Yuxing InfoTech Investment Holdings Limited

裕 興 科 技 投 資 控 股 有 限 公 司*

(Incorporated in Bermuda with limited liability)

Stock Code: 8005

Annual Report 2017

* for identification purposes only

Yuxing InfoTech Investment Holdings Limited

Annual Report 2017

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

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

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Corporate Profile

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

The Group is a conglomerate which combines commercial enterprise with investments. In terms of commercial business, the Group places the broadband internet digital audio and video products as leading products and focuses on exploring markets for the three businesses of IHA, digital electronic consumable products and original equipment manufacturer, while accommodating comprehensive capabilities, including software and hardware development, mass-scale production, marketing and customer service capabilities, etc. On a global stage, the Group is an outstanding solutions provider and customized product manufacturer in the field of broadband digital audio and video technological products. With respect to IDC business, the establishment of a large IDC in the United States will be an important step towards expanding the global IDC business of the Group and show the determination of the Group to vigorously develop its IDC business. Meanwhile, the Group also concentrates its efforts on providing renowned domestic and foreign enterprises with reliable data centre facilities services and evolve itself into an internationally recognised leading cloud computing enterprise in the era of big data. In terms of investment business, the Group follows the principle of value investment, and persists with the characteristics of sound investment and team work to achieve stable increase in asset value on the basis of retaining value through methods such as financial innovation.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li Qiang *(Chairman)*
Mr. Gao Fei *(Chief Executive Officer)*
Mr. Shi Guangrong
Mr. Zhu Jiang

Independent Non-Executive Directors

Ms. Shen Yan
Mr. Zhong Pengrong
Mr. Li Menggang

CHIEF EXECUTIVE OFFICER

Mr. Gao Fei

COMPANY SECRETARY

Dr. Liu Wei, Solicitor

QUALIFIED ACCOUNTANT

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

COMPLIANCE OFFICER

Mr. Shi Guangrong

AUTHORISED REPRESENTATIVES

Mr. Shi Guangrong
Mr. Gao Fei

AUDIT COMMITTEE

Ms. Shen Yan *(Chairman)*
Mr. Zhong Pengrong
Mr. Li Menggang

REMUNERATION COMMITTEE

Ms. Shen Yan *(Chairman)*
Mr. Zhu Jiang
Mr. Zhong Pengrong
Mr. Li Menggang

NOMINATION COMMITTEE

Mr. Li Qiang *(Chairman)*
Ms. Shen Yan
Mr. Zhong Pengrong
Mr. Li Menggang

AUDITOR

Mazars CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

ABCI Securities Company Limited
Industrial Bank Co., Ltd.
Shanghai Commercial Bank Limited
UBS AG
Xiamen International Bank Co., Ltd.

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11, Bermuda

PLACES OF BUSINESS

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

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

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

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

SHARE REGISTRARS AND TRANSFER OFFICES

Principal
Conyers Corporate Services (Bermuda) Limited
Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

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

STOCK CODE

8005

WEBSITE ADDRESS

www.yuxing.com.cn

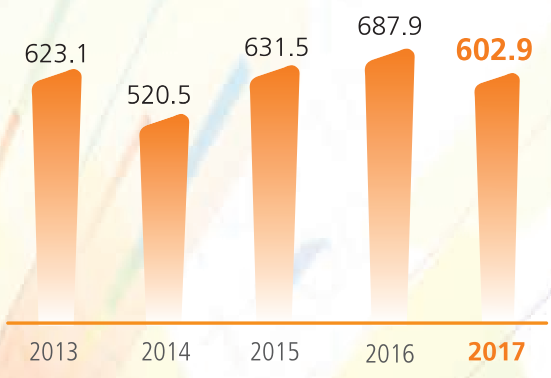
Financial Highlights and Calendar

FINANCIAL HIGHLIGHTS

	2017 HK$'000	2016 HK$'000
Revenue		
Revenue	**602,872**	687,878
Profitability		
Profit from operations	**170,081**	62,986
Profit attributable to owners of the Company	**94,192**	54,016
Net worth		
Total equity attributable to owners of the Company	**2,415,579**	1,958,837
	HK$	HK$
Per share		
Earnings per share – Basic	**0.05**	0.03
Net assets attributable to owners of the Company per share	**1.34**	1.09

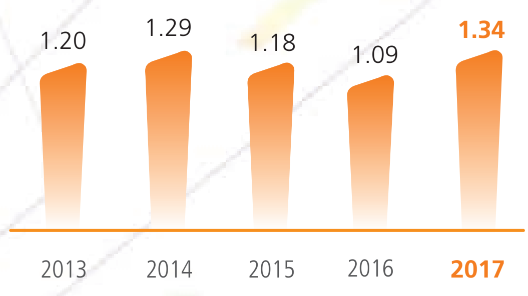
REVENUE

HK$ million



NET ASSETS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE

HK$



FINANCIAL CALENDAR

Results for the year	Announcement on 20th March 2018
Annual report	Despatched to shareholders in late March 2018
Annual general meeting	18th May 2018

Chairman's Statement

2017 was the Chinese Lunar Year of the Rooster. The Rooster represents "five virtues": intelligence, valour, courage, benevolence and faith. Upholding the five virtues, the entire Yuxing team achieved better results with concerted minds and efforts.

With respect to IHA business, in face of the fierce market competition, capitalising its years of accumulated experience in broadband digital audio and video technological products, the Group overcame the adverse factors of rising raw material prices and the impact of Renminbi ("RMB") appreciation on exports through continuous product improvement and optimisation. By means of broadening the sources of income and economising on expenditures as well as increasing cost efficiency, the Group managed to cap the probable maximum loss at a low level.

With respect to IDC business, the Group concentrates its efforts on providing renowned domestic and foreign enterprises with reliable data centre facilities services and evolved itself into an internationally recognised leading cloud computing enterprise in the era of big data. By investing in the acquisition of land and properties in Shanghai, the Group participated in IDC projects operated by independent third parties. At the same time, the Group has purchased land and property in the United States to invest in the construction of the first IDC in the United States. The project has now been commenced as planned and is expected to be ready for use in the near future.

With respect to investment business, embracing the tremendous change and the bright future that the blockchain will bring to the entire humanity, the Group actively positioned itself in the field of blockchain technology through indirect investments in blockchain technology companies and by subscription of relevant funds and participation in subscription of Initial Coin Offering ("ICO").

Going forward, along with the advent of information technology, artificial intelligence, the Internet of Things, and cloud computing have been enjoying a "blowout" growth in some countries and regions, thus increasing the demand for a high standard and high level of IDC. Yuxing will proactively develop and expand its IDC projects in North America, especially in the United States. I believe that Yuxing will surely occupy an important place in the global data centre network in the near future.

2018 is the Chinese Lunar Year of the Dog. The Dog represents "eight virtues", namely: loyalty, righteousness, courage, might, diligence, kindness, beauty and labour. I will lead the Yuxing team to continue to uphold the eight virtues to achieve new heights, provide customers with exquisite products and services, employees with new development opportunities, and create more value for shareholders and society.

Li Qiang
Chairman

Hong Kong, 20th March 2018

Group Financial Summary

CONSOLIDATED RESULTS

For the year ended 31st December

	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Revenue	**602,872**	687,878	631,522	520,541	623,136
Profit/(Loss) before tax	**93,740**	52,642	(198,114)	52,742	2,339,240
Income tax credit/(expenses)	**452**	1,337	8,206	(22,050)	(174,276)
Profit/(Loss) for the year	**94,192**	53,979	(189,908)	30,692	2,164,964
Non-controlling interests	**–**	37	1,753	320	2,448
Profit/(Loss) attributable to owners of the Company	**94,192**	54,016	(188,155)	31,012	2,167,412

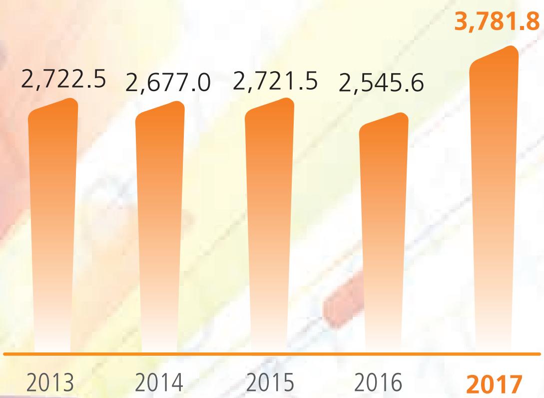
CONSOLIDATED ASSETS AND LIABILITIES

As at 31st December

	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Total assets	**3,781,765**	2,545,585	2,721,454	2,677,017	2,722,508
Total liabilities	**(1,366,186)**	(585,712)	(597,662)	(350,323)	(566,443)
Non-controlling interests	**–**	(1,036)	(1,073)	(10,786)	(11,106)
Total equity attributable to owners of the Company	**2,415,579**	1,958,837	2,122,719	2,315,908	2,144,959

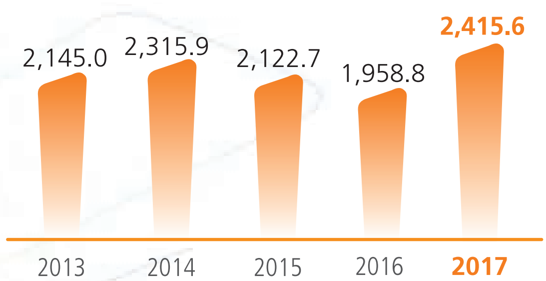
TOTAL ASSETS

HK$ million



TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

HK$ million



Management Discussion and Analysis

FINANCIAL REVIEW

Revenue and Gross Profit

During the year under review, the Group's overall revenue amounted to approximately HK$602.9 million for the year ended 31st December 2017 (the "Year"), representing a decrease of 12.4% as compared with last year. Under the intense market competition condition, the Group is facing many opportunities as well as confronting severe challenges. Due to a significant decrease in sales order received, the Group's revenue for the Year in the PRC and Hong Kong markets decreased by 70.5% and 5.8% to approximately HK$35.6 million and HK$166.6 million respectively as compared with last year. At the same time, rising prices of raw material also led to a big drop in the average gross profit margin for the Year. Consequently, the overall gross profit of the Group for the Year decreased significantly by 68.2% to approximately HK$29.1 million as compared with 2016 and the gross profit margin only reached 4.8% for the Year (2016: 13.3%).

Operating Results

Other Revenue and Net Income

The Group's other revenue and net income increased significantly to approximately HK$288.7 million for the Year (2016: approximately HK$162.8 million). This was due to (1) the improvement of the performance of investments portfolio of the Group in 2017, which caused the Group to record the net gains on financial assets/liabilities at fair value through profit or loss of approximately HK$49.0 million for the Year (2016: net losses on financial assets at fair value through profit or loss of approximately HK$22.6 million). This was the major reason for the significant increase in the profit attributable to owners of the Company for the Year as compared with the last year; and (2) the appreciation of RMB against Hong Kong Dollars ("HKD") resulted in an increase in net exchange gains of approximately HK$21.3 million during the year under review (2016: net exchange losses of approximately HK$37.7 million).

Change in Fair Value of Investment Properties

The Group recognised net revaluation gains of approximately HK$1.9 million on its investment properties for the Year (2016: net revaluation losses of approximately HK$0.5 million).

Operating Expenses

With the decrease in the Group's overall revenue, the Group's distribution and selling expenses decreased to approximately HK$16.4 million for the Year (2016: approximately HK$20.4 million). At the same time, the Group's general and administrative expenses also slightly decreased 1.4% to approximately HK$123.7 million for the Year (2016: approximately HK$125.5 million).

Other Operating Expenses

During the year under review, the appreciation of RMB against HKD resulted in an increase in net exchange gains of approximately HK$21.3 million recognised by the Group in the other revenue and net income (2016: net exchange losses of approximately HK$37.7 million) caused the decrease of the other operating expenses of the Group to approximately HK$9.4 million for the Year (2016: approximately HK$44.7 million).

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Operating Results *(Continued)*

Finance Costs

Imputed interest expenses of approximately HK$64.3 million was recorded for the Year (2016: HK$Nil) in respect of the convertible bonds issued by the Company on 20th June 2017, which caused the finance costs of the Group to increase significantly to approximately HK$76.3 million for the Year (2016: approximately HK$10.3 million).

Profit for the Year

As a result of the foregoing, the Group recorded a profit attributable to owners of the parent of approximately HK$94.2 million for the Year (2016: approximately HK$54.0 million).

Liquidity and Financial Resources

As at 31st December 2017, the Group had net current assets of approximately HK$991.3 million. The Group had cash and bank balances and pledged bank deposits of approximately HK$185.3 million and HK$950.7 million respectively. The Group's financial resources were funded mainly by bank loans, the convertible bonds issued by the Company and its shareholders' funds. As at 31st December 2017, the Group's current ratio, as calculated by dividing current assets by current liabilities, was 1.7 times and the gearing ratio, as measured by total liabilities divided by total equity, was 56.6%. Hence, as at 31st December 2017, the overall financial and liquidity positions of the Group remained at a stable and healthy level.

Charges on Group Assets

Details of charges on the Group assets are set out in note 35 to the consolidated financial statements.

Funding

Fundraising Activities

Issue of Convertible Bonds

On 26th May 2017, the Company entered into a subscription agreement with Cloud Empire Investments Limited ("Cloud Empire") as the subscriber in relation to the issue of convertible bonds in principal amount of HK$504.0 million (the "Convertible Bonds"). On 20th June 2017 (the "Bond Issue Date"), the Company issued Convertible Bonds to Cloud Empire. The Convertible Bonds bear interest at the rate of 6% per annum. Such interest is accrued on the outstanding principal amount of the Convertible Bonds and shall only be payable by the Company to Cloud Empire once every six months from the Bond Issue Date if the Convertible Bonds are neither converted during the conversion period nor redeemed prior to 20th June 2018 (the "Bond Maturity Date").

FINANCIAL REVIEW *(Continued)*

Funding *(Continued)*

Fundraising Activities (Continued)

Issue of Convertible Bonds *(Continued)*

The Convertible Bonds can be converted into ordinary shares of the Company at an initial conversion price of HK$1.4 per share (subject to adjustments) for a maximum number of 360,000,000 conversion shares. The market price of the shares of the Company ("Shares") was HK$0.97 and HK$1.02 as at 26th May 2017 and 20th June 2017 respectively. The conversion period commences from the 180th day after the Bond Issue Date and ends on the five business days prior to the Bond Maturity Date.

The net proceeds from the issue of the Convertible Bonds net of issue cost amounted to approximately HK$500.2 million. The use of proceeds from the issue of the Convertible Bonds is to fund the construction of an IDC of the Group and for general working capital purposes. The Directors consider that the construction and operation of IDC will enlarge the Group's technology level and source of income and enhance the Group's profitability and value to the shareholders of the Company.

As at the date of this report, Cloud Empire has not exercised its rights to convert the Convertible Bonds into Shares. For details of the terms of the Convertible Bonds, please refer to the Company's announcements dated 26th May 2017, 2nd June 2017 and 20th June 2017 and note 30 to the consolidated financial statements.

Capital Structure

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

Significant Investments/Material Acquisitions and Disposals

On 26th June 2017, Noble Rich Investment Limited, a wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Phoenix Bridge International Holdings Group Investment Co., Limited, as vendor, and Wang Dade, as guarantor, to acquire 30.0 million shares owned by the vendor which represent the entire issued share capital of Indeed Holdings Limited (the "Target Company") at a consideration of US$43.0 million (equivalent to approximately HK$335.4 million) subject to adjustments (the "Acquisition"). The Target Company and its subsidiary (the "Target Group") is principally engaged in leasing out of properties used as IDC. On 7th September 2017, the Acquisition was completed and the financial results, assets and liabilities of the Target Group have been consolidated into the consolidated financial statements of the Group during the Year. For details of the Acquisition, please refer to the announcements of the Company dated 26th June 2017, 17th July 2017, 31st July 2017 and 7th September 2017 and the Company's circular issued on 17th August 2017 and note 27 to the consolidated financial statements.

