31 December 2016 were as follows:

	Number of share options								Price of shares		
Name and category of participant	Balance as at 01/01/2016	Granted during the year	Exercise during the year	Forfeited during the year (Note i)	Cancelled during the year	Balance as at 31/12/2016	Date of grant of share option	Exercisable Periods of share options (Note ii)	Exercise price per share option HK$	Immediately preceding the grant date of share option (Note iii) HK$	Immediately preceding the exercise date of share option (Note iv) HK$
Directors											
Law Albert Yu Kwan	55,896,000	–	–	–	–	55,896,000	01/10/2013	01/10/2016–30/09/2023	0.188	0.188	N/A
Cheung Choi Ngor	55,896,000	–	–	–	–	55,896,000	01/10/2013	01/10/2016–30/09/2023	0.188	0.188	N/A
Ng Yuk Yeung Paul	83,840,000	–	–	–	–	83,840,000	01/10/2013	01/10/2016–30/09/2023	0.188	0.188	N/A
Others											
Ng Yuk Fung Peter	55,896,000	–	–	–	–	55,896,000	01/10/2013	01/10/2016–30/09/2023	0.188	0.188	N/A
Sub-total	251,528,000	–	–	–	–	251,528,000					

Notes:

(i) Director Mr. Law Albert Yu Kwan resigned during the year. The share options of Mr. Law was fully forfeited during the year.

(ii) All share options granted are subject to a vesting period and becoming exercisable in whole or in part in the following manner:

From the date of grant of share options	**Exercisable percentage**
Within 36 months	Nil
37th–48th months	30%
49th–60th months	60%
61th–120th months	100%

(iii) The price of the shares disclosed as immediately preceding the date of grant of the share options is the Stock Exchange's closing price on the trading day immediately prior to the date of the grant of the share options.

(iv) The weighted average closing price of the shares immediately before the date on which the options are exercised.

29. SHARE OPTION SCHEME *(Continued)*

The 2012 Share option scheme (the "2012 Scheme") *(Continued)*

(B) DETAILS OF SHARE OPTIONS GRANTED OR OUTSTANDING *(Continued)*

Notes: *(Continued)*

(v) The fair values of share options granted under the 2012 Scheme on 1 October 2013, 15 January 2014, 28 April 2014 and 7 May 2014 and measured at the respective date of grant was approximately HK$44,289,000, HK$1,118,000, HK$848,000 and HK$400,000 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	**1 Oct 2013**	**15 Jan 2014**	**28 Apr 2014**	**7 May 2014**
Expected volatility	54.276%	53.559%	52.875%	52.836%
Expected life (in years)	10.0	10.0	10.0	10.0
Risk free interest rate	2.049%	2.306%	2.164%	2.040%
Expected dividend yield	Nil	Nil	Nil	Nil

The expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted based on management's best estimate.

(vi) During the year, employee compensation expense of HK$3,777,000 has been recognised in profit or loss (2016: HK$7,052,000) with a corresponding credit in employee compensation reserve. No liabilities were recognised due to share-based payment transactions.

(vii) Share options and weighted average exercise prices are as follows for the reporting period presented:

	2017		2016	
	Number	**Weighted average exercise price HK$**	Number	Weighted average exercise price HK$
Balance at 1 January	**251,528,000**	**0.188**	251,528,000	0.188
Forfeit	**(55,896,000)**	**–**	–	–
Balance at 31 December	**195,632,000**	**0.188**	251,528,000	0.188

The options outstanding at 31 December 2017 and 2016 had exercise prices of HK$0.188 and a weighted average remaining contractual life of 5 years and 6 years, respectively.

30. SHARE AWARD SCHEME

A share award scheme (the "Share Award Scheme") was adopted by the Board of the Company on 18 March 2011 (the "Adoption Date"). The specific objectives of the Share Award Scheme are to recognise the contributions by certain employees of the Group and to give incentive to them in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for the development of the Group.

The Board may, from time to time, at its sole discretion select any employee (the "Selected Employee") of any member of the Group for participation in the Share Award Scheme and determine the number of awarded shares to be awarded to the Selected Employees by taking into consideration matters including the general financial condition of the Group and the rank and performance of the relevant Selected Employee.

30. SHARE AWARD SCHEME *(Continued)*

The Company shall settle a sum of up to and not exceeding HK$50,000,000 for the purpose of purchase of such number of shares and/or other shares (as the case maybe) to be awarded by the Board to the Selected Employee(s) under the Share Award Scheme.

The Share Award Scheme shall be valid and effective for a term of 15 years commencing on the Adoption Date provided that no further settlement of the amount to the Trust Fund shall be made on or after 10th anniversary date of the Adoption Date.

Details of the Share Award Scheme are set out in the Company's announcements dated 18 March 2011, 5 November 2013 and 7 December 2014.

In accordance with the Share Award Scheme, the Awards shall be released subject to the vesting periods ranged from 18 months to 33 months from the date of grant of the awards.

Awards granted and vested of the other shares during the year ended 31 December 2017 are as follows:

Name or category of participant	Date of grant	Balance as at 01/01/2017	Awards granted during the year	Aggregate Awards vested during the year	Aggregate Awards forfeited during the year	Balance as at 31/12/2017
Employees in aggregate	30/11/2017	–	136,000	(136,000)	–	–
Total	–	–	136,000	(136,000)	–	–

There were 136,000 share awards granted during the year ended 31 December 2017. The fair value of the share awards granted of other shares under the Share Award Scheme during the year ended 31 December 2017 is approximately HK$34,000 and measured at the date of grant. Fair value of an award at the grant date is determined by reference to the market price immediately available before the grant date. Without vesting condition, the share awards vested immediately at the grant date. The share-based payment expenses for the other shares as recognised in profit or loss are approximately HK$34,000 for the year ended 31 December 2017. 136,000 numbers of other shares was released under the Share Award Scheme for the year ended 31 December 2017. No shares were being forfeited during the year ended 31 December 2017.

No award was granted, vested and forfeited of the Company's shares during the year ended 31 December 2017.

30. SHARE AWARD SCHEME *(Continued)*

Awards granted and vested of the Company's shares during the year ended 31 December 2016 are as follows:

Name or category of participant	Date of grant	Balance as at 01/01/2016	Awards granted during the year	Aggregate Awards vested during the year	Aggregate Awards forfeited during the year	Balance as at 31/12/2016
Employees in aggregate	22/11/2016	–	656,000	(656,000)	–	–
Total		–	656,000	(656,000)	–	–

There were 656,000 share awards granted during the year ended 31 December 2016. The fair value of the share awards granted of the Company's shares under the Share Award Scheme during the year ended 31 December 2016 is approximately HK$48,000 and measured at the date of grant. Fair value of an award at the grant date is determined by reference to the market price immediately available before the grant date. Without vesting condition, the share awards vested immediately at the grant date. The share-based payment expenses for the Company's shares are recognised in profit or loss are approximately HK$48,000 for the year ended 31 December 2016. 656,000 shares were released under the Share Award Scheme for the year ended 31 December 2016. No shares were being forfeited during the year ended 31 December 2016.

No award was granted, vested and forfeited of the other shares during the year ended 31 December 2016.

31. RESERVES

The amount of the Group's reserves and the movements therein for the current and previous years are presented in the consolidated statement of changes in equity on pages 56 to 57.

Group

TREASURY SHARES

	2017		2016	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Balance brought forward	**169,163,118**	**20,191**	169,819,118	20,274
Vested during the year	**–**	**–**	(656,000)	(83)
Balance carried forward	**169,163,118**	**20,191**	169,163,118	20,191

31. RESERVES *(Continued)*

Group *(Continued)*

TREASURY SHARES ***(Continued)***

The Company acquired its own shares through one of its subsidiaries in the open market which are held as treasury shares, and will be used to satisfy the awards granted under the Share Award Scheme (note 30); the relevant shares are available for resale and have been included in treasury shares, shown as a component of the reserves of the Company.