Between 25th July and 26th October 2017, the Group disposed of a total of 6.6 million H shares of Ping An Insurance (Group) Company of China Ltd. ("Ping An H Shares"). As a result of these disposals, the Group recognised accounting gains on the disposal of available-for-sale financial assets of approximately HK$164.1 million for the Year. Such accounting gain has a positive impact on the Group's financial results for the Year. For more details please refer to the announcements of the Company dated 27th July 2017, 13th October 2017 and 24th October 2017.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Segment Information

The Group's core business segment is IHA. The total revenue of the IHA segment for the Year and the three months ended 31st December 2017 decreased and increased by 12.3% and 118.9% to approximately HK$602.6 million and HK$262.8 million respectively as compared with 2016 and the same period of the last year. Although the Group's revenue in overall overseas markets for the Year increased by 2.6% to approximately HK$400.7 million as compared with last year, the Group's revenue in the PRC and Hong Kong markets decreased by 70.6% and 5.8% to approximately HK$35.3 million and HK$166.6 million respectively as compared with last year due to a decrease in larger sales order received. At the same time, rising prices of raw material led to a big drop in the average gross profit margin of the Group for the Year. Consequently, the overall gross profit of the Group for the Year decreased significantly by 68.2% to approximately HK$29.1 million as compared with last year and the gross profit margin only reached 4.8% for the Year (2016: 13.3%). Consequently, the IHA segment recorded a loss of approximately HK$40.7 million for the Year (2016: a profit of approximately HK$32.0 million).

The Group's investing segment is principally engaged in trading of securities and investing in financial instruments. This segment recorded a profit of approximately HK$236.4 million for the Year (2016: approximately HK$88.9 million). The main reason was that the Group recorded net gains on financial assets/liabilities at fair value through profit or loss of approximately HK$49.0 million for the Year (2016: net losses on financial assets at fair value through profit or loss of approximately HK$22.6 million). This was also the major reason for the significant increase in the profit attributable to owners of the Company for the Year as compared with last year.

The leasing segment of the Group comprises leasing out of properties. This segment recorded a profit of approximately HK$7.2 million for the Year (2016: approximately HK$2.6 million). The other operations segment of the Group comprises trading of miscellaneous materials. While for the other operations segment, due to the lack of new breakthrough of the business, the Group recorded a loss of approximately HK$1.0 million in this segment for the Year (2016: approximately HK$3.9 million).

The new segment of 2017 is the IDC segment. This segment comprises construction, operation and leasing out of IDC. As this segment is still in the investing stage, this segment brought a loss of approximately HK$7.5 million to the Group (2016: approximately HK$8.3 million).

Geographical markets of the Group were mainly located in overseas and Hong Kong during the year under review. Due to an increase in the sales order received from other overseas customers, the overall revenue generated from the overseas markets for the Year increased by 2.6% to approximately HK$400.7 million as compared with last year. In the Hong Kong market, although the Group has started to cooperate with a Hong Kong well-known television program operator to assist with its expansion on Over-the-Top TV ("OTT") service in the Hong Kong market since 2016, the overall revenue in the Hong Kong market decreased by 5.8% to approximately HK$166.6 million for the Year as compared with last year. As to the PRC market, the weakened procurement sentiment in 2017 and the keen market competition had led to a remarkable decrease in the sales quantity of set-top box ("STB"). The revenue in the PRC market decreased significantly by 70.5% to approximately HK$35.6 million as compared with last year. As such, the overall revenue of the Group decreased significantly by 12.4% to approximately HK$602.9 million for the Year as compared with last year.

FINANCIAL REVIEW *(Continued)*

Exposure to Fluctuations in Exchange Rates

Most of the trading transactions of the Group were denominated in RMB and in United States dollars ("USD"). The assets of the Group were mainly denominated in RMB and the remaining portions were denominated in USD and in HKD. The official exchange rates for USD and HKD have been relatively stable for the Year. Therefore, the Group is only exposed to foreign exchange risk arising from RMB exposures, primarily with respect to the HKD. During the Year, appreciation in RMB against HKD resulted in the net exchange gains of approximately HK$21.3 million (2016: net exchange losses of approximately HK$37.7 million). As at 31st December 2017, the Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure. However, the Group will constantly monitor and manage its exposure to foreign exchange risk.

Human Resources and Relations with the Employees

As at 31st December 2017, the Group had over 470 (2016: over 580) full time employees, of which 29 (2016: 28) were based in Hong Kong and the rest were in the PRC and the United States. Staff costs of the Group amounted to approximately HK$93.6 million for the Year (2016: approximately HK$114.3 million). The decrease in the staff costs for the Year was mainly attributable to no non-cash expenses arising from the grant of share options and share awards by the Company to employees during the Year (2016: approximately HK$13.7 million). The employees of the Company's subsidiaries are employed and promoted based on their suitability for the positions offered. The salary and benefit levels of the Group's employees are in line with the market rates. Employees are rewarded on a performance-related basis within the general framework of the Group's remuneration system which is reviewed annually. In addition to basic salaries, staff benefits also include medical scheme, various insurance schemes, share option scheme and share award scheme.

BUSINESS REVIEW

After more than ten years of development and under the steady growth of the global Internet Protocol Television ("IPTV") market, the Group's IPTV STB business has entered into a year of market maturity. With the accumulation of technological expertise over the years and the Group's own intermediary software platform to improve and optimize products, the Group can meet the needs of different customers, finish the work of integrating with termination systems and middleware products. Products launched by the Group in the markets include high digital STB, hybrid dual mode STB, OTT/IPTV STB and intelligent STB equipped with an Android system products, etc.. Under the intense market competition condition, the Group is facing many opportunities as well as confronting severe challenges. During the Year, the Group's overall revenue amounted to approximately HK$602.9 million, representing a decrease of 12.4% as compared with last year. Although the Group's revenue in overseas markets for the Year increased by 2.6% to approximately HK$400.7 million as compared with last year, the Group's revenue in the PRC and Hong Kong markets decreased by 70.5% and 5.8% to approximately HK$35.6 million and HK$166.6 million respectively as compared with last year due to a decrease in larger sales order received from the PRC. At the same time, rising prices of raw material led to a big drop in the average gross profit margin for the Year. Consequently, the overall gross profit of the Group for the Year decreased significantly by 68.2% to approximately HK$29.1 million as compared with last year and the gross profit margin only reached 4.8% for the Year (2016: 13.3%).

Management Discussion and Analysis

BUSINESS REVIEW *(Continued)*

In the PRC market, due to the weak procurement sentiment of the PRC customers in 2017 and further market competition, there is a remarkable decrease in the sales volume of STB in the PRC as compared with last year. Therefore, the overall revenue of the Group in the PRC market for the Year decreased significantly by 70.5% to only approximately HK$35.6 million as compared with last year. If the Group's PRC customer changes its product and ceases to place order with the Group, the Group's business will continue to be adversely affected.

In the overseas markets, the Group keeps on maintaining good cooperation relationships with various existing telecom operators and system integration suppliers. The Group has managed to forward continuous shipments of its products to customers in Australia, Brazil, Czechoslovakia, the United States, Vietnam, etc.. At the same time, the Group is actively exploring new markets in Bulgaria, Denmark, Netherlands and the United Kingdom. There was an increase in purchase orders from a few overseas customers and the revenue in Australia market was similar as compared with last year during the year under review. Consequently, overall revenue in overseas markets increased by 2.6% to approximately HK$400.7 million for the Year as compared with last year.

As one of the leading suppliers of IPTV STB in Hong Kong, the Group still maintains a cooperation relationship with a Hong Kong telecommunication operator in its marketing activities. Also, the Group has cooperated with a Hong Kong well-known television programme operator to assist with its expansion on OTT service in the Hong Kong market. However, the Group's overall revenue in the Hong Kong market decreased by 5.8% to HK$166.6 million for the Year as compared with last year and the rising prices of raw material led to a decrease in gross profit margin in this area which caused the overall gross profit of the Group for the Year to decrease.

As for the new business, IDC, during the year under review, in addition to participating in domestic IDC projects operated by independent third parties through Acquisitions, the Group also purchased land and properties in the "Capital of Silicon Valley" located at San Jose, California, the United States, to prepare for the construction of the Group's first IDC in the United States. The establishment of a large IDC in the United States is an important step towards expanding the global IDC business of the Group, and shows the determination of the Group to vigorously develop its IDC business.

As for investment business, the Group conducted some investments in the secondary market and private investment funds during the Year. Based on value investment, the Group only selected the investment products in the secondary market by taking risk control and maintaining reasonable earning expectation as the investment strategy. Maintenance and appreciation of asset value are the long-term investment commitments of the Group. Meanwhile, the Group also constantly reviews and manages its investment portfolios. As part of such review and management, the Group disposed of a total of 6,600,000 Ping An H shares on the market during the year under review and as a result, the Group recognised accounting gains on the disposal of available-for-sale financial assets of approximately HK$164.1 million for the Year. Such accounting gain has a positive impact on the Group's financial results for the Year. For more details please refer to the announcements of the Company dated 27th July 2017, 13th October 2017 and 24th October 2017 in relation to the disposal of listed securities. Moreover, the Group also recorded net gains on financial assets/liabilities at fair value through profit or loss of approximately HK$49.0 million for the Year (2016: net losses on financial assets at fair value through profit or loss of approximately HK$22.6 million).

Key Risks and Uncertainties

During the year under review, the Group endeavoured to improve the risk management system on different aspects of company strategies, businesses operation and finance. A number of risks and uncertainties may affect the financial results and business operations of the Group. For the IHA business, factor such as fierce market competition in the PRC and overseas markets, rapid iteration of technological products, RMB exchange rate fluctuation, the drop in the selling price of products and the increase of production cost and labour cost may bring uncertain impact on the development of the IHA business of the Group. For the IDC business, factors such as whether the construction and layout of the project can be completed as scheduled, and whether the leasing contracts signed by customers and rental income can meet the expectation will affect the progress of the IDC business of the Group. For the investing business, the frequent changes of market policies and regulations about the PRC stock market and the unclear global economic environment would be two key risk factors. In future business operations, the Group will be highly aware of the those risks and uncertainties and will proactively adopt effective measures to tackle such risks and uncertainties.

BUSINESS REVIEW *(Continued)*

Environmental Policies and Performance

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

Compliance with Laws and Regulations

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

BUSINESS PROSPECT

Being one of the earliest companies researching and developing in broadband STB products in the world, the Group, based on its accumulation of technological expertise over the years and its own research and development capability, will continue to improve and upgrade its core products and performances, and actively develop new products to adapt to new market opportunities, so as to maintain strong competitive edge. The Group vigorously expanded the market of overseas small and medium-sized operators with an objective to increase its operating revenue and to boost the overall gross profit margin of the STB business of the Group. The Group expects its STB business to achieve a better performance in the near future.

The Group takes initiatives in developing businesses in relation to global IDC and cloud computing. In recent years, with economic globalisation and the implementation of China's the "Belt and Road" strategy, the development of Chinese enterprises in overseas markets has accelerated significantly. The industries involved have been further expanded from traditional manufacturing industry to multimedia, games, video, mobile internet and other industries. Therefore, the overseas Chinese enterprises have strong demand for cloud computing and big data services locally. To take advantage of its business network and industry creditability in the Greater China region as well as the international market, the Group aims to provide safe and reliable data centre facilities and services for renowned domestic and overseas enterprises, and by proactively expanding internationally, the Group will develop global cloud computing data centres for large scale corporations and global cloud computing total solutions for small and medium enterprises in the Greater China region. The Group through Acquisition and preparation of the construction of the Group's first IDC in the United States, the project will expand the IDC portfolio of the Group and explore new sources of revenue, so as to increase the Group's overall profitability in the near future. In the future, the Group will also actively cooperate with various parties in the PRC, Hong Kong and overseas markets, in order to develop the Group into an internationally renowned leading cloud computing enterprise in the era of big data.

Management Discussion and Analysis

BUSINESS PROSPECT *(Continued)*

By subscription of the fund, indirectly investing in the blockchain technology related company and subscription of the digital asset ICO, the Group proactively made deployments in the new field of blockchain technology. After the advent of the internet era, technologies such as big data, cloud computing and artificial intelligence have significantly enhanced social productivity, while the application of blockchain has meant to build a new type of production relations in the internet era. There are wide and expandable applications for blockchain, and therefore it will bring about tremendous changes and a bright future for the entire human society. During the year under review, the Group has committed to make an investment of HK$200 million in a fund, by way of a subscription for a limited partnership interest in the fund. The fund primarily targets investments in public or private companies or digital assets (such as cryptocurrencies) in the data centre, fintech or high tech (software and hardware) sectors. By subscription of the fund, indirectly investing in the blockchain technology related company and subscription of the digital asset ICO, the Group proactively made deployments in the new field of blockchain technology. It is expected this business will generate positive income for the Group in the near future.

2018 is an important year for the development of the Group. Based on the Company's confidence in its future development prospects and the recognition of its value, Mr. Li Qiang, Chairman of the Group, and Mr. Gao Fei, Chief Executive Officer, increased their shareholdings of the shares of the Company respectively at the end of 2017, and subject to their own personal decision, there are possibilities that they will further increase their shareholdings in the future. In the coming new year, the management of the Group and all the staff will be united, with their concerted efforts and by focusing on IHA business and IDC business, the Group will forge ahead to achieve excellent performance once again.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Li Qiang, aged 49, graduated with a master's degree in business administration from Nanyang Technological University, Singapore. Mr. Li has been the president of Beijing Daily Technologies Co., Ltd.* (北京德利迅達科技有限公司) since March 2011. He had been the deputy chairman and the chief executive officer of Trunkbow Asia Pacific (Shandong) Co., Ltd. and a director of Trunkbow International Holdings Ltd., the shares of which were delisted from The NASDAQ (National Association of Securities Dealers Automated Quotation) Stock Market in 2014. Mr. Li is the sole shareholder and the sole director of Capital Melody Limited, which indirectly holds 32.09% equity interest in Cloudrider Limited, a substantial shareholder of the Company. Mr. Li was appointed to the Board as an executive Director and the co-chairman on 10th June 2016 and re-designated as the chairman on 8th March 2017.

Mr. Gao Fei, aged 38, graduated with a master's degree in business administration from The Hong Kong University of Science and Technology. He has been the general manager of Shanghai Sino Crown Investment LLP since May 2014. Mr. Gao Fei had been a director of Lontrue Co., Ltd* (朗源股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange, stock code: 300175). He is also a director of certain subsidiaries of the Company. Mr. Gao was appointed to the Board as an executive Director on 20th June 2016 and appointed as the chief executive officer on 15th December 2017.

Mr. Shi Guangrong, aged 57, graduated with a bachelor's degree in engineering from Department of Industrial Automation of Beijing University of Technology. Mr. Shi has been with the Group since 1996, responsible primarily for marketing and investment management functions of the Group. Mr. Shi is currently the compliance officer of the Group and the executive president of the listing platform of the Group, possessing over 11 years of regulatory and compliance experience. He is also a director of certain subsidiaries of the Company. He is currently a non-executive director of Global Energy Resources International Group Limited, a company listed on the GEM. Mr. Shi was appointed to the Board as an executive Director on 7th October 1999.

Mr. Zhu Jiang, aged 60, graduated from Beijing University of Technology majoring in mechatronic engineering. Mr. Zhu has over 21 years of research experience in computer engineering, extensive experience in digital-to-analog circuits and high-level assembly languages programming and over 11 years of management experience. Mr. Zhu is currently the executive president of the risk control department of the Company. He is also a director and the legal representative of certain subsidiaries of the Company. Mr. Zhu was appointed to the Board as an executive Director on 24th July 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Shen Yan, aged 54, holds a bachelor's degree in accounting and has over 22 years of accounting experience and 19 years of auditing experience. Ms. Shen worked with Beijing Zhonggongxin Certified Public Accountants* (北京中公信會計師事務所), where she presided over audit works for local and international renowned enterprises in manufacturing, professional affairs and services and has accumulated solid experience in corporate finance management and auditing. Ms. Shen has successively held key positions in numerous corporations in the PRC and possesses good expertise in financial accounting, budgetary control and financial management. She also took part in the researches, editing and publication of books on financial management subjects. Ms. Shen had also been a staff of Beijing University of Technology. Currently, Ms. Shen is the financial controller of a PRC firm. Ms. Shen was appointed to the Board as an independent non-executive Director on 12th January 2005.

Biographical Details of Directors and Senior Management

Mr. Zhong Pengrong, aged 64, is a senior economist. He has long worked as a chief researcher with the central government of the PRC and currently holds professorships in several reputable universities and is an adviser to over 20 enterprises and local governments in the PRC. Mr. Zhong is currently the chairman and researcher of Beijing Vision Consultancy Centre* (北京視野諮詢中心), where he has formulated various development strategies for enterprises of different industries and local governments. He has in-depth understanding on the macro-economic environment and government administrative management in the PRC. Mr. Zhong was appointed to the Board as an independent non-executive Director on 25th October 1999.

Mr. Li Menggang, aged 50, is a dean, professor and PhD student tutor of the National Academy of Economic Security of Beijing Jiaotong University, a professor and PhD student tutor of the School of Economics Management Beijing Jiaotong University and supervisor, a professor and PhD student tutor of China Centre for Industrial Security Research of Beijing Jiaotong University. Mr. Li graduated from Beijing Jiaotong University with a doctorate degree in Industrial Economics. He is currently an independent director of Daqin Railway Co., Limited (Stock Code: 601006) and Hunan Copote Science & Technology Co., Ltd. (Stock Code: 600476), companies which are listed on the Shanghai Stock Exchange. Mr. Li was appointed to the Board as an independent non-executive Director on 15th September 2017.

COMPANY SECRETARY

Dr. Liu Wei, aged 60, has PRC lawyer qualification and is a solicitor qualified to practice law in Hong Kong and in England. He graduated from the Northwest University of China, the Chinese University of Political Science and Law, the University of Cambridge and the University of Hong Kong, with a bachelor's degree in Chinese literature, a master's degree in law, a PhD in Law respectively. He also completed his Common Professional Examination (CPE) with Manchester University in England, as well as a Postgraduate Certificate in Laws (PCLL) with the University of Hong Kong. Dr. Liu has extensive exposure in corporate finance and corporate governance of listed companies and is a partner of DLA Piper. Dr. Liu was appointed as the company secretary of the Company on 3rd July 2007.

SENIOR MANAGEMENT

Mr. Xue Guo, aged 44, is the chief operating officer of the Group. He joined the Group as vice president of a subsidiary of the Group in May 2017 and was responsible for taking charge of the acquisition of the entire issued share capital of Indeed Holdings Limited by the Company, which completed on 7th September 2017. He graduated from the Department of Precision Instrument of Tsinghua University with a bachelor degree in engineering, and obtained a master degree in business administration from the School of Management of Shandong University. He has also obtained the certificates of practitioner issued by the Securities Association of China, the China Futures Association and Asset Management Association of China. Mr. Xue has relevant experience in the operation and management of telecommunications, media and technology (TMT) businesses and in investment business. Prior to joining the Group, he was the investment director of an investment company. Mr. Xue was appointed as the chief operating officer of the Group on 15th September 2017.

Ms. Wu Wai Ting, Wendy, aged 45, is the chief financial officer of the Group. She graduated with a bachelor's degree in business (international trade) and a master's degree in practising accounting from Monash University in Australia. Ms. Wu is a certified practising accountant of CPA Australia and a member of Hong Kong Institute of Certified Public Accountants. She has 20 years of experience in accounting and finance. Ms. Wu joined the Group in March 2000.

Directors' Report

The Directors have pleasure in submitting to all shareholders of the Company (the "Shareholders"), their report together with the audited consolidated financial statements of the Group for the year ended 31st December 2017.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 42 to the consolidated financial statements.

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

SHARE CAPITAL

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st December 2017 are set out in the consolidated income statement on page 53.

The Board does not recommend the payment of any dividend for the year ended 31st December 2017.

CLOSURE OF REGISTER OF MEMBERS

The 2018 annual general meeting of the Company (the "AGM") is scheduled to be held on Friday, 18th May 2018. For the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Tuesday, 15th May 2018 to Friday, 18th May 2018 (both dates inclusive), during which period no transfer of shares of the Company will be registered. In order for a Shareholder to be eligible to attend and vote at 2018 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Monday, 14th May 2018.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 56 and notes 32 and 34(a) to the consolidated financial statements respectively.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

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

PRE-EMPTIVE RIGHTS

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

FIVE-YEAR FINANCIAL SUMMARY

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

Directors' Report

BUSINESS REVIEW

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

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

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

SHARE OPTIONS

Details of the Company's share option scheme adopted by the Shareholders on 14th January 2015 (the "Share Option Scheme") and the movement in the Company's share options held by the Directors during the year ended 31st December 2017 are set out in note 37 to the consolidated financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

A brief biographical details of Directors and senior management are set out on pages 15 and 16.

CONTINUING CONNECTED TRANSACTIONS

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

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

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

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

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

Mr. Choo resigned as the chief executive officer of the Company on 15th December 2017. Therefore, the service agreement entered into on 30th December 2016 ceased to be a Continuing Connected Transaction on the same date.

The independent non-executive Directors have reviewed the Continuing Connected Transaction conducted for the year ended 31st December 2017 and confirmed that the Continuing Connected Transaction was carried out in the ordinary and usual course of business of the Group, was on normal commercial terms and was in accordance with the service agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

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

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

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

(c) Nothing has come to their attention that causes them to believe that the aggregate amount of the Continuing Connected Transaction has exceeded the annual cap disclosed in the announcements dated 18th November 2015 and 30th December 2016 in respect of the Continuing Connected Transaction.

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

Directors' Report

DIRECTORS

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

Executive Directors:

Mr. Li Qiang *(Chairman)* (re-designated on 8th March 2017)
Mr. Gao Fei *(Chief Executive Officer)* (appointed on 15th December 2017)
Mr. Shi Guangrong
Mr. Zhu Jiang
Mr. Zhu Weisha (retired as the chairman and an executive Director on 8th March 2017)

Independent Non-Executive Directors:

Ms. Shen Yan
Mr. Zhong Pengrong
Mr. Li Menggang (appointed on 15th September 2017)
Mr. Wu Jiajun (resigned on 15th September 2017)

DIRECTORS' SERVICE CONTRACTS AND APPOINTMENT LETTERS

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

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

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

DIRECTOR'S INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for the Directors' service contracts as disclosed in this annual report and the granting of share options to the Directors, details of which is set out in note 37 to the consolidated financial statements, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

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

SHARE AWARD SCHEME

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

During the year ended 31st December 2017, there was no movement in the number of shares held under the Share Award Scheme. On 5th October 2017, the Share Award Scheme expired.

Further details in relation to the Share Award Scheme are set out in note 38 to the consolidated financial statements.

EMOLUMENT POLICY

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

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

Directors' Report

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

As at 31st December 2017, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as required to be notified to the Company and the Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(1) Long positions in the shares of the Company

Name of Director	Nature of interests	Number of ordinary shares	Capacity	Approximate percentage to the total issued share capital of the Company
Mr. Li Qiang	Personal	4,604,000	Beneficial owner	0.26%
Mr. Gao Fei	Personal	2,190,000	Beneficial owner	0.12%
Mr. Shi Guangrong	Personal	22,660,000	Beneficial owner	1.26%
Mr. Zhu Jiang	Personal	7,926,756	Beneficial owner	0.44%
Ms. Shen Yan	Personal	324,000	Beneficial owner	0.02%
Mr. Zhong Pengrong	Personal	144,000	Beneficial owner	0.01%

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

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

Pursuant to the Share Option Scheme adopted by the Shareholders on 14th January 2015, the Directors and chief executive of the Company in the capacity as beneficial owners were granted unlisted and physically settled share options to subscribe for the shares of the Company, details of which as at 31st December 2017 were as follows:

				Number of shares issuable under the share options				
Category	Date of grant	Exercise price per share	Exercisable period	Outstanding as at 1st January 2017	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31st December 2017
		HK$						
Directors								
Mr. Shi Guangrong	16th January 2015	2.2	16th January 2015 - 15th January 2020	6,500,000	–	–	–	**6,500,000**
Mr. Zhu Jiang	16th January 2015	2.2	16th January 2015 - 15th January 2020	7,000,000	–	–	–	**7,000,000**
Ms. Shen Yan	16th January 2015	2.2	16th January 2015 - 15th January 2020	1,000,000	–	–	–	**1,000,000**
Mr. Zhong Pengrong	16th January 2015	2.2	16th January 2015 - 15th January 2020	1,000,000	–	–	–	**1,000,000**
				15,500,000	–	–	–	**15,500,000**

Further details regarding the Share Option Scheme are set out in note 37 to the consolidated financial statement.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 31st December 2017, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as required to be notified to the Company and the Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules.

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

Directors' Report

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

As at 31st December 2017, the following persons (other than Directors or chief executive of the Company) have interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

(1) Long positions in the shares of the Company

Name of Shareholders	Nature of interests	Number of ordinary shares	Capacity	Approximate percentage to the total issued share capital of the Company
Cloudrider Limited ("Cloudrider") *(Note 1)*	Corporate	450,357,200	Beneficial owner	24.98%
Lontrue Co., Ltd* (朗源股份有限公司) ("Lontrue") *(Note 1)*	Corporate	450,357,200	Interest of a controlled corporation	24.98%
Honbridge Holdings Limited (Stock code: 8137) ("Honbridge") *(Note 2)*	Corporate	450,357,200	Person having a security interest in shares	24.98%
Hong Bridge Capital Limited ("Hong Bridge") *(Note 2)*	Corporate	450,357,200	Interest of a controlled corporation	24.98%
Mr. He Xuechu *(Note 2)*	Personal	450,357,200	Interest of a controlled corporation	24.98%
Ms. Foo Yatyan *(Note 2)*	Personal	450,357,200	Interest of a controlled corporation	24.98%
Super Dragon Co., Ltd. ("Super Dragon") *(Note 3)*	Corporate	121,533,800	Beneficial owner	6.74%

(2) Long position in the underlying shares of the Convertible Bonds of the Company

Name of the holder of the Convertible Bonds	Principal amount of the Convertible Bonds	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company
Cloud Empire *(Note 4)*	HK$504,000,000 *(Note 5)*	360,000,000	19.97%

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

(2) Long position in the underlying shares of the Convertible Bonds of the Company *(Continued)*

Notes:

1. Reference is made to the announcements of the Company dated 11th April 2016, 12th April 2016 and 16th May 2016 in relation to a proposed disposal of shares in the Company by Super Dragon. Super Dragon has on 10th April 2016 entered into a sale and purchase agreement ("Sale and Purchase Agreement") with Cloudrider, in relation to a proposed sale by Super Dragon and proposed acquisition by the Cloudrider of 450,357,200 ordinary shares of the Company ("Sale Shares") (representing 25% of the issued ordinary shares of the Company as at 31st March 2016) at HK$2.40 per share. On 16th May 2016, the transfer of the Sale Shares was completed as contemplated under the Sale and Purchase Agreement. According to the disclosure forms filed by Cloudrider and Lontrue on 19th May 2016, Lontrue holds 35.65% of the equity interest of Cloudrider and is deemed to be interested in 450,357,200 shares of the Company. Mr. Li Qiang, the executive Director and chairman of the Board of the Company, is the sole shareholder and director of Capital Melody Limited, holding 32.09% of the equity interest of Cloudrider as at 31st December 2017.

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

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

4. Cloud Empire, a company incorporated under the laws of British Virgins Islands. According to the disclosure forms filed by Cloud Empire, ABCI Investment Management Limited ("ABCI Investment"), ABC International Holdings Limited ("ABC International"), Agricultural Bank of China Limited ("ABC"), Ministry of Finance of the People's Republic of China and Central Huijin Investment Ltd. ("Central Huijin") on 31st May 2017, ABCI Investment, ABC International, ABC, Ministry of Finance of the People's Republic of China and Central Huijin are also deemed to be interested in such Convertible Bonds of the Company under the SFO.

5. On 26th May 2017, the Company entered into a subscription agreement with Cloud Empire as the subscriber in relation to the issue of Convertible Bonds in the principal amount of HK$504,000,000. The Convertible Bonds can be converted into maximum 360,000,000 ordinary shares of the Company at the initial conversion price of HK$1.4 per share (subject to adjustments). The issue was completed on 20th June 2017 with net proceeds of approximately HK$500.2 million.

Save as disclosed above, as at 31st December 2017, the Company had not been notified by any person (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Directors' Report

PERMITTED INDEMNITY PROVISION

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

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

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

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

Purchases

–	the largest supplier	20.6%
–	five largest suppliers combined	45.0%

Sales

–	the largest customer	60.6%
–	five largest customers combined	94.1%

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

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year, which constitute exempted connected transactions or continuing connected transactions under the GEM Listing Rules, are set out in note 41 to the consolidated financial statements.

COMPETING INTERESTS

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

PUBLIC FLOAT

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

AUDITOR

The consolidated financial statements of the Company for the year ended 31st December 2017 were audited by Mazars CPA Limited, *Certified Public Accountants*.

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

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

Hong Kong, 20th March 2018

Corporate Governance Report

CORPORATE GOVERNANCE

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

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

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD OF DIRECTORS

Board composition

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

The primary functions of the Board include:

- deciding on the overall strategies, overseeing operational and financial performance and formulating appropriate policies to manage risk exposure associated with realising the strategies and goals of the Group;

- being held accountable for the internal control system of the Group and responsible for reviewing its effectiveness;

- being ultimately responsible for preparing financial accounts and discussing the performance, financial conditions and prospects of the Group in a balanced, clear and comprehensible manner. These responsibilities are applicable to quarterly, interim and annual reports of the Company, other price sensitive announcements published according to the GEM Listing Rules and disclosure of other financial information, reports submitted to regulatory bodies and information discloseable under statutory requirements;

- executive Directors, who oversee the overall business of the Group, are responsible for the daily operations of the Group, the Board is responsible for affairs involving the overall policies, finance and Shareholders of the Company, namely financial statements, dividend policy, significant changes to accounting policies, annual operating budgets, material contracts, major financing arrangements, principal investment and risk management strategy. Implementation and execution of such decisions is delegated to the management; and

- regularly reviewing its own functions and the powers conferred upon executive Directors to ensure appropriate arrangements are in place.

BOARD OF DIRECTORS *(Continued)*

Board composition *(Continued)*

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

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

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

Independent Non-Executive Directors

During the year ended 31st December 2017, the Board at all times complied with the requirement of the GEM Listing Rules of having at least three independent non-executive Directors sit on the Board (more than one third of the Board members) and at least one of them having appropriate professional accounting or related financial management expertise. All the independent non-executive Directors are appointed for a two-year term, and subject to rotation and re-election pursuant to the Bye-laws. Details of their appointment are referred to the section "Directors' Service Contracts and Appointment Letters" on page 20. Each of the independent non-executive Director has made an annual confirmation of independence pursuant to rule 5.09 of the GEM Listing Rules and the Company considers these Directors to be independent.

Board practice and conduct of meetings

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

The attendance records of each Director and each member of the Board Committees in 2017 are as follows:

	Number of meetings attended/eligible to attend				
Executive Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meetings**
Mr. Li Qiang	6/6	N/A	N/A	1/1	1/2
Mr. Gao Fei	6/6	N/A	N/A	N/A	2/2
Mr. Shi Guangrong	6/6	N/A	N/A	N/A	2/2
Mr. Zhu Jiang	6/6	N/A	2/2	N/A	0/2
Mr. Zhu Weisha (retired on 8th March 2017)	0/6	N/A	0/2	0/1	0/2
Independent Non-Executive Directors					
Ms. Shen Yan	6/6	4/4	2/2	1/1	0/2
Mr. Zhong Pengrong	3/6	2/4	1/2	0/1	0/2
Mr. Li Menggang (appointed on 15th September 2017)	2/6	1/4	1/2	0/1	0/2
Mr. Wu Jiajun (resigned on 15th September 2017)	4/6	3/4	1/2	1/1	0/2

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

Corporate Governance Report

BOARD OF DIRECTORS *(Continued)*

Appointment and Re-election of Directors

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

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

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

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

Directors' Training

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

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

Board Diversity Policy

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

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

Chairman and Chief Executive Officer

Pursuant to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the year ended 31st December 2017, the positions of chairman and chief executive officer of the Company are held by different persons. Mr. Li Qiang acted as chairman and Mr. Gao Fei acted as chief executive officer of the Company.

BOARD COMMITTEES

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

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

Nomination Committee

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

During the year ended 31st December 2017, the Nomination Committee held one meetings to review and make recommendation to the Board on the appointment of new directors and other related matters in accordance with the Nomination Committee's written terms of reference.

Remuneration Committee

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

During the year ended 31st December 2017, the Remuneration Committee held two meetings to review and make recommendation to the Board on the remuneration packages of new directors and other related matters in accordance with the Remuneration Committee's written terms of reference.