As disclosed in note 11, the Board resolved to declare a special dividend by distribution of the Distribution CPSs to the Qualify Shareholders in species. On 27 September 2016, the Group was entitled to 67,296,344 of Conversion Shares of SCHC regarding the treasury shares held. The fair value of the Conversion Shares of SCHC at that date is approximately HK$30,283,000. The special dividend received by the Group is accounted for as an equity transaction for the year ended 31 December 2016.

Company

	Share premium HK$'000	Treasury shares HK$'000	Capital reserve HK$'000	Capital contribution reserve HK$'000	AFS revaluation reserve HK$'000	Employee compensation reserve HK$'000	(Accumulated losses)/ Retained earnings HK$'000	Total HK$'000
At 1 January 2016	771,842	(20,274)	652	291,562	–	17,592	(124,650)	936,724
Vesting of share awards	–	83	–	–	–	(48)	(35)	–
Special dividend approved (note 11)	(771,842)	–	–	(291,562)	–	–	(691,214)	(1,754,618)
Recognition of equity settled share-based compensation	–	–	–	–	–	7,100	–	7,100
Special dividend received on treasury shares	–	–	–	–	–	–	30,283	30,283
Re-measurement of dividend payable	–	–	–	–	–	–	176,429	176,429
Release of reserve upon distribution of redeemable convertible preference shares	–	–	–	–	176,706	–	–	176,706
Change in fair value of available- for-sale financial assets	–	–	–	–	(176,706)	–	–	(176,706)
Profit for the year	–	–	–	–	–	–	656,453	656,453
At 31 December 2016 and 1 January 2017	–	(20,191)	652	–	–	24,644	47,266	52,371

31. RESERVES *(Continued)*

Company *(Continued)*

	Share premium HK$'000	Treasury shares HK$'000	Capital reserve HK$'000	Capital contribution reserve HK$'000	AFS revaluation reserve HK$'000	Employee compensation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 31 December 2016 and 1 January 2017	–	(20,191)	652	–	–	24,644	47,266	52,371
Vesting of share award under share award scheme	–	–	–	–	–	(34)	(2)	(36)
Recognition of equity settled share-based compensation	–	–	–	–	–	3,811	–	3,811
Forfeiting of share options under share option scheme	–	–	–	–	–	(6,004)	6,004	–
Loss for the year	–	–	–	–	–	–	(19,436)	(19,436)
At 31 December 2017	–	(20,191)	652	–	–	22,417	33,832	36,710

The Company's reserves available for distribution represent the share premium, capital reserve, capital contribution reserve and retained earnings. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum or articles of association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business.

32. OPERATING LEASE COMMITMENTS

(a) As lessor

As at 31 December 2017 and 2016, there are no future minimum lease receipts under non-cancellable operating leases with its tenants falling due.

32. OPERATING LEASE COMMITMENTS *(Continued)*

(b) As lessee

As at 31 December 2017 and 2016, the total future minimum lease payments under non-cancellable operating leases payments by the Group are as follows:

	2017 HK$'000	2016 HK$'000
Within one year	–	343

The Group leased only one office under operating lease arrangement, with leases negotiated for initial terms ranging from one to two years (2016: one to two). As the tenancy agreement ceased during the year and no renewal on rental agreement, no operating lease commitment as at 31 December 2017. None of the leases include contingent rentals.

33. CAPITAL COMMITMENTS

	2017 HK$'000	2016 HK$'000
Contracted but not provided for:		
— Expenditure in respect of properties under development	**5,716**	5,788
— Expenditure in respect of leasehold interest in land (note)	–	1,097,754
	5,716	1,103,542

Note:

As ruled by the Supreme Peoples' Court of the PRC in relation to the Litigation (note 19), certain land purchase documents entered into between the Company's subsidiary in the PRC and Shenyang Bureau have been rescinded, the capital commitment of approximately HK$1,097,754,000 was released.