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

Remuneration band	**Number of individuals**
HK$1,000,001 to HK$1,500,000	1
HK$2,000,001 to HK$2,500,000	1
HK$10,000,001 to HK$10,500,000	1

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

Corporate Governance Report

BOARD COMMITTEES *(Continued)*

Audit Committee

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

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

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

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

AUDITOR'S REMUNERATION

The remuneration in respect of audit and non-audit services provided by the auditor, Mazars CPA Limited, to the Group in the year 2017 amounted to HK$1,500,000 and HK$488,000 respectively. Non-audit services were mainly related to professional services in connection with acquisition transactions.

COMPANY SECRETARY

The company secretary of the Company is Dr. Liu Wei. He has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge in 2017.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

During the year ended 31st December 2017, the Directors has regularly reviewed and are satisfied with the effectiveness of the Group's internal control system, including, in particular, financial, operational and compliance controls and risk management functions, to safeguard the Group's assets against unauthorised use or disposition, and to protect the interests of the Company and the Shareholders as a whole.

SHAREHOLDERS' RIGHTS

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

According to the Bye-laws, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meeting of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. The requisition must be lodged with the registered office of the Company.

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

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

INVESTOR RELATIONS

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

CONSTITUTIONAL DOCUMENTS

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

Environmental, Social and Governance Report

The Board is pleased to submit the Group's environmental, social and governance report for the year ended 31st December 2017. The contents of the report are in compliance with the relevant Environmental, Social and Governance Reporting Guide set out in Appendix 20 to the GEM Listing Rules.

1. SCOPE

The reporting period for this environmental, social and governance report is from 1st January 2017 to 31st December 2017 of Yuxing InfoTech Investment Holdings Limited (hereinafter "The Group"), which covers the following places of operations and business scope of the Group:

- Beijing headquarters office (hereinafter "Beijing Headquarters"); and
- Zhongshan factory (hereinafter "Zhongshan Factory"), which is engaged in R&D, manufacturing and sales of the IPTV STB.

The contents of this report are prepared in accordance with the Environmental, Social and Governance (ESG) Reporting Guide of the Exchange, and the publication frequency is once a year.

2. COMMUNICATION WITH STAKEHOLDERS

The Company holds shareholders' meetings each year to provide an effective platform for the Board and Shareholders to exchange views. In addition to shareholders' meetings, in order to maintain close relationship with customers, suppliers and other stakeholders, the Company maintains communication with the stakeholders from time to time through visits, conference calls, corporate e-mails, customer service specialists, industry exhibitions and other channels to listen to their views and needs. The Company's overall performance is also reported each year to investors through the annual report.

3. ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

3.1 Environmental

Global climate change is currently one of the most concerned environmental issues of the United Nations and various governments. Weather abnormalities across the globe in recent years, such as rainstorm, flood, drought, abnormally high temperature, are closely related to the increase in greenhouse gases over the last few decades. As a member of the Earth's citizens, the Group is obligated to effectively utilise resources and control greenhouse gas emissions in a hope to give the future generations a better and eco-friendly environment. In this regard, the Group takes the initiatives as detailed below to continuously reduce the environmental impact of its operations and march towards its vision of sustainable development.

3.1.1 Emissions

Reduce Greenhouse Gas Emissions

Business Travel Reduction Policy

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

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

3.1 Environmental *(Continued)*

3.1.1 Emissions (Continued)

Reduce Greenhouse Gas Emissions (Continued)

Support Procurement from Local Suppliers

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

The sources and emissions of greenhouse gases generated by the group during the period are as follows:

Sources of greenhouse gas emissions	Total annual consumption The Group overall
Gasoline consumption (litre)	12,201.79
Natural gas consumption (m^3)	18,750
Power consumption in manufacturing facilities (kWh)	1,882,211.28
Total vehicle travel mileage (km)	95,393.26
Total business trip travel mileage (km)	1,035,039.78
Annual production (unit)	1,059,062
Total greenhouse gas emissions (tonne; carbon dioxide equivalent)	1,939.69
Greenhouse gas emission density (kg; carbon dioxide equivalent/unit)	1.83

Reduction of Other Emissions

Fully-classified zero waste is the ultimate waste management goal of Yuxing InfoTech Investment Holdings Limited. Under its waste recycling strategy, in addition to minimising waste generation for waste reduction through source controls such as raw material conservation and development of green production technologies, the Group actively promotes waste reuse to achieve the "3R" (i.e. reduction, reuse and recycling) of wastes together with reduced waste treatment cost.

Operation Waste Reduction Policy

In order to reduce the unnecessary waste generated during operations, the Zhongshan Factory uses certain reusable containers for material transportation in the production process to replace the typical cartons. Employees are also required to print double-sided and reuse one-side printed paper in order to achieve waste reduction. Furthermore, Beijing Headquarters promotes the use of electronic documents in its daily operations by using computer archive instead of paper documents to create a paperless office, aiming at minimising the consumption of paper supplies for office use.

Packaging Material Waste Reduction Policy

The Group advocates reducing excessive use of packaging materials. In the product development stage, graphic designers must incorporate the green packaging concept into the packaging design process. During the material sourcing process, preference is given to production technologies featuring less environmental pollution and waste generation, and has been improved to reduce waste pollution, so that minimal energy and resource consumption can be achieved.

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

3.1 Environmental *(Continued)*

3.1.1 Emissions (Continued)

Reduction of Other Emissions (Continued)

Hazardous/Non-hazardous Waste Recycling Policy

The Group's Zhongshan Factory identifies and separates different types of solid wastes, and delivers reusable wastes including paper, plastic, metal and electronic products to recyclers for appropriate treatment, and internal measures on management, publicity, training, labelling, classification and recycling are implemented to control the recycling procedures.

Hazardous wastes are treated under the well-established internal management procedures of the Group, including centralised storage and segregation before handing over to qualified recyclers for removal and transfer. Such hazardous wastes including oil-bearing metal, waste chemical containers, waste lamps and soldering flux are subject to the following steps at various levels for source control, optimisation of technology and reduction of consumption:

1. Machine wiping solution is replaced by alcohol in part of the cleaning process in order to reduce the use of hazardous substances.

2. No-clean flux and tin wire are used for the wave soldering process in order to reduce generation of hazardous waste.

Meanwhile, the Group engages suitable contractors for the disposal of waste in order to reduce environmental impact of direct dumping. In this way, the Group strengthens employees' awareness on waste classification and recycling, and motivates them to practice waste recycling and re-use.

Waste type	Annual emissions The Group overall
Hazardous wastes (tonne)	1.94
Non-hazardous wastes (tonne)	128.92
Annual production (unit)	1,059,062
Hazardous waste emission density (per production unit) (kg/unit)	0.002
Non-hazardous waste emission density (per production unit) (kg/unit)	0.122

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

Air Pollution Emission Policy

The main sources of air pollution are dust and exhaust gas generated by production units during the high temperature production process of the Group. The Group has been taking heed of the exhaust gas emissions of various plant equipment, and has established management rules for monitoring exhaust gas emissions: (1) all departments must give priority to cleaner production process featuring high energy efficiency and less exhaust gas emissions; and (2) if emissions exceed the thresholds, responsible departments must immediately take effective control measures to reduce environmental damage. For example, the Human Resources Department will send all motor vehicles in the factory to the vehicle inspection station for annual inspection to ensure they pass the exhaust test.

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

3.1 Environmental *(Continued)*

3.1.2 Resources Usage

The Group attaches much importance to environmental protection and implements appropriate measures to enhance the efficiency of resource utilisation based on its business philosophy of "conservation comes first and treatment from source".

Energy Conservation

The Group requires each employee to play a role in energy conservation and emission reduction by shutting down equipment not in use in the respective areas, and checking all energy consuming equipment to ensure they are shut down before getting off duty. In addition, the Group publicises energy conservation and emission reduction knowledge to foster energy conservation and environmental protection work habits among employees.

Energy conservation and emission reduction is a primary requirement in equipment purchase of the Group. In addition, the Group strives to upgrade its equipment and accessories in an effort to improve the energy conversion and utilisation rate of equipment; and actively upgrades and adapts production process technology to improve production efficiency and material utilisation while reducing product loss.

Utilisation rates of production and office equipment are measured to ensure the rationality and necessity of equipment purchase, installation and use; and redundant and unnecessary equipment is integrated to avoid unnecessary energy consumption. Priority is given to renewable energy sources such as solar energy where appropriate.

During the reporting period, the Group implemented the following energy conservation measures:

Energy Conservation Measures

(1) Air-source heat pump system is used to replace electric water heater in the dormitory of the factory. The pump system employs green pollution-free technology to absorb heat in the air, and generates hot water of 50°C or above through the compressor. While its energy consumption is 70% less than traditional electric water heater, the system is more durable and requires less maintenance cost.

(2) T8 and T5 light tubes in the factory have been replaced by 16-watt energy-saving LED lights.

(3) The Zhongshan Factory replaced the traditional central air conditioners with water-cooled central air-conditioning equipment, saving 73.5% of the total electricity consumption compared with the past period.

(4) New high-speed placement machine was installed in the Zhongshan Factory. Although the power consumption of the new machine is 2.5 times higher than the old one, the production efficiency is 5.5 times higher. With the same number of operators, the productivity can be increased, which translates into less energy consumption in the entire production process.

Resources Conservation

Regarding the use of resources, the Zhongshan Factory has adopted a new steel net cleaning machine, and only 1.5 barrels (30 litres) of the steel cleaning detergent dosage are used for each cleaning, which is 70% lower than the amount used by the old machine (5 barrels or 100 litres each time). In addition, the equipment has the ability to reuse the filter core and pneumatic pump, not only reduce the dosage, but also reduce the frequent replacement parts.

Water Conservation

The Group has always been promoting water conservation measures. All public faucets are marked with a "Save Water" sign to remind employees to turn off the water after use. The water equipment is managed by designated personnel for regular equipment cleaning, maintenance and inspection. In case of water leakage or aging of equipment and accessories found during the inspection, timely repair or replacement will be made to reduce water consumption.

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

3.1 Environmental *(Continued)*

3.1.2 Resources Usage (Continued)

Office Resources Conservation

Furthermore, the Group promotes the use of electronic documents in its daily operations by using computer archive instead of paper documents to create a paperless office, aiming at minimising the consumption of paper supplies for office use. Employees are also required to print double-sided and reuse one-side printed paper in order to reduce paper consumption.

During the reporting period, the main resources consumed by the Group in its operations are summarised as follows:

Resources	Total annual consumption The Group overall
Electric power (kWh)	1,882,211.28
Water (tonne)	15,083.87
Packaging materials (paper) (tonne)	5,346
Packaging materials (plastics) (tonne)	156.2
Total indirect energy consumption (scope 3) (diesel for outsourced transportation) (litre)	450
Annual production (unit)	1,059,062

Resources	Consumption intensity per production unit The Group overall
Electric power (kWh/unit)	1.78
Water (tonne/unit)	0.01
Packaging materials (paper) (kg/unit)	5.05
Packaging materials (plastics) (kg/unit)	0.15
Total indirect energy consumption (scope 3) (diesel for outsourced transportation) (litre/unit)	0.0004

3.1.3 Environmental and Natural Resources

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

Green Procurement Policy

In the production process, the Group has always been advocating environmental procurement. Equipment is assessed and selected jointly by various departments of the Zhongshan Factory, based on the major principles including stable performance, low power, low emissions and high efficiency. After an equipment is selected, approval is required from a management representative before it can be purchased. For new suppliers, environmental score is also considered as part of the assessment criteria when the commercial terms are the same. Environmental equipment (such as energy-efficient and eco-friendly lights, water-cooled air conditioning system, environmental air-source heat pump) is also adopted as far as it is suitable for the factory. On average, power consumption is 70% less than before after the installation of such equipment, demonstrating our efforts to minimise environmental impact of greenhouse gas emissions.

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

3.1 Environmental *(Continued)*

3.1.3 Environmental and Natural Resources (Continued)

Policy on the Selection of Environmentally Friendly Materials

In order to ensure that the hazardous materials contained in the products meet the international requirements, all the materials used by the Group's Zhongshan Factory must comply with the RoHS Management Regulations governing hazardous substances in electronic and electrical equipment. In this regard, the Group has developed corresponding rules and principles to comprehensively take RoHS-compliant materials as its raw materials for production, so as to ensure that its electronic and electrical products comply with the RoHS regulations.

Green Operations Policy

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

Provision of Environmental Training to Employees

The Group has been certified to the ISO14001 environmental management system, which requires the Group to continue to improve its performance in environmental protection through identifying key environmental issues in the course of operations and developing appropriate measures to address or mitigate such issues. As a result, the Group provides regular training sessions to ensure smooth implementation of the management system and promote environmental awareness among employees.

Green Office Policy

In addition to green operations at the factory, the Group also places great emphasis on resource consumption in offices to ensure minimal environmental impact of its operations. The management of resource consumption comprises three aspects, namely staff awareness enhancement, administrative measures and equipment management. Energy conservation notices are circulated to all office employees of the Group, and signs are posted to remind them to save energy such as turning off the lights in the respective areas before getting off duty.

3.2 Social

3.2.1 Employment

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

Equal Recruitment and Promotion Policy

During the recruitment process, the Group will not require applicants to disclose their personal information such as religious belief, which is not relevant to the job or regulated by the laws. In recruiting employees, the Group undertakes not to discriminate on such grounds as gender, race, ethnic group, origin, religious belief, marital status, sexual orientation, nationality or political opinion.

The Group treats all employees equally on the sole basis of their education background, professional qualifications and competency when considering employment, salary, benefit package, bonus, promotion and dismissal issues, and men and women are treated equally.

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

3.2 Social *(Continued)*

3.2.1 Employment (Continued)

Compensation Policy

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

Retirement Policy

The Group has a certain limit on the retirement age, and processes employee retirement applications in accordance with national laws and regulations. Retired employees are entitled to retirement allowances.

Employee Benefits

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

During the reporting period, the Group did not identify any irregularity or receive any complaint about discrimination or recruitment.

3.2.2 Health and Safety

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

Occupational Health and Safety Policy

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

The safety team is led by the head of each department and is teamed with a part-time production safety officer (assumed by the supervisor). Each floor and production room must be equipped with an in-service safety specialist. The production safety officer of each production department should assist the department supervisor in implementing the labour protection laws and regulations and the production management system, as well as addressing the daily production safety issues and production safety monitoring work.

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

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

3.2 Social *(Continued)*

3.2.2 Health and Safety (Continued)

Safe Working Environment

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

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

Employee Safety Training

The Group organises appropriate training to ensure effective implementation of procedures and safe equipment operation, mainly including proper use of protective gears, production safety and occupational health knowledge and case studies, position/equipment specific safe operation. For special positions requiring relevant qualifications, the operators must complete special training sessions. The Group also arranges regular fire and emergency drills for employees to familiarise them with escape routes during emergencies.

The Group has established rules on the use of protective supplies, provides free personal protective gears to employees, and instructs them how to wear properly in order to minimise the impact on their health. Employees who do not understand how to use protective gears and their functions are not allowed to operate the equipment formally.

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

Work and Life Balance Policy

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

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

3.2.3 Development and Training

Career Development Policy

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

Staff Training Plan for Different Positions

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

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

3.2 Social *(Continued)*

3.2.4 Labour Standards

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

The Group respects the freedom of employees in respect of employment, resignation, overtime work, action and other aspects. The Group prohibits any form of forced labour, including contract labour and bonded labour, and never forces employees to work overtime.

The Group has no recruitment of child labour or violation of the relevant laws and regulations on forced labour in the reporting period.

3.2.5 Supply Chain Management

Supplier Codes of Conduct

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

Supplier Selection Procedure

All suppliers are subject to rigorous review processes. Firstly, the Quality Assurance Department, Procurement Division and Engineering Division jointly verify the integrity of the above review information. Upon verification of a supplier, the Quality Assurance Department, Procurement Division and Engineering Division will sign on the Supplier Review Summary. This form takes effect only after the management representative has signed on it.

Supplier Selection Criteria

The Group's Zhongshan Factory has adopted an IQC system to evaluate the quality, environmental protection and social responsibility performance of new suppliers and existing suppliers on a monthly basis. It consists of a series of supplier evaluation and control methods to conduct comprehensive assessment of the suppliers' capability to assure quality and address environmental issues on site. It helps suppliers to identify problems or environmental/quality risks in the production process in order to improve their quality and environmental performance.

3.2.6 Product Responsibility

Product Quality Assurance Policy

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

Product Safety Assurance Policy

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

Fair Marketing Policy

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

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

3.2 Social *(Continued)*

3.2.6 Product Responsibility (Continued)

After-sales Service Policy

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

Customer Data Protection Policy

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

In the reporting period, the Group has no violation of relevant laws and regulations nor received any customer complaint relating to product responsibility; and no products sold were required to be returned for safety and health reasons.

3.2.7 Anti-corruption

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

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

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

3.2.8 Community Investment

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

The Group made donations to the community in many respects in the past. Its practice and participation in community activities in 2017 are as follows:

1. Participated in the "Tree Planting" activity held by the Greening Office of Forestry Bureau of Zhongshan City to strengthen the employees' awareness of environmental protection.
2. Participated in the "Charity Shops for Supporting the Disabled" activity held by the Centre for the Protection of the Disabled in the economic development zone, and the revenues from purchases in the shop will be donated to finance activities for the disabled.
3. Participated in the "Charity Hike for the Disabled" held by the Zhongshan Charity Association to encourage the disabled to exert themselves constantly.
4. During the Children's Day on 1st June, the Group's employees visited the children in Zhongshan Children's Welfare Home and sent them blessing gifts.

Environmental, Social and Governance Report

4. VISION

In order to broaden the business of the global IDC, the Group plans to construct the IDC in the United States, of which will be completed in the near future. The IDC will be let for rent upon its commissioning; and is expected to generate revenue in the near future.

A wholly-owned subsidiary of the Group, insofar, has entered into two service agreements with consultants. The consultants will support the development of the IDC at various stages, for instance, planning, designing, constructing of the IDC in addition to securing US Government's approval.

The Board considers the construction of the IDC shall broaden the Group's portfolios from the aspect of IDC and strength its leasing business. The additional source of income shall hopefully increase the Group's revenue, and serve to underpin an overall rise in Group profitability and Shareholder's value.

Independent Auditor's Report

MAZARS

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

OPINION

We have audited the consolidated financial statements of Yuxing InfoTech Investment Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 53 to 138, which comprise the consolidated statement of financial position as at 31st December 2017, and 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 financial position of the Group as at 31st December 2017, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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KEY AUDIT MATTERS *(Continued)*

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

Key audit matter	How the matter was addressed in our audit
Fair value of investment properties	
As at 31st December 2017, investment properties held by the Group were stated at fair value of approximately HK$585,131,000. Significant estimation and judgement are required by management to determine the fair value of the investment properties, including the determination of valuation techniques and the selection of financial inputs in the model. Management has engaged independent professional valuers whose work has been relied on in the estimation of the fair value of the investment properties. *Relevant disclosures are made in notes 2(f), 4, 7 and 16 to the consolidated financial statements.*	Our key procedures in relation to management's estimation of the fair value of investment properties included: – Evaluating the competence, capabilities and objectivity of the valuers; – Assessing the appropriateness of the work of the valuers by making enquiries on the bases of valuation and obtaining corroborative evidence on the input data; and – Considering the relevance and reasonableness of key assumptions and methods used, and the relevance and accuracy of the source data used.

MAZARS

KEY AUDIT MATTERS *(Continued)*

Key audit matters identified in our audit are summarised as follows: *(Continued)*

Key audit matter	How the matter was addressed in our audit
Fair value of available-for-sale financial assets – private investment funds	
As at 31st December 2017, private investment funds held by the Group were classified as available-for-sale financial assets and measured at fair value of approximately HK$524,627,000. Significant estimation and judgement are required by management to determine the fair value of the private investment funds, including the determination of valuation techniques and the selection of financial inputs in the model. Management has relied on the valuation performed by the investment managers and an independent professional valuer in the estimation of the fair value of the private investment funds. *Relevant disclosures are made in notes 2(i), 4, 7 and 19 to the consolidated financial statements.*	Our key audit procedures in relation to management's estimation of the fair value of private investment funds included: – Evaluating the competence, capabilities and objectivity of the investment managers and the valuer; – Assessing the appropriateness of the work of the investment managers and the valuer by making enquiries on the bases of valuation and obtaining corroborative evidence on the input data; and – Considering the relevance and reasonableness of key assumptions and methods used, and the relevance and accuracy of the source data used.

MAZARS

KEY AUDIT MATTERS *(Continued)*

Key audit matters identified in our audit are summarised as follows: *(Continued)*

Key audit matters	How the matter was addressed in our audit
Valuation of convertible bonds	
The Company issued convertible bonds in the principal amount of HK$504,000,000 which can be converted into a fixed number of ordinary shares of the Company. The liability component and the embedded derivatives were measured at fair value of approximately HK$407,122,000 and HK$55,393,000 at issue date respectively. The liability component was then recognised at amortised cost over the period of convertible bonds whereas the embedded derivatives were recognised at fair value. As at 31st December 2017, the carrying amounts of the liability component and the embedded derivatives amounted to approximately HK$456,249,000 and HK$50,057,000 respectively. Significant estimation and judgement are required by management to determine the fair value of the convertible bonds, including the determination of valuation techniques and the selection of financial inputs in the model. Management has engaged an independent professional valuer whose work has been relied on in the estimation of the fair value of the convertible bonds on both the issue date and at the end of the reporting period. *Relevant disclosures are made in notes 2(i), 2(j), 4, 7 and 30 to the consolidated financial statements.*	Our key procedures in relation to management's estimation of the fair value of convertible bonds included: – Reviewing the agreement entered into between the Company and the subscriber; – Evaluating the competence, capabilities and objectivity of the valuer; – Assessing the appropriateness of the work of the valuer by making enquiries on the bases of valuation and obtaining corroborative evidence on the input data; – Considering the relevance and reasonableness of key assumptions and methods used, and the relevance and accuracy of the source data used; and – Evaluating appropriateness of management application of accounting standards in the accounting for convertible bonds.

MAZARS

KEY AUDIT MATTERS *(Continued)*

Key audit matters identified in our audit are summarised as follows: *(Continued)*

Key audit matters	How the matter was addressed in our audit
Impairment in respect of trade receivables and loans receivable	
As at 31st December 2017, the Group had trade receivables and loans receivable amounting to approximately HK$128,057,000 and HK$125,325,000 respectively. Impairment losses amounting to approximately HK$2,442,000 have been provided on trade receivables. No impairment loss has been provided for the loans receivable. A considerable amount of management judgement is applied in assessing the ultimate realisation of these trade receivables and loans receivable, including assessing the current creditworthiness, the past collection history and the subsequent settlement of each debtor. *Relevant disclosures are made in notes 2(i), 4, 6(a), 22 and 23.*	Our key procedures in relation to management's impairment assessment on trade receivables and loans receivable included: – Assessing whether there is evidence of management bias on impairment assessment of trade receivables and loans receivable by evaluating the consistency of judgement made by the management year on year through discussion with the management to understand their rationale; – Testing settlement of trade receivables throughout the year, on a sample basis, to ensure the reliability of past collection history for management's recoverability assessment; – Reviewing and testing the Group's credit control policy over acceptance of new borrowers and monitoring of loan repayments according to the terms as stipulated in the loan agreements; and – Assessing the reasonableness of recoverability of trade receivables with reference to credit history including default or delay in payments, settlement records, subsequent settlements and ageing analysis.

Independent Auditor's Report

MAZARS

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda (as amended), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

MAZARS

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

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

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

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

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

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

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

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

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

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

MAZARS

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

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

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 20th March 2018

The engagement director on the audit resulting in this independent auditor's report is:
Eunice Y M Kwok
Practising Certificate number: P04604

Consolidated Income Statement

For the year ended 31st December 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	8	**602,872**	687,878
Cost of sales		**(573,806)**	(596,580)
Gross profit		**29,066**	91,298
Other revenue and net income	9	**288,683**	162,763
Distribution and selling expenses		**(16,413)**	(20,440)
General and administrative expenses		**(123,740)**	(125,463)
Other operating expenses		**(9,438)**	(44,707)
Net changes in fair value of investment properties	16	**1,923**	(465)
Profit from operations	10	**170,081**	62,986
Finance costs	13	**(76,341)**	(10,344)
Profit before tax		**93,740**	52,642
Income tax credit	14	**452**	1,337
Profit for the year		**94,192**	53,979
Profit attributable to:			
Owners of the Company		**94,192**	54,016
Non-controlling interests		**–**	(37)
		94,192	53,979
		HK$	HK$
Earnings per share	15		
– Basic		**0.05**	0.03
– Diluted		**0.05**	0.03

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2017

	2017 HK$'000	2016 HK$'000
Profit for the year	**94,192**	53,979
Other comprehensive income/(loss):		
Item that will not be reclassified to profit or loss:		
Revaluation of property, plant and equipment upon transfer to investment properties (net of tax)	**1,571**	1,241
Items that are reclassified or may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
Change in fair value during the year	**426,721**	(55,273)
Less: Reclassification of net changes in fair value to profit or loss upon disposal	**(125,427)**	(159,214)
Exchange differences arising on translation of the PRC subsidiaries	**30,841**	(23,036)
Other comprehensive income/(loss) for the year (net of tax)	**333,706**	(236,282)
Total comprehensive income/(loss) for the year	**427,898**	(182,303)
Total comprehensive income/(loss) attributable to:		
Owners of the Company	**427,882**	(182,266)
Non-controlling interests	**16**	(37)
	427,898	(182,303)

Consolidated Statement of Financial Position

As at 31st December 2017

	Note	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Investment properties	16	**585,131**	114,226
Property, plant and equipment	17	**34,801**	41,776
Prepaid lease payments	18	**10,890**	10,522
Available-for-sale financial assets	19	**804,662**	573,165
Investment in an insurance contract	20	**–**	11,178
Other receivables	23	**–**	2,599
Pledged bank deposits	35	**–**	335,383
		1,435,484	1,088,849
CURRENT ASSETS			
Inventories	21	**81,997**	51,212
Loans receivable	22	**125,325**	223,589
Trade and other receivables	23	**175,545**	143,669
Prepaid lease payments	18	**370**	346
Available-for-sale financial assets	19	**74,555**	–
Financial assets at fair value through profit or loss	24	**743,463**	432,192
Investment in an insurance contract	20	**8,467**	–
Income tax recoverable		**606**	566
Pledged bank deposits	35	**950,663**	1,638
Cash and bank balances		**185,290**	603,524
		2,346,281	1,456,736
CURRENT LIABILITIES			
Trade and other payables	26	**215,424**	130,178
Dividend payables		**31**	31
Bank and other loans	29	**632,867**	443,674
Convertible bonds	30	**456,249**	–
Financial liabilities at fair value through profit or loss	24	**50,057**	–
Income tax payable		**307**	1,443
		1,354,935	575,326
NET CURRENT ASSETS		**991,346**	881,410
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,426,830**	1,970,259
NON-CURRENT LIABILITIES			
Deferred tax liabilities	14	**11,251**	10,386
NET ASSETS		**2,415,579**	1,959,873
CAPITAL AND RESERVES			
Share capital	31	**45,077**	45,077
Reserves	32	**2,370,502**	1,913,760
Equity attributable to owners of the Company		**2,415,579**	1,958,837
Non-controlling interests		**–**	1,036
TOTAL EQUITY		**2,415,579**	1,959,873

Approved and authorised for issue by the Board on 20th March 2018 and signed on its behalf by:

Li Qiang
Director

Shi Guangrong
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December 2017

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Statutory reserves HK$'000	Contributed surplus HK$'000	Share option reserves HK$'000	Investment revaluation reserves HK$'000	Convertible bond reserves HK$'000	Property revaluation reserves HK$'000	Translation reserves HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1st January 2016	45,036	128,416	8,668	234,621	57,655	190,041	–	16,023	54,348	(1,113)	1,389,024	2,122,719	1,073	2,123,792
Profit for the year	–	–	–	–	–	–	–	–	–	–	54,016	54,016	(37)	53,979
Other comprehensive loss:														
Revaluation of property, plant and equipment upon transfer to investment properties (net of tax)	–	–	–	–	–	–	–	1,241	–	–	–	1,241	–	1,241
Change in fair value of available-for-sale financial assets	–	–	–	–	–	(55,273)	–	–	–	–	–	(55,273)	–	(55,273)
Reclassification of net changes in fair value of available-for-sale financial assets to profit or loss upon disposal	–	–	–	–	–	(159,214)	–	–	–	–	–	(159,214)	–	(159,214)
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	–	–	–	(23,036)	–	–	(23,036)	–	(23,036)
Total other comprehensive loss	–	–	–	–	–	(214,487)	–	1,241	(23,036)	–	–	(236,282)	–	(236,282)
Total comprehensive loss for the year	–	–	–	–	–	(214,487)	–	1,241	(23,036)	–	54,016	(182,266)	(37)	(182,303)
Transactions with owners:														
Contributions and distributions														
Issue of shares upon exercise of share options	41	4,833	–	–	(1,223)	–	–	–	–	–	–	3,651	–	3,651
Equity-settled share based payment	–	–	–	–	14,733	–	–	–	–	–	–	14,733	–	14,733
Share options lapsed	–	–	–	–	(315)	–	–	–	–	–	315	–	–	–
Total transactions with owners	41	4,833	–	–	13,195	–	–	–	–	–	315	18,384	–	18,384
As at 31st December 2016 and as at 1st January 2017	45,077	133,249	8,668	234,621	70,850	(24,446)	–	17,264	31,312	(1,113)	1,443,355	1,958,837	1,036	1,959,873
Profit for the year	–	–	–	–	–	–	–	–	–	–	94,192	94,192	–	94,192
Other comprehensive income:														
Revaluation of property, plant and equipment upon transfer to investment properties (net of tax)	–	–	–	–	–	–	–	1,571	–	–	–	1,571	–	1,571
Change in fair value of available-for-sale financial assets	–	–	–	–	–	426,721	–	–	–	–	–	426,721	–	426,721
Reclassification of net changes in fair value of available-for-sale financial assets to profit or loss upon disposal	–	–	–	–	–	(125,427)	–	–	–	–	–	(125,427)	–	(125,427)
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	–	–	–	30,825	–	–	30,825	16	30,841
Total other comprehensive income	–	–	–	–	–	301,294	–	1,571	30,825	–	–	333,690	16	333,706
Total comprehensive income for the year	–	–	–	–	–	301,294	–	1,571	30,825	–	94,192	427,882	16	427,898
Transactions with owners:														
Contributions and distributions														
Share options lapsed	–	–	–	–	(1,411)	–	–	–	–	–	1,411	–	–	–
Issue of convertible bonds	–	–	–	–	–	–	37,676	–	–	–	–	37,676	–	37,676
Changes in ownership interest														
Reclassification adjustment of reserves related to a disposed subsidiary	–	–	–	–	–	–	–	–	(9,929)	1,113	–	(8,816)	(1,052)	(9,868)
Total transactions with owners	–	–	–	–	(1,411)	–	37,676	–	(9,929)	1,113	1,411	28,860	(1,052)	27,808
As at 31st December 2017	**45,077**	**133,249**	**8,668**	**234,621**	**69,439**	**276,848**	**37,676**	**18,835**	**52,208**	**–**	**1,538,958**	**2,415,579**	**–**	**2,415,579**

Consolidated Statement of Cash Flows

For the year ended 31st December 2017

	Note	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**93,740**	52,642
Adjustments for:			
Exchange differences		**(17,736)**	26,518
Bad debts		**9**	–
Impairment loss on other receivables		**–**	50
Write-down of inventories		**1,764**	1,596
Reversal of impairment loss on trade and other receivables		**(12)**	(111)
Interest income from bank deposits		**(5,910)**	(2,348)
Interest income from loans receivable		**(8,827)**	–
Imputed interest income from investment in an insurance contract		**(171)**	(159)
Interest expenses		**76,341**	10,344
Dividend income from listed equity securities		**(9,863)**	(7,621)
Share-based compensation expenses of share option scheme		**–**	14,733
Amortisation of prepaid lease payments		**357**	361
Depreciation of property, plant and equipment		**6,495**	6,105
Net changes in fair value of investment properties		**(1,923)**	465
Loss on disposal of property, plant and equipment		**122**	411
Gain on disposal of available-for-sale financial assets		**(164,087)**	(157,947)
Impairment loss on investment in an insurance contract due to early redemption		**2,882**	–
Net fair value change on financial liabilities at fair value through profit or loss		**(5,336)**	–
Gain on disposal of a subsidiary	28	**(9,868)**	–
OPERATING LOSS BEFORE CHANGES IN WORKING CAPITAL		**(42,023)**	(54,961)
(Increase)/Decrease in inventories		**(29,028)**	6,816
(Increase)/Decrease in trade and other receivables		**(22,819)**	147,662
(Increase)/Decrease in financial assets at fair value through profit or loss		**(299,586)**	356,816
Increase/(Decrease) in trade and other payables		**69,141**	(82,251)
CASH (USED IN)/GENERATED FROM OPERATIONS		**(324,315)**	374,082
Income taxes paid		**(1,816)**	(7,157)
Income taxes refund		**–**	1,939
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		**(326,131)**	368,864