34. CONTINGENT LIABILITIES

As at 31 December 2017 and 2016, the Group does not have any significant contingent liabilities.

35. RELATED PARTY TRANSACTIONS

During the year, the Group had significant related party transactions as follows:

	2017 HK$'000	2016 HK$'000
(i) Interest expenses charged by shareholders	**22,915**	22,542
(ii) Interest expenses charged by a related company	**3,288**	3,775
(iii) Rental and building management fee recharge	**1,924**	1,693
(iv) Purchase of travel related products	**130**	150

Since 2015, the Group's banking facilities of HK$15,000,000 were guaranteed by a related company and a counter guarantee was provided in return by the Company to the related company in relation to aforementioned banking facilities (the "Counter Guarantee"). The Counter Guarantee provided by the Company to the related Company, constitute continuing connected transactions as defined in Chapter 20 of the GEM Listing Rule. The aforesaid guarantee and Counter Guarantee were effective up to September 2017. Upon the term changes in new bank facilities entered into in September 2017, the new bank facilities, of HK$8,000,000 as at 31 December 2017 (note 25) are no longer executed with the term of aforesaid guarantees. Certain executive directors of the Company are the major shareholders of the related company.

Details of the balances with related parties at the reporting date are included in notes 26 and 27 to the consolidated financial statements.

The above transactions were conducted in accordance with the terms mutually agreed between the Group and the related companies controlled by the directors.

Compensation of key management personnel of the Group:

Details of their remuneration are disclosed in notes 13 to 14 the consolidated financial statements.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

		Financing cash flow		Non-cash changes	
	As at 1 January 2016 HK$'000	Proceed received HK$'000	Interest paid HK$'000	Interest expense recognised HK$'000	At 31 December 2016 HK$'000
Year ended 31 December 2016					
Loan from a related company	75,500	–	(3,775)	3,775	75,500
Loan from shareholders	455,290	10,000	–	–	465,290
Bank borrowing	7,000	4,000	(245)	245	11,000
	537,790	14,000	(4,020)	4,020	551,790

		Financing cash flow		**Non-cash changes**	
	As at 1 January 2017 HK$'000	**Repayment of principal HK$'000**	**Interest paid HK$'000**	**Interest expense recognised HK$'000**	**At 31 December 2017 HK$'000**
Year ended 31 December 2017					
Loan from a related company	**75,500**	**(75,500)**	**(3,288)**	**3,288**	**–**
Loan from shareholders	**465,290**	**–**	**–**	**–**	**465,290**
Bank borrowing	**11,000**	**(7,000)**	**(169)**	**169**	**4,000**
	551,790	**(82,500)**	**(3,457)**	**3,457**	**469,290**

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group does not have written risk management policies and guidelines. However, the Group's management meets periodically to analyse and formulate strategies to manage the Group's exposure to market risk, credit risk and liquidity risk. The Group's exposure to these risks is kept to a minimum. The Group has not used any derivatives or other instruments for hedging purpose.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

The Group's financial assets include available-for-sale financial assets, financial assets at fair value through profit or loss, loans and other receivables and cash and bank balances. The Group's financial liabilities include trade and other payables, loans from a related company and shareholders, amounts due to related companies, interest-bearing bank borrowing and financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company.

(a) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has foreign currency exposures. Such exposures arise from the balance of assets and liabilities in currencies other than the functional currency of the Group's entities. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date that are considered significant by the directors are stated as follows:

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Assets:		
RMB	**146,490**	15,552
US$	**163,976**	–
Liabilities:		
RMB	**(14,024)**	(3,620)
Net exposure to foreign currency risk	**296,442**	11,932

The Group's policy requires the management monitors foreign exchange exposure by closely monitoring the movement of foreign currency rate and may enter into foreign currency options or forward contract, when and where appropriate.