Consolidated Statement of Cash Flows

For the year ended 31st December 2017

	Note	2017 HK$'000	2016 HK$'000
INVESTING ACTIVITIES			
Purchase of available-for-sale financial assets		**(249,500)**	(459,611)
Purchase of property, plant and equipment		**(2,164)**	(7,299)
Purchase of investment property		**(109,200)**	–
(Increase)/Decrease in pledged bank deposits with original maturities over three months		**(590,130)**	263
Proceeds from disposal of available-for-sale financial assets		**408,830**	392,700
Interest received		**7,796**	878
Decrease/(Increase) in loans receivable		**119,754**	(223,589)
Dividend received from listed equity securities		**9,863**	7,621
Proceeds from disposal of property, plant and equipment		**63**	62
Net cash outflow on acquisition of subsidiaries	27	**(330,862)**	–
NET CASH USED IN INVESTING ACTIVITIES		**(735,550)**	(288,975)
FINANCING ACTIVITIES	33		
Proceeds from issue of shares upon exercise of share options		**–**	3,651
New bank and other loans raised		**300,749**	134,872
Repayment of bank loans		**(133,507)**	(28,384)
Net proceeds from issue of convertible bonds		**500,191**	–
Interest paid		**(27,214)**	(10,344)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**640,219**	99,795
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(421,462)**	179,684
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**603,524**	433,842
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**3,228**	(10,002)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**185,290**	603,524
Analysis of the balances of cash and cash equivalents:			
Funds held by securities brokers	(a)	**2,748**	394,428
Time deposits	(b)	**17,413**	56,388
Cash at bank and in hand	(b),(d)	**165,129**	152,708
		185,290	603,524

Notes:

(a) At the end of the reporting period, there were funds held by securities brokers of approximately HK$2,748,000 *(2016: approximately HK$394,428,000)* for trading of securities.

(b) As the end of the reporting period, cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made between one month to three months depending on the immediate cash requirement of the Group and earn interest at a range of 1.35% and 1.65% *(2016: 0.62% and 1.35%)* per annum.

(c) At the end of the reporting period, the pledged bank deposits comprised approximately HK$591,768,000 and HK$358,895,000 *(2016: approximately HK$1,638,000 and HK$335,383,000)* which had an original maturity of more than three months but within one year and more than one year respectively when acquired and therefore has not been classified as cash equivalents in the consolidated statement of cash flows.

(d) Included in cash at bank and in hand are bank balances amounting to approximately HK$79,858,000 *(2016: approximately HK$22,892,000)* pledged to secure a loan facility which had an original maturity of less than three months.

Notes to the Consolidated Financial Statements

1. CORPORATE INFORMATION

Yuxing InfoTech Investment Holdings Limited ("the Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Exchange").

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

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are detailed in note 42. The Company and its subsidiaries are herein collectively referred to as the "Group".

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2016 consolidated financial statements except for the adoption of the following new/revised HKFRSs which are relevant to the Group and effective from the current year. A summary of the principal accounting policies adopted by the Group is set out below.

Adoption of new/revised HKFRSs

Amendments to HKAS 7: Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The adoption of the amendments results in the additional disclosures in note 33. In accordance with the transitional provisions therein, the comparative information is not presented in the first year of adoption.

Amendments to HKAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify, among others, how to account for deferred tax assets related to debt instruments measured at fair value.

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

Annual Improvements 2014-2016 Cycle – HKFRS 12: Clarification of the scope

The amendments clarify that except for the summarised financial information for subsidiaries, joint ventures and associates in which the interests are classified or included in a disposal group that is classified as held for sale in accordance with HKFRS 5, the requirements of HKFRS 12 apply to interests in entities within the scope of HKFRS 5.

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

(b) Basis of measurement

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation

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

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

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

Allocation of total comprehensive income

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

Changes in ownership interest

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost; and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost.

The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

(d) Subsidiaries

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

In the Company's statement of financial position which is presented within these notes, an investment in subsidiary is stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment

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

Construction in progress are stated at cost less any identified impairment loss, which comprises the related construction and borrowing costs, as appropriate.

The cost of construction in progress will not be amortised until they are put into use and are transferred to a specific category of property, plant and equipment or investment properties when the construction is completed.

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in income statement in the year in which the item is derecognised.

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Investment properties

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

Investment properties are stated at fair value at the end of the reporting period. Any gain or loss arising from a change in fair value is recognised in income statement. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised professional qualification and has recent experience in the location and category of property being valued.

(g) Prepaid lease payments

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

(h) Research and development costs

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

(i) Financial instruments

Recognition and derecognition

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

Classification and measurement

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

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

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

Financial assets or financial liabilities are classified as held for trading if they are (i) acquired principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not financial guarantee contracts or not designated and effective hedging instruments.

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

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset or 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.

Loans and receivables

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

Notes to the Consolidated Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

Available-for-sale financial assets

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

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

Financial liabilities

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

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Convertible bond

Convertible bond which contains liability component, conversion option and embedded derivatives (i.e. early redemption options by the issuer and the bondholder) with economic characteristics and risks not closely related to the host contract is recognised separately in the statement of financial position, net of issue costs.

Multiple embedded derivatives are generally treated as a single compound derivative. On the issue of the convertible bond, the liability component and the compound derivative are measured at fair value. The liability component is recognised as a current liability and subsequently measured at amortised cost, using effective interest method until extinguished on conversion or redemption. The derivative is recognised as financial liabilities at fair value through profit or loss with subsequent changes in fair value recognised in income statement.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in the convertible bond reserves within shareholders' equity, net of issue costs. The value of the conversion option carried in equity is not changed in subsequent years. When the conversion option is exercised, the balance of the convertible bond reserves is transferred to share capital or other appropriate reserve. When the conversion option remains unexercised at the expiry date, the balance remained in the convertible bond reserves is transferred to retained profits. No gain or loss is recognised in income statement upon conversion or expiration of the conversion option.

Issue costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

When the convertible bonds with an equity component are extinguished before maturity through an early redemption or repurchase by the issuer in which the original conversion privileges are unchanged, the consideration and transaction costs paid for the redemption or repurchase is allocated to the liability and equity components of the instrument at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received when the convertible instrument was issued. The difference between the carrying amount of the liability component and the liability component from the allocation of consideration and transaction costs paid for the redemption or repurchase is recognised in the income statement, whereas the difference between the carrying amount of the equity component and the equity component from the allocation of consideration and transaction costs paid for the redemption or repurchase is recognised in equity.

(k) Cash equivalents

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

Notes to the Consolidated Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Inventories

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

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

(m) Revenue recognition

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

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

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

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

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

(n) Foreign currency translation

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Foreign currency translation *(Continued)*

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

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

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

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

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

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

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

(o) Impairment of other assets

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

Notes to the Consolidated Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Impairment of other assets *(Continued)*

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

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

(p) Borrowing costs

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

(q) Leases

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

(r) Employee benefits

Short-term employee benefits

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

Defined contribution plans

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) Share-based payment transactions

Equity-settled transactions

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

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

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

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

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

Share option scheme

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

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share capital (nominal value) and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

Share award scheme

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

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

(t) Taxation

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(u) Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(u) Related parties *(Continued)*

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

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

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

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

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

(v) Segment reporting

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

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

Notes to the Consolidated Financial Statements

3. FUTURE CHANGES IN HKFRSs

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

Annual Improvements to HKFRSs	*2014-2016 Cycle: HKFRS 1 and HKAS 28* [1]
Amendments to HKAS 40	*Transfers of Investment Property* [1]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions* [1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts* [1]
HKFRS 9	*Financial Instruments* [1]
HKFRS 15	*Revenue from Contracts with Customers* [1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration* [1]
Annual Improvements to HKFRSs	*2015-2017 Cycle: HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*[2]
HKFRS 16	*Leases* [2]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments* [2]
Amendments to HKAS 28	*Investments in Associates and Joint Ventures* [2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation* [2]
HKFRS 17	*Insurance Contracts* [3]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4]

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

[2] *Effective for annual periods beginning on or after 1st January 2019*

[3] *Effective for annual periods beginning on or after 1st January 2021*

[4] *The effective date to be determined*

The Directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs. So far the Directors have identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's quarterly financial information for the three months ending 31st March 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

HKFRS 9: Financial instruments

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

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

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

3. FUTURE CHANGES IN HKFRSs *(Continued)*

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

The expected impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

Classification and measurement

The Group's cash and cash equivalents and trade and other receivables are currently classified as loans and receivables and measured at amortised cost. The Group does not expect the new guidance will affect the classification and measurement of these financial assets.

The Group's short-term investments in equity securities, money market funds designated upon initial recognition, private investment funds, unlisted debt securities and the derivative financial instruments embedded in the liability component of convertible bonds currently classified as financial assets/liabilities at fair value through profit or loss ("FVPL") will continue to be measured on the same basis under HKFRS 9.

The Group's long-term investments in private investment funds currently classified as available-for-sale financial assets do not meet the criteria to be classified as FVOCI and will have to be reclassified to FVPL under HKFRS 9. There will not be significant impact to the Group's net assets, although the unrealised fair value change on private investment funds will no longer be recognised in other comprehensive income but in profit or loss. Besides, the related fair value change of the private investment funds will have to be transferred from the investment revaluation reserves to retained profits on 1st January 2018.

On the other hand, the listed equity securities currently classified as available-for-sale financial assets measured at fair value will have to be reclassified as financial assets at FVPL or at FVOCI by irrevocable election by the management under HKFRS 9. There will be no significant impact to the Group's net assets and profit or loss if it is irrevocably elected to be measured at FVOCI except that the fair value change of the equity securities in investment revaluation reserves will no longer be transferred to profit or loss on disposal but instead reclassified directly to retained profits. Otherwise, the same impact as the private investment funds mentioned above will result.

However, the unlisted equity securities currently classified as available-for-sale financial assets at cost less impairment loss will have to be reclassified as financial assets at FVPL or at FVOCI by irrevocable election by the management under HKFRS 9. There will be an impact to the Group's net assets and profit or loss or other comprehensive income as a result of recognition of the fair value change of such equity securities under HKFRS 9.

3. FUTURE CHANGES IN HKFRSs *(Continued)*

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

Impairment

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

HKFRS 15: Revenue from Contracts with Customers

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction contracts* and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

The Directors preliminarily consider that the performance obligations that may be identified under HKFRS 15 are similar to the current identification of revenue components under the Group's existing revenue recognition policy developed under HKAS 18 and therefore, the adoption of HKFRS 15 in the future will have no significant impact on recognition of revenue. However, the application of HKFRS 15 in future may result in more disclosures.

3. FUTURE CHANGES IN HKFRSs *(Continued)*

HKFRS 16: Leases

HKFRS 16 significantly changes the lessee accounting by replacing the dual model under HKAS 17 with a single model which requires a lessee to recognise assets and liabilities for the rights and obligations created by leases unless the exemptions apply. Besides, among other changes, it requires enhanced disclosures to be provided by lessees and lessors. Based on the preliminary assessment, the management is of the opinion that the leases of certain properties by the Group which are currently classified as operating leases under HKAS 17 will trigger the recognition of right-of-use assets and lease liabilities in accordance with HKFRS 16. In subsequent measurement, depreciation (and, if applicable, impairment loss) and interest will be recognised on the right-of-use assets and the lease liabilities respectively, of which the amount in total for each reporting period is not expected to be significantly different from the periodic operating lease expenses recognised under HKAS 17. Apart from the effects as outlined above, it is not expected that HKFRS 16 will have a material impact on the future financial position, financial performance and cash flows of the Group upon adoption.

As set out in note 36, at 31st December 2017, the total future minimum lease payments under non-cancellable operating leases of the Group amounted to approximately HK$8,294,000. The management of the Company does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expenses on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities. The Group will also be required to re-measure the lease liabilities upon the occurrence of certain events such as a change in the lease term and recognise the amount of the re-measurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the consolidated statement of cash flows.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Fair value of private investment funds

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

Fair value of investment properties

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

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

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

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

Deferred tax liabilities

At the end of the reporting period, deferred tax liabilities of approximately HK$11,251,000 *(2016: approximately HK$10,386,000)* were provided for, in relation to the PRC land appreciation tax and enterprise income tax arising from revaluation of property, plant and equipment transferred to investment properties and revaluation of investment properties. No deferred tax liabilities in relation to the withholding tax on the distribution of retained profits of the PRC subsidiaries have been provided for as those profits are not to be remitted out of the PRC in foreseeable future. Further details are set out in note 14.

Allowance for inventories

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

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

Impairment in respect of trade and other receivables and loans receivable

The provisioning policy for impairment in respect of trade and other receivables and loans receivable of the Group is based on the evaluation by management of the collectability of the outstanding receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each debtor. If the financial conditions of these debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment will be required. At the end of the reporting period, the carrying amount of trade and other receivables and loans receivable after provision for impairment amounted to approximately HK$175,545,000 and HK$125,325,000 *(2016: approximately HK$146,268,000 and HK$223,589,000)* respectively.

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

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

Fair value of the debt component and embedded derivatives of convertible bonds

The fair values of the debt component and embedded derivatives of convertible bonds in the principal amount of HK$504,000,000 (the "Convertible Bonds") that are not traded in an active market are estimated by the Group based on the valuation performed by an independent valuer. The fair values of the debt component and the embedded derivatives of Convertible Bonds are determined on the issue date of Convertible Bonds and at the end of the reporting period (for the embedded derivatives) using Binomial Option Pricing Model with reference to unobservable market data. Imputed interest expenses on Convertible Bonds and fair value change on financial liabilities at fair value through profit or loss of approximately HK$64,288,000 and HK$5,336,000 respectively were recognised in the consolidated income statement for the year ended 31st December 2017. The carrying amount of the debt component and the embedded derivatives of Convertible Bonds as at 31st December 2017 were approximately HK$456,249,000 and HK$50,057,000 respectively. Further details are set out in note 30.

5. CAPITAL MANAGEMENT

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

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

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

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

Notes to the Consolidated Financial Statements

5. CAPITAL MANAGEMENT *(Continued)*

The gearing ratio as at 31st December 2017 and 2016 was as follows:

	Note	2017 HK$'000	2016 HK$'000
Current liabilities:			
Trade and other payables	26	**215,424**	130,178
Dividend payables		**31**	31
Bank and other loans	29	**632,867**	443,674
Convertible bonds	30	**456,249**	–
Financial liabilities at fair value through profit or loss	24	**50,057**	–
Income tax payable		**307**	1,443
		1,354,935	575,326
Non-current liabilities:			
Deferred tax liabilities	14	**11,251**	10,386
Total debt		**1,366,186**	585,712
Total equity		**2,415,579**	1,959,873
Gearing ratio		**56.6%**	29.9%

The higher gearing ratio of the Group as at 31st December 2017 was primarily resulted from more interest-bearing borrowings and issuance of convertible bonds to finance the Group's business development of the information home appliances and Internet Data Centre ("IDC"), the general working capital of the Group and possible strategic investments. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

6. FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group had a concentration of credit risk as 79.4% *(2016: 45.9%)* and 95.8% *(2016: 98.8%)* of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. The Group also had concentration of credit risk in respect of other receivables and loans receivable as 63.1% of total other receivables was due from two independent third parties *(2016: 72.8% of total other receivables was due from an independent third party and a related party)* and all loans receivable were due from an independent third party.

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

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

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

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk

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

The Group has unutilised bank borrowing facilities of approximately HK$952,001,000 *(2016: approximately HK$984,311,000)* at the end of the reporting period to meet the liquidity needs.

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

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

		2017			2016		
	Note	**Carrying amount HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Within one year or on demand HK$'000**	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000
Non-derivative financial liabilities							
Trade and other payables	26	**189,340**	**189,340**	**189,340**	110,793	110,793	110,793
Dividend payables		**31**	**31**	**31**	31	31	31
Bank and other loans	29	**632,867**	**632,867**	**632,867**	443,674	443,674	443,674
Convertible bonds	30	**456,249**	**519,079**	**519,079**	–	–	–
		1,278,487	**1,341,317**	**1,341,317**	554,498	554,498	554,498

Notes to the Consolidated Financial Statements

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

The amounts repayable under loan agreements that include a clause that gives lenders the unconditional right to call loans at any time are classified under the "within one year or on demand" bracket. In this regard, term loans of approximately HK$353,054,000 *(2016: approximately HK$320,174,000)* (note 29) at the end of the reporting period have been so classified even though the Directors do not expect that lenders would exercise their rights to demand repayment and thus these borrowings (including the aggregate principal and interest cash outflows) would be repaid according to the following schedule as set out in the loan agreements:

	2017 **HK$'000**	2016 HK$'000
Term loans, including interest, with a repayment on demand clause		
Within one year	**350,180**	17,807
More than one year but less than two years	**1,472**	307,593
More than two years but less than five years	**1,515**	2,482
Over five years	**1,882**	2,386
	355,049	330,268

(c) Interest rate risk

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

At the end of the reporting period, if interest rates had been 100 basis points higher or lower (but on condition that interest rate would not fall below zero) and all other variables were held constant, the Group's net profit would be increased by approximately HK$7,415,000 or HK$418,000 *(2016: increased by approximately HK$8,098,000 or decreased by approximately HK$1,960,000) respectively*.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until at the end of next annual reporting period. The analysis is performed on the same basis for 2016.

6. FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk

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

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

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

	Exposure to foreign currencies			
	2017		2016	
	GBP	**RMB**	GBP	RMB
	HK$'000	**HK$'000**	HK$'000	HK$'000
Trade and other receivables	**–**	**4,289**	–	2,599
Financial assets at fair value through profit or loss	**14,458**	**–**	22,355	–
Cash and bank balances	**–**	**361,472**	–	671,519
Trade and other payables	**–**	**(181)**	–	(764)
Net exposure	**14,458**	**365,580**	22,355	673,354

At the end of the reporting period, if GBP and RMB had been 9% *(2016: 17%)* and 7% *(2016: 6%)* respectively strengthened/weakened against HKD while all other variables were held constant, the Group's net profit would be increased/decreased by approximately HK$1,293,000 *(2016: approximately HK$3,710,000)* and HK$27,363,000 *(2016: approximately HK$43,604,000)* respectively.

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

6. FINANCIAL INSTRUMENTS *(Continued)*

(e) Price risk

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

Financial assets at fair value through profit or loss

At the end of the reporting period, if the quoted market price of equity securities had been 10% *(2016: 2%)* higher/lower while all other variables were held constant, the Group's net profit would be increased/decreased by approximately HK$25,711,000 *(2016: approximately HK$5,344,000)* due to change in the fair value of equity securities which were stated at fair value through profit or loss.

Available-for-sale financial assets

At the end of the reporting period, if the quoted market price of equity securities had been 10% *(2016: 10%)* higher/lower while all other variables were held constant, the Group's other comprehensive income would be increased/decreased by approximately HK$27,659,000 *(2016: other comprehensive loss would be decreased/ increased by approximately HK$37,898,000)*.

At the end of the reporting period, if the quoted market price of equity securities invested by private investment funds had been 1% *(2016: 1%)* higher/lower while all other variables were held constant, the Group's other comprehensive income would be increased/decreased by approximately HK$2,029,000 *(2016: other comprehensive loss would be decreased/increased by approximately HK$357,000)*.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to the exposure to price risk in existence at that date. It is also assumed that the fair values of the Group's investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the Group's securities investments would be considered impaired as a result of a reasonably possible decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables. The analysis is performed on the same basis for 2016.

Notes to the Consolidated Financial Statements

7. FAIR VALUE MEASUREMENTS

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

The following presents the assets/liabilities measured at fair value or required to disclose their fair value in these consolidated financial statements on a recurring basis at 31st December 2017 across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

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

Assets/(Liabilities) measured at fair value on a recurring basis

		2017			
	Note	**Carrying amount HK$'000**	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**
Investment properties	16	**585,131**	**–**	**130,650**	**454,481**
Available-for-sale financial assets	19	**801,217**	**276,590**	**275,486**	**249,141**
Financial assets at fair value through profit or loss	24	**743,463**	**566,267**	**177,196**	**–**
Financial liabilities at fair value through profit or loss	24	**(50,057)**	**–**	**–**	**(50,057)**

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

During the year ended 31st December 2017, a private investment fund classified as available-for-sale financial asset was transferred out from Level 3 to Level 2 fair value measurements, as a result of the listing of the underlying investment on the Exchange on 28th September 2017.

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

Notes to the Consolidated Financial Statements

7. FAIR VALUE MEASUREMENTS *(Continued)*

Valuation techniques and inputs in Level 2 fair value measurement

(a) *Investment properties*

The investment properties situated in the PRC and Hong Kong of approximately HK$130,650,000 were revalued by Roma Appraisals Limited, an independent professional qualified valuer, on the market value basis using direct comparison approach.

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

The fair value of three private investment funds mainly invested in listed equity securities and cryptocurrencies are valued based on the net asset value of each fund unit quoted by the investment managers based on quoted prices of the underlying investments i.e. listed equity securities in an active market and cryptocurrencies in trading platforms with insignificant adjustments.

(c) *Financial assets at fair value through profit or loss: Private investment funds*

The private investment funds with aggregate principal amounts of RMB48,700,000 (equivalent to approximately HK$58,261,000), which offer guaranteed annualised return of 5.9% and have maturity periods of six months, are issued by an investment company in the PRC. Their fair values are valued by the discounted cash flow of the funds up to their maturity.

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

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

7. FAIR VALUE MEASUREMENTS *(Continued)*

Movements in Level 3 fair value measurements

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

	Investment properties HK$'000	Available-for-sale financial assets HK$'000	Financial liabilities at fair value through profit or loss HK$'000
As at 1st January 2016	–	77,284	–
Net change in fair value recognised in			
– other comprehensive loss	–	(5,838)	–
As at 31st December 2016 and as at 1st January 2017	–	71,446	–
Purchases	451,034	199,500	(55,393)
Exchange realignment	6,218	–	–
Net change in fair value recognised in			
– profit or loss	(2,771)	–	5,336
– other comprehensive income	–	52,923	–
Transferred to Level 2	–	(74,728)	–
As at 31st December 2017	**454,481**	**249,141**	**(50,057)**

Valuation techniques and inputs in Level 3 fair value measurement

(a) *Investment properties*

The investment property situated in the United States of approximately HK$106,314,000 was revalued by Vigers Appraisal & Consulting Limited ("Vigers"), an independent professional qualified valuer, on the market value basis using direct comparison approach with unobservable inputs.

As at 31st December 2017, if the market condition of price per square foot had been 1% higher/lower while all other variables were held constant, the Group's net profit would be increased by approximately HK$1,248,000 or decreased by approximately HK$1,872,000 respectively *(2016: HK$Nil)*.

The investment property situated in the PRC of approximately HK$348,167,000 was revalued by Vigers on the market value basis of capitalisation of net rental income derived from the existing tenancy with allowance for the reversionary income potential. The significant unobservable input used is the capitalisation rate ranging from 6.0% to 6.5%.

As at 31st December 2017, if the capitalisation rate had been 1% higher/lower while all other variables were held constant, the Group's net profit would be decreased by approximately HK$40,859,000 or increased by approximately HK$49,861,000 respectively *(2016: HK$Nil)*.

7. FAIR VALUE MEASUREMENTS *(Continued)*

Valuation techniques and inputs in Level 3 fair value measurement *(Continued)*

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

The fair value of the private investment fund in level 3 is based on the net asset value of the fund unit quoted by the investment manager based on the fair value of the underlying investment i.e. unlisted convertible bonds which are valued by an independent professional qualified valuer with appropriate qualification and experience in the valuation of similar financial instrument. The fair value of the unlisted convertible bonds are determined at the date of issue of convertible bonds and at the end of the reporting period using Binomial Option Pricing Model. The significant unobservable input used in the fair value measurement is the expected volatility ranging from 35% to 40%.

As at 31st December 2017, if the expected volatility had been 5% higher/lower while all other variables were held constant, the Group's other comprehensive income would remain unchanged. Since the convertible bonds have an embedded call feature which could effectively trigger the conversion immediately, any future volatility would have no significant effect on the value of the derivative component of the convertible bonds.

(c) *Financial liabilities at fair value through profit or loss: Derivative component in convertible bonds*

The fair value of the derivative component in convertible bonds classified in Level 3 was valued by Vigers using Binomial Option Pricing Model at the date of issue of convertible bonds and at the end of the reporting period. The significant unobservable input used in the fair value measurement is the expected volatility ranging from 51% to 73%.

As at 31st December 2017, if the expected volatility had been 5% higher/lower while all other variables were held constant, the Group's net profit would be increased by approximately HK$2,605,000 or decreased by approximately HK$3,179,000 respectively *(2016: HK$Nil)*.

8. SEGMENT INFORMATION

As at 31st December 2016, the major operating segments of the Group were information home appliances, investing, leasing and other operations. Because of the increasing importance of the leasing out of properties used as IDC to the Group's total revenue and assets during the year ended 31st December 2017, management has decided to segregate the IDC segment from the other operations. Certain comparative figures of the segment information have been restated to conform with current year's presentation.

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

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

The leasing segment comprises leasing out of properties.

The IDC segment comprises construction, operation and leasing out of properties used as IDC.

Other operations segment of the Group mainly comprises trading of miscellaneous materials.

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

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

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

8. SEGMENT INFORMATION *(Continued)*

Business segments

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

For the year ended 31st December 2017

	Information home appliances HK$'000	Investing HK$'000	Leasing HK$'000	IDC HK$'000	Other operations HK$'000	Elimination HK$'000	Consolidated HK$'000
REVENUE							
External sales	602,581	–	–	–	291	–	602,872
Inter-segment sales	–	–	–	–	–	–	–
OTHER REVENUE AND NET INCOME	(2,128)	248,816	8,571	9,238	217	(2,154)	262,560
NET CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES	–	–	4,694	(2,771)	–	–	1,923
Segment revenue	600,453	248,816	13,265	6,467	508	(2,154)	867,355
RESULTS							
Segment results	(40,678)	236,436	7,150	(7,478)	(1,012)	–	194,418
Unallocated corporate income							10,345
Interest income from bank deposits							5,910
Gain on disposal of a subsidiary							9,868
Other unallocated corporate expenses							(50,460)
							170,081
Finance costs							(76,341)
Profit before tax							93,740
Income tax credit							452
Profit for the year							94,192

8. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

As at 31st December 2017

	Information home appliances HK$'000	Investing HK$'000	Leasing HK$'000	IDC HK$'000	Other operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
ASSETS							
Segment assets	338,800	2,617,331	142,677	469,478	596	–	3,568,882
Unallocated corporate assets						212,883	212,883
Consolidated total assets							3,781,765
LIABILITIES							
Segment liabilities	205,971	607,893	18,290	18,258	1,585	–	851,997
Unallocated corporate liabilities						514,189	514,189
Consolidated total liabilities							1,366,186
OTHER INFORMATION							
Capital expenditures	1,027	–	–	1,079	–	58	2,164
Depreciation and amortisation	4,693	–	199	352	26	1,582	6,852
Write-down/(Write-back) of inventories	1,923	–	–	–	(159)	–	1,764
Foreign exchange losses/(gains), net	6,408	(26,314)	–	(4)	–	(1,346)	(21,256)
Operating lease charges on premises	3,100	696	–	–	203	7,507	11,506
Bad debts	–	–	–	–	9	–	9
Write off of impairment loss on trade receivables	–	–	–	–	17	–	17
Reversal of impairment loss on trade and other receivables	–	–	–	–	(12)	–	(12)

8. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

For the year ended 31st December 2016 (Restated)

	Information home appliances HK$'000	Investing HK$'000	Leasing HK$'000	IDC HK$'000	Other operations HK$'000	Elimination HK$'000	Consolidated HK$'000
REVENUE							
External sales	687,362	–	–	–	516	–	687,878
Inter-segment sales	–	–	–	–	1,587	(1,587)	–
OTHER REVENUE AND NET INCOME	10,152	142,854	9,529	–	111	(2,465)	160,181
NET CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES	–	–	(465)	–	–	–	(465)
Segment revenue	697,514	142,854	9,064	–	2,214	(4,052)	847,594
RESULTS							
Segment results	31,973	88,905	2,635	(8,315)	(3,901)	–	111,297
Unallocated corporate income							234
Interest income from bank deposits							2,348
Other unallocated corporate expenses							(50,893)
							62,986
Finance costs							(10,344)
Profit before tax							52,642
Income tax credit							1,337
Profit for the year							53,979

8. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

As at 31st December 2016 (Restated)

	Information home appliances HK$'000	Investing HK$'000	Leasing HK$'000	IDC HK$'000	Other operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
ASSETS							
Segment assets	268,996	2,047,861	123,247	1,975	1,760	–	2,443,839
Unallocated corporate assets						101,746	101,746
Consolidated total assets							2,545,585
LIABILITIES							
Segment liabilities	116,085	437,636	18,318	208	1,789	–	574,036
Unallocated corporate liabilities						11,676	11,676
Consolidated total liabilities							585,712
OTHER INFORMATION							
Capital expenditures	4,242	–	–	–	785	2,272	7,299
Depreciation and amortisation	4,498	–	179	–	402	1,387	6,466
Write-down of inventories	1,485	–	–	–	111	–	1,596
Foreign exchange (gains)/losses, net	(5,620)	42,699	–	–	–	648	37,727
Operating lease charges on premises	2,868	648	–	–	624	4,192	8,332
Impairment loss on other receivables	–	–	–	–	–	50	50
Reversal of impairment loss on trade and other receivables	–	–	–	–	(111)	–	(111)

Geographical information

The Group operates in the following principal geographical areas: the PRC, Hong Kong, Australia, the United States and other overseas markets in both 2017 and 2016.

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

Notes to the Consolidated Financial Statements

8. SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

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

	Revenue from external customers		Non-current assets	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**35,565**	120,653	**458,704**	107,100
Hong Kong	**166,599**	176,851	**65,804**	59,424
Australia	**365,467**	362,126	**–**	–
The United States	**–**	–	**106,314**	–
Other overseas markets	**35,241**	28,248	**–**	–
	602,872	687,878	**630,822**	166,524

(b) *Other revenue and net income*

	For the year ended 31st December 2017					
	Information home appliances	**Investing**	**Leasing**	**IDC**	**Other operations**	**Consolidated**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
The PRC	**(3,021)**	**29,982**	**4,522**	**9,238**	**217**	**40,938**
Hong Kong	**893**	**218,834**	**1,895**	**–**	**–**	**221,622**
	(2,128)	**248,816**	**6,417**	**9,238**	**217**	**262,560**

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

8. SEGMENT INFORMATION *(Continued)*

Information about major customers

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

	2017 HK$'000	2016 HK$'000
Customer A	**365,467**	362,126
Customer B	**154,581**	150,838
Customer C*	**–**	116,881
	520,048	629,845

* The total revenue from Customer C was less than 10% during the current reporting period.