The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the year has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the year and held constant throughout the years. Under the Linked Exchange Rate System in Hong Kong HK$ is pegged to US$, management considers that there is no significant foreign exchange risk with respect to US$.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. Results of the analysis as presented in the below table represent an aggregation of the effects on each of the group entities' profit or loss and equity in regards to a 5% depreciation in their functional currencies against the foreign currencies. The analysis is performed on the same basis for 2016.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Foreign currency risk *(Continued)*

	Effect on profit or loss and equity	
	2017	2016
	HK$'000	HK$'000
RMB	**6,623**	597

The same percentage appreciation in the functional currencies of the Group's entities against the respective foreign currencies would have the same magnitude on the Group's profit or loss and equity but of opposite effect.

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Group has no significant interest-bearing assets other than cash and bank balances, the income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from interest-bearing bank borrowing, loans from shareholders and a related company which bore floating interest. These borrowings carry at variable rates expose the Group to cash flow interest rate risk.

The Group's objective is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements.

SENSITIVITY ANALYSIS

The following table demonstrates the sensitivity of the Group's profit or loss and equity at the reporting date to a reasonably possible change in interest rate, with all other variables held constant.

	Increase in interest rate	Effect on profit or loss and equity
	%	HK$'000
2017	**0.5**	**(1,135)**
2016	0.5	(2,180)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Interest rate risk *(Continued)*

SENSITIVITY ANALYSIS *(Continued)*

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period. The assumed changes in interest rates are considered to be reasonably possible changes on observation of current market conditions and represent management's assessment of a reasonably possible change in interest rates over the next twelve month period. The analysis is performed on the same basis for 2016.

The same percentage decrease in interest rate would have the same magnitude on the Group's profit or loss and equity but of opposite effect, on the basis that all variables remain constant. The assumed changes have no impact on the Group's other components of equity.

(c) Credit risk

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

The Group's policy is to deal only with creditworthy counterparties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the Group continuously monitors the recoverability of amounts due from customers and other counterparties, assess impairment of the receivable either individually or by group, and incorporates this information into its credit risk controls and the Group's exposure to bad debts is not significant. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used.

In respect of other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics at the reporting dates. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Liquidity risk

Liquidity risk related to the risk that the Group will not be able to meet its obligation associated with its financial liabilities. The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout period are identified monthly.

The Group maintains mainly cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

As at the reporting dates, the Group's financial liabilities have contractual maturities based on contractual undiscounted cash flows are summarised below:

	Less than 1 year or on demand HK$'000	Over 1 year HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
At 31 December 2017				
Trade payables	1,682	–	1,682	1,682
Other payables and accrued expenses	171,923	–	171,923	171,923
Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company	12,595	–	12,595	12,595
Interest-bearing bank borrowing	4,000	–	4,000	4,000
Loans from shareholders	–	488,205*	488,205*	465,290
	190,200	488,205	678,405	655,490

* Including 1 year's accrued interest

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Liquidity risk *(Continued)*

	Less than 1 year or on demand HK$'000	Over 1 year HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
At 31 December 2016				
Trade payables	1,564	–	1,564	1,564
Other payables and accrued expenses	139,440	–	139,440	139,440
Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company	11,529	–	11,529	11,529
Loan from a related company	75,500	–	75,500	75,500
Amounts due to related companies	558	–	558	558
Interest-bearing bank borrowing	11,000	–	11,000	11,000
Loans from shareholders	–	488,205*	488,205*	465,290
	239,591	488,205	727,796	704,881

* Including 1 year's accrued interest

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(e) Summary of financial assets and financial liabilities by category

The carrying amounts of the Group's financial assets and financial liabilities as recognised at the reporting dates are categorised as follows. See notes 3.11 and 3.18 for explanations about how the category of financial instruments affects their subsequent measurement.