9. OTHER REVENUE AND NET INCOME

	2017 HK$'000	2016 HK$'000
Other revenue		
Dividend income from listed securities	**9,863**	7,621
Interest income from bank deposits	**5,910**	2,348
Interest income from loans receivable	**8,827**	–
Imputed interest income from investment in an insurance contract	**171**	159
Rental income from investment properties	**15,586**	7,064
	40,357	17,192
Other net income		
Foreign exchange gain, net	**21,256**	–
Net unrealised gains/(losses) on financial assets at fair value through profit or loss		
– held for trading	**12,082**	(18,860)
– designated upon initial recognition	**304**	2
Net gains/(losses) on disposal of financial assets at fair value through profit or loss		
– held for trading	**29,333**	(13,164)
– designated upon initial recognition	**1,993**	8,831
– derivative financial instrument	**–**	575
Net fair value change on financial liabilities at fair value through profit or loss	**5,336**	–
Gain on disposal of available-for-sale financial assets	**164,087**	157,947
Gain on disposal of a subsidiary *(note 28)*	**9,868**	–
Reversal of impairment loss on trade and other receivables	**12**	111
Software development income	**1,349**	6,215
Sundry income	**2,706**	3,914
	248,326	145,571
	288,683	162,763

Notes to the Consolidated Financial Statements

10. PROFIT FROM OPERATIONS

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

	2017 HK$'000	2016 HK$'000
Auditor's remuneration	**1,500**	1,320
Bad debts	**9**	–
Impairment loss on investment in an insurance contract due to early redemption	**2,882**	–
Impairment loss on other receivables	**–**	50
Amortisation of prepaid lease payments	**357**	361
Depreciation of property, plant and equipment	**6,495**	6,105
Cost of inventories	**537,397**	537,448
Foreign exchange (gains)/losses, net	**(21,256)**	37,727
Loss on disposal of property, plant and equipment	**122**	411
Reversal of impairment loss on trade and other receivables	**(12)**	(111)
Write-down of inventories, net	**1,764**	1,596
Direct outgoings from leasing of investment properties	**5**	5
Operating lease charges on premises	**11,506**	8,332
Research and development costs	**86**	26
Share-based compensation expenses to suppliers and other eligible participants	**–**	1,043
Staff costs (including Directors' and chief executive's emoluments *(note 11)*):		
Salaries and allowances	**86,921**	94,048
Share-based compensation expenses of share option scheme	**–**	13,690
Retirement benefits scheme contributions	**6,652**	6,571
Total staff costs	**93,573**	114,309

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the ten *(2016: eleven)* Directors and the chief executive of the Company were as follows:

		Qualifying services					
			Other services in connection with the management of the affairs				
Name of Director and chief executive	Note	Directors' fee HK$'000	Salaries, allowances and other benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefits scheme contributions HK$'000	Share option benefit HK$'000	Total HK$'000
Executive Directors							
Mr. Zhu Weisha	(a)	–	–	–	–	–	–
Mr. Li Qiang		–	**1,175**	**1,000**	**29**	–	**2,204**
Mr. Gao Fei	(b),(e)	–	**1,175**	**1,100**	**29**	–	**2,304**
Mr. Shi Guangrong		–	**1,754**	**280**	**155**	–	**2,189**
Mr. Zhu Jiang		–	**1,296**	**143**	**62**	–	**1,501**
Independent Non-Executive Directors							
Ms. Shen Yan		**100**	–	–	–	–	**100**
Mr. Zhong Pengrong		**100**	–	–	–	–	**100**
Mr. Wu Jiajun	(c)	**71**	–	–	–	–	**71**
Mr. Li Menggang	(d)	**29**	–	–	–	–	**29**
Chief Executive Officer							
Mr. Kevin Choo	(b)	–	**7,101**	**3,040**	**126**	–	**10,267**
Total for 2017		**300**	**12,501**	**5,563**	**401**	–	**18,765**
Executive Directors							
Mr. Zhu Weisha		–	1,800	–	15	228	2,043
Mr. Chen Furong		–	418	–	8	95	521
Mr. Li Qiang		–	281	–	–	–	281
Mr. Gao Fei		–	267	–	–	–	267
Mr. Kevin Choo		–	5,146	–	10	682	5,838
Mr. Shi Guangrong		–	1,621	–	123	967	2,711
Mr. Wang Anzhong		–	544	–	64	188	796
Mr. Zhu Jiang		–	1,185	–	61	1,011	2,257
Independent Non-Executive Directors							
Ms. Shen Yan		100	–	–	–	127	227
Mr. Zhong Pengrong		100	–	–	–	127	227
Mr. Wu Jiajun		100	–	–	–	127	227
Chief Executive Officer							
Mr. Kevin Choo		–	6,115	390	8	641	7,154
Total for 2016		300	17,377	390	289	4,193	22,549

Notes:

(a) During the year, Mr. Zhu Weisha waived emoluments of approximately HK$406,000 *(2016: HK$360,000)*. None of other Directors has waived any emoluments during the years ended 31st December 2017 and 2016. Mr. Zhu Weisha retired on 8th March 2017.

(b) Mr. Kevin Choo resigned and Mr. Gao Fei was appointed on 15th December 2017 as the chief executive officer of the Company.

(c) Mr. Wu Jiajun resigned on 15th September 2017.

(d) Mr. Li Menggang was appointed on 15th September 2017.

(e) No emoluments were paid to Mr. Gao Fei as the chief executive officer of the Company for the year ended 31st December 2017.

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

During the years ended 31st December 2017 and 2016, no emolument was paid by the Group to any Director as an inducement to join or upon joining the Group or as compensation for loss of office.

There were no loans, quasi-loans or other dealings in favour of the Directors that were entered into or subsisted during the years ended 31st December 2017 and 2016.

The Directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a Director or a connected entity of the Director had a material interest, whether directly or indirectly, subsisted at the end of the reporting periods or at any time during the years ended 31st December 2017 and 2016.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, three *(2016: four*)* Directors are included in the five highest paid individuals of the Group. Details of Directors' and chief executive's emoluments are set out in note 11 above. The emoluments of the remaining two *(2016: one)* highest paid individuals, who are employees of the Group, are as follows:

	2017 **HK$'000**	2016 HK$'000
Basic salaries, allowances and other benefits in kind	**9,184**	1,560
Discretionary bonus	**3,190**	–
Retirement benefits scheme contributions	**175**	18
Share option benefit	**–**	163
	12,549	1,741

The emoluments of the above two *(2016: one)* highest paid individual fell within the following bands:

	2017 **Number of individuals**	2016 Number of individuals
HK$1,500,001 – HK$2,000,000	**–**	1
HK$2,000,001 – HK$2,500,000	**1**	–
HK$10,000,001 – HK$10,500,000	**1**	–
	2	1

During the years ended 31st December 2017 and 2016, no emolument was paid by the Group to any of the above two *(2016: one)* highest paid individual as an inducement to join or upon joining the Group or as compensation for loss of office.

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

13. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Borrowing costs for bank and other loans	**12,053**	10,344
Imputed interest expenses on convertible bonds	**64,288**	–
	76,341	10,344

14. INCOME TAX CREDIT

The taxation credited to profit or loss represents:

	2017 HK$'000	2016 HK$'000
Current tax		
PRC enterprise income tax		
Current year	**565**	2,054
Overprovision in prior year	**–**	(865)
	565	1,189
Deferred taxation		
Origination and reversal of temporary differences	**(1,017)**	(2,526)
	(1,017)	(2,526)
Credit for the year	**(452)**	(1,337)

For the years ended 31st December 2017 and 2016, Hong Kong Profits Tax has not been provided as the Group did not have any assessable profit from Hong Kong.

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

A subsidiary incorporated in Hong Kong was subject to the PRC enterprise income tax rate of 10% on the PRC sourced gains derived by RMB Qualified Foreign Institutional Investors ("RQFII") from realised gain on investment in money market funds. PRC enterprise income tax on gains derived by RQFII of approximately HK$306,000 was provided for the year ended 31st December 2016. No such PRC sourced income was generated by the Hong Kong subsidiary for the year ended 31st December 2017.

The Group has investment properties situated in the PRC, the United States and Hong Kong which are stated at fair value. Deferred taxes are recognised on changes in fair value of investment properties in the PRC taking into account the PRC land appreciation tax and enterprise income tax payable upon sales of those investment properties. No deferred taxes are recognised on changes in fair value of investment properties in Hong Kong and the United States as the investment properties in Hong Kong are not subject to any income taxes on changes in fair value of investment properties upon sales whereas the deferred tax on change in fair value of investment properties in the United States was not significant at the end of the reporting period.

Notes to the Consolidated Financial Statements

14. INCOME TAX CREDIT *(Continued)*

Reconciliation of tax credit

	2017 HK$'000	2016 HK$'000
Profit before tax	**93,740**	52,642
Tax at a weighted average rate of 16.55% *(2016: 16.17%)* applicable to the jurisdictions concerned	**15,517**	8,511
Tax effect of non-deductible expenses	**24,967**	18,401
Tax effect of non-taxable income	**(49,379)**	(32,802)
Tax effect of utilisation of tax losses not previously recognised	**(478)**	(1,876)
Tax effect of unrecognised tax losses and temporary differences	**8,921**	6,584
Tax effect of overprovision in prior year	**–**	(865)
Withholding tax on gains derived under RQFII programme	**–**	306
Others	**–**	404
Tax credit for the year	**(452)**	(1,337)

Recognised deferred tax assets and liabilities

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

	2017 HK$'000	2016 HK$'000
At beginning of year	**10,386**	12,663
Exchange realignment	**692**	(694)
Credit to profit or loss	**(1,017)**	(2,526)
Charge to other comprehensive income/(loss)	**1,190**	943
At the end of the reporting period	**11,251**	10,386

	Assets		**Liabilities**	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Revaluation of property, plant and equipment upon transfer to investment properties	**–**	–	**(1,190)**	(943)
Revaluation of investment properties	**–**	–	**(10,061)**	(9,443)
Depreciation allowances	**–**	–	**(231)**	(427)
Tax losses	**231**	427	**–**	–
Deferred tax assets/(liabilities)	**231**	427	**(11,482)**	(10,813)
Offsetting	**(231)**	(427)	**231**	427
Net deferred tax assets/(liabilities)	**–**	–	**(11,251)**	(10,386)

14. INCOME TAX CREDIT *(Continued)*

Unrecognised deferred tax assets arising from

	2017 HK$'000	2016 HK$'000
Deductible temporary differences	**15,929**	4,792
Tax losses	**416,609**	233,055
	432,538	237,847

As at 31st December 2017, the Group had unrecognised deferred tax assets of approximately HK$78,304,000 *(2016: approximately HK$39,587,000)* in respect of the tax losses and other temporary differences. As it is not probable that future taxable profits will be available against which the deductible temporary differences and the unused tax losses of the Group can be utilised, deferred tax assets have not been recognised. The deductible temporary differences do not expire under the current tax legislation.

The expiry of unrecognised tax losses are as follows:

	2017 HK$'000	2016 HK$'000
Tax losses without expiry date	**249,876**	215,217
Tax losses expiring on 31st December 2022	**23,332**	–
Tax losses expiring on 31st December 2021	**26,931**	5,258
Tax losses expiring on 31st December 2020	**49,187**	8,972
Tax losses expiring on 31st December 2019	**58,258**	734
Tax losses expiring on 31st December 2018	**9,025**	2,772
Tax losses expiring on 31st December 2017	**–**	102
	416,609	233,055

The profits earned by PRC subsidiaries from 1st January 2008 onwards would be subject to withholding tax if they are distributed. In the opinion of the Directors, all undistributed profits are expected to be retained in the PRC subsidiaries and not to be remitted out of the PRC in the foreseeable future. Accordingly, no provision for deferred tax has been made. As at 31st December 2017, retained profits earned by PRC subsidiaries amounted to approximately HK$38,317,000 *(2016: approximately HK$38,040,000)*

Notes to the Consolidated Financial Statements

15. EARNINGS PER SHARE

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

	2017 HK$'000	2016 HK$'000
Profit attributable to owners of the Company	**94,192**	54,016

	2017 '000	2016 '000
Issued ordinary shares at 1st January	**1,803,089**	1,801,429
Effect of share options exercised	**–**	812
Weighted average number of ordinary shares for basic earnings per share	**1,803,089**	1,802,241
Effects of dilutive potential ordinary shares:		
Exercise of share options	**N/A**	3,967
Weighted average number of ordinary shares for diluted earnings per share	**1,803,089**	1,806,208
	HK$	HK$
Earnings per share:		
– Basic	**0.05**	0.03
– Diluted *(Note)*	**0.05**	0.03

Note:

Diluted earnings per share is the same as the basic earnings per share for the year ended 31st December 2017 because the potential ordinary shares arising from the outstanding share options under the Company's share option scheme and the conversion of convertible bonds outstanding have an anti-dilutive effect on the basic earnings per share for the year.

16. INVESTMENT PROPERTIES

	2017 HK$'000	2016 HK$'000
At fair value		
At beginning of the reporting period	**114,226**	114,109
Additions	**109,200**	–
Additions – acquisition of subsidiaries *(note 27)*	**341,834**	–
Transfer from property, plant and equipment	**7,592**	4,406
Exchange realignment	**10,356**	(3,824)
Net changes in fair value	**1,923**	(465)
At the end of the reporting period	**585,131**	114,226

As at 31st December 2017, the carrying amounts of the investment properties held under medium-term leases and situated in the PRC and Hong Kong were approximately HK$417,817,000 *(2016: approximately HK$60,226,000)* and HK$61,000,000 *(2016: HK$54,000,000)* respectively.

As at 31st December 2017, the carrying amount of the freehold investment properties in the United States was approximately HK$106,314,000 *(2016: HK$Nil)*.

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

Notes to the Consolidated Financial Statements

17. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Buildings held for own use HK$'000	Leasehold property HK$'000	Leasehold improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
Reconciliation of carrying amounts – year ended 31st December 2016								
At beginning of the reporting period	–	21,931	2,336	6,346	2,455	10,543	2,072	45,683
Additions	–	–	–	1,255	3,435	664	1,945	7,299
Disposals	–	–	–	–	(41)	(413)	–	(454)
Depreciation	–	(1,040)	(99)	(958)	(1,489)	(1,429)	(1,090)	(6,105)
Exchange realignment	–	(1,345)	–	(363)	(94)	(606)	(17)	(2,425)
Revaluation upon transfer to investment properties	–	2,184	–	–	–	–	–	2,184
Transfer to investment properties	–	(4,406)	–	–	–	–	–	(4,406)
At the end of the reporting period	–	17,324	2,237	6,280	4,266	8,759	2,910	41,776
Reconciliation of carrying amounts – year ended 31st December 2017								
At beginning of the reporting period	–	17,324	2,237	6,280	4,266	8,759	2,910	41,776
Additions	1,055	–	–	564	545	–	–	2,164
Disposals	–	–	–	–	(89)	(47)	(55)	(191)
Depreciation	–	(913)	(99)	(1,071)	(1,753)	(1,351)	(1,308)	(6,495)
Exchange realignment	–	1,181	–	385	208	565	39	2,378
Revaluation upon transfer to investment properties	–	2,761	–	–	–	–	–	2,761
Transfer to investment properties	–	(7,592)	–	–	–	–	–	(7,592)
At the end of the reporting period	**1,055**	**12,761**	**2,138**	**6,158**	**3,177**	**7,926**	**1,586**	**34,801**
As at 1st January 2017								
Cost	–	27,935	2,972	22,427	13,986	42,174	4,510	114,004
Accumulated depreciation and impairment losses	–	(10,611)	(735)	(16,147)	(9,720)	(33,415)	(1,600)	(72,228)
	–	17,324	2,237	6,280	4,266	8,759	2,910	41,776
As at 31st December 2017								
Cost	1,055	22,437	2,972	24,510	14,467	44,079	4,477	113,997
Accumulated depreciation and impairment losses	–	(9,676)	(834)	(18,352)	(11,290)	(36,153)	(2,891)	(79,196)
	1,055	**12,761**	**2,138**	**6,158**	**3,177**	**7,926**	**1,586**	**34,801**

Notes to the Consolidated Financial Statements

18. PREPAID LEASE PAYMENTS

Prepaid lease payments represent cost paid for medium-term leasehold land in the PRC. The cost is amortised over the leasehold period. The amount to be amortised more than twelve months after the end of the reporting period amounted to approximately HK$10,890,000 *(2016: approximately HK$10,522,000)*. The amount to be amortised within the next twelve months after the end of the reporting period of approximately HK$370,000 *(2016: approximately HK$346,000)* is presented under current assets.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Note	**2017 HK$'000**	2016 HK$'000
At fair value:			
Equity securities listed in Hong Kong	(a)	**276,590**	388,000
Private investment funds	(b)	**524,627**	107,165
		801,217	495,165
At cost:			
Unlisted equity securities outside Hong Kong	(c)	**78,000**	78,000
Total available-for-sale financial assets		**879,217**	573,165
Current portion		**74,555**	–
Non-current portion