	2017	2016
	HK$'000	HK$'000
Financial assets		
Available-for-sale financial assets	**339,455**	425,622
Financial assets at fair value through profit or loss	**29,985**	38,260
Loans and receivables		
— Loans receivable	**3,072**	9,992
— Other receivables and deposits paid	**153,470**	47,836
Amount due from a related company	**–**	112
Cash and bank balances	**190,577**	29,815
	716,559	551,637
Financial liabilities		
Financial liabilities at amortised cost		
— Trade payables	**1,682**	1,564
— Other payables and accrued expenses	**171,923**	139,440
— Loan from a related company	**–**	75,500
— Amounts due to related companies	**–**	558
— Loans from shareholders	**465,290**	465,290
— Interest-bearing bank borrowing	**4,000**	11,000
Financial liabilities at fair value through profit or loss		
— Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company	**12,595**	11,529
	655,490	704,881

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(f) Equity price risk

Equity price risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates).

The Group was exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through profit or loss, available-for-sale financial assets and derivative financial instrument at the end of the reporting period. The Group's listed investments and the underlying shares of derivative financial instruments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

SENSITIVITY ANALYSIS

At 31 December 2017, it is estimated that a general increase of 5% of the price of the financial assets at fair value through profit or loss and the underlying share price of the available-for-sale financial assets and derivative financial instrument, with all other variables held constant, would decrease the Group's loss for the year and increase the Group's retained earnings by approximately HK$1,946,000 and increase of other component of equity by approximately HK$14,520,000.

A decrease of 5% of the price of the financial assets at fair value through profit or loss and the underlying share price of the available-for-sale financial assets and derivative financial liabilities, with all other variables held constant, would increase the Group's loss for the year and decrease the Group's retained earnings by approximately HK$1,850,000 and decrease of other component of equity by approximately HK$14,565,000.

The assumed changes in market prices represent management's assessment of a reasonably possible change in market prices over the next twelve month period. The analysis is performed on the same basis for 2016.

(g) Fair value measurements recognised in the consolidated statement of financial position

(i) FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The fair values of the Group's financial assets and financial liabilities not measured at fair value approximate their carrying amounts as at 31 December 2017 and 2016 because of the immediate or short-term maturity.

(ii) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

HKFRS 13 introduced a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(g) Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

(ii) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE *(Continued)*

The hierarchy groups financial assets and financial liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and financial liabilities. The fair value hierarchy has the following levels:

— Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;

— Level 2: observable direct and indirect inputs other than quoted prices included within Level 1; and

— Level 3: unobservable inputs are inputs for which market data are not available.

The financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	At 31 December 2017			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Financial assets at fair value through profit or loss				
— Equity securities of a listed company	**29,985**	**–**	**–**	**29,985**
Available-for-sale financial assets				
— Redeemable convertible preference shares of a related company	**–**	**–**	**273,609**	**273,609**
— Equity securities of a listed company	**65,846**	**–**	**–**	**65,846**
Liabilities				
Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company	**–**	**–**	**(12,595)**	**(12,595)**
Net fair values	**95,831**	**–**	**261,014**	**356,845**

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(g) Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

(ii) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE *(Continued)*

	At 31 December 2016			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at fair value through profit or loss				
— Equity securities of listed company	38,260	–	–	38,260
Available-for-sale financial assets				
— Redeemable convertible preference shares of a related company	–	–	425,622	425,622
Liabilities				
Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company	–	–	(11,529)	(11,529)
Net fair values	38,260	–	414,093	452,353

There have been no transfers between different levels during the year ended 31 December 2017.

The level in the fair value hierarchy within which the financial assets and financial liabilities are categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

Information about level 1 fair value measurements

For the financial assets at fair value through profit or loss, the equity securities are shares of listed company and are denominated in HK$. Fair values have been determined by reference to their quoted bid prices at the reporting date.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(g) Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

(ii) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE *(Continued)*

Information about level 3 fair value measurements

Both the available-for-sale financial assets and the financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company are denominated in HK$. Their fair values are determined using Binomial Option Pricing Model and the significant unobservable input used in the fair value measurement is the expected volatility. The fair value measurement is positively correlated to the expected volatility.

As at 31 December 2017, it is estimated that with all other variables held constant, an increase in the expected volatility by 5% would have increased the Group's other component of equity by approximately HK$1,832,000 (2016: increased the Group's other component of equity by approximately HK$1,833,000) while a decrease in the expected volatility by 5% would have decreased the Group's other component of equity by approximately HK$2,036,000 (2016: decreased the Group's other component of equity by approximately HK$2,044,000) for host equity instrument classified as available-for-sale financial assets. For the redemption option embedded in redeemable convertible preference shares of a related company classified as derivative financial liabilities, it is estimated that with all other variables held constant, an increase in the expected volatility by 5% would have increased the Group's loss for the year by approximately HK$871,000 (2016: increased the Group's loss for the year by approximately HK$1,174,000) while a decrease in the expected volatility by 5% would have decreased the Group's loss for the year by approximately HK$1,120,000 (2016: decreased the Group's loss by approximately HK$1,039,000).

Significant inputs as follow:	**2017**	2016
Underlying stock price	**HK$0.31 per share**	HK$0.395 per share
Conversion price	**HK$0.4 per share**	HK$0.4 per share
Risk-free rate	**1.81%**	1.901%
Interest rate	**8.440%**	9.365%
Expected volatility	**66.28%**	69.742%

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(g) Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

(ii) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE *(Continued)*

Information about level 3 fair value measurements (*Continued*)

A reconciliation of the opening and closing fair value balances are provided as below:

	2017		2016	
	Available-for-sale financial assets HK$'000	**Financial liabilities in respect of redemption option embedded HK$'000**	Available-for-sale financial assets HK$'000	Financial liabilities in respect of redemption option embedded HK$'000
At 1 January	**425,622**	**(11,529)**	2,715,785	(54,263)
Bonus shares issued (note 17)	**(77,528)**	**–**	–	–
Fair value loss recognised in other comprehensive income	**(65,149)**	**–**	(622,265)	–
Fair value (loss)/gain recognised in profit or loss	**–**	**(1,595)**	–	14,888
Distributed in species (note 11)	**–**	**–**	(1,605,431)	27,242
Redeemed during the year	**(9,336)**	**529**	(62,467)	604
At 31 December	**273,609**	**(12,595)**	425,622	(11,529)
Unrealised (loss)/gain recognised in profit or loss relating to the financial instrument held at the reporting date	**–**	**(1,595)**	–	14,888
Release of the revaluation reserve to profit or loss upon redemption of financial instrument	**4,613**	**–**	(2,442)	–
Release of the revaluation reserve to profit or loss upon distribution of financial instrument	**–**	**–**	233,392	–

38. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Three of the subsidiaries of the Group is regulated by the Securities and Futures Commission (the "SFC") and is required to comply with certain minimum capital requirements according to the rules of the SFC. The Group has established a compliance department which is operated by experienced compliance officers and is monitored by management. The principal roles of the compliance department are to monitor the daily financial status and to review internal control of the Group regularly to ensure the Group's regulated subsidiaries are in compliance with related regulations.

The capital-to-overall financing ratio at reporting dates was as follows:

	2017	2016
	HK$'000	HK$'000
Capital		
Total equity	**175,467**	233,318
Overall financing		
Loan from a related company	**–**	75,500
Loans from shareholders	**465,290**	465,290
Interest-bearing bank borrowing	**4,000**	11,000
	469,290	551,790
Capital-to-overall financing ratio	**37.4%**	42.3%

39. STATEMENT OF FINANCIAL POSITION

	Note	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries		–	–
Current assets			
Amounts due from subsidiaries		762,637	762,626
Cash and bank balances		118	118
		762,755	762,744
Current liabilities			
Other payables and accrued expenses		118,191	102,555
Amounts due to subsidiaries		176,369	176,333
		294,560	278,888
Net current assets		468,195	483,856
Total assets less current liabilities		468,195	483,856
Non-current liabilities			
Loans from shareholders		319,700	319,700
Net assets		148,495	164,156
EQUITY			
Share capital		111,785	111,785
Reserves	31	36,710	52,371
Total equity		148,495	164,156

On behalf of the Board

Cheung Choi Ngor
Director

Richard Howard Gorges
Director

40. INFORMATION ABOUT PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries, each of which is a limited liability company, at 31 December 2017 are as follows:

Name of subsidiary	Place of incorporation/ registration	Particulars of issued/paid-up capital	Effective percentage of equity interest held by the Company		Principal activities and place of operation
			Directly	Indirectly	
Crystal Hub Limited	British Virgin Islands	1 ordinary share of US$1 each	100%	–	Investment holding, Hong Kong
瀋陽南華鴻泰房地產開發有限公司	The PRC	US$15,990,000	–	100%	Property development, The PRC
滄州南華房地產開發有限公司	The PRC	HK$10,000,000	–	100%	Property development, The PRC
Grandbase Universal Limited	Hong Kong	Ordinary shares of HK$2	–	100%	Investment holding, Hong Kong
Grandland Management Limited	Hong Kong	Ordinary shares of HK$2	–	100%	Provision of management services for the Group, Hong Kong
South China Financial Credits Limited	Hong Kong	Ordinary shares of HK$42,125,000	–	100%	Money lending, Hong Kong
South China Asset Management Limited	Hong Kong	Ordinary shares of HK$6,600,000	–	100%	Provision of investment advisory and asset management services, Hong Kong
Excellent Tide Limited	Hong Kong	Ordinary shares of HK$10,000,001	–	100%	Provision of dealing in securities service, Hong Kong
South China Futures Investment Limited	Hong Kong	Ordinary shares of HK$6,300,000	–	100%	Provision of dealing in futures contract service, Hong Kong
South China Wealth Advisory Limited	Hong Kong	Ordinary shares of HK$1,000,000	–	100%	Provision of dealing in insurance and MPF service, Hong Kong

40. INFORMATION ABOUT PRINCIPAL SUBSIDIARIES *(Continued)*

The financial statements of the Company's subsidiaries are audited by BDO Limited for statutory purpose or Group consolidation purpose.

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

As at 31 December 2017 and 2016, none of the subsidiaries had issued any debt securities.

Summary of Financial Information

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,736**	5,539	556	–	–
Profit/(loss) from operations	**33,757**	(266,018)	49,332	(2,690)	283,272
Finance costs	**(26,372)**	(26,562)	(1,270)	(285)	(1,865)
Profit/(loss) before income tax	**7,385**	(292,580)	48,062	(2,975)	281,407
Income tax expense	**(22,204)**	–	–	–	–
(Loss)/profit for the year	**(14,819)**	(292,580)	48,062	(2,975)	281,407
(Loss)/profit attributable to:					
Equity holders of the Company	**(14,819)**	(292,580)	48,062	(2,975)	281,744
Non-controlling interests	**–**	–	–	–	(337)
	(14,819)	(292,580)	48,062	(2,975)	281,407
Assets and liabilities					
Total assets	**870,549**	953,501	3,238,177	3,709,655	2,888,710
Total liabilities	**(695,082)**	(720,183)	(753,877)	(1,496,419)	(760,410)
	175,467	233,318	2,484,300	2,213,236	2,128,300

Details of Properties

PROPERTIES UNDER DEVELOPMENT

Location	Type	Stage of completion	Anticipated completion date	Group's attributable interest	Approximate gross floor area	Approximate site area
Huanghua New City property development project	Commercial/ retail	Main contract work to be commenced	2021	100%	132,000 sq.m.	65,257 sq.m.
Relocation project in Zhongjie	Residential	Main body of building	2018	70%	9,956 sq.m.	6,147 sq.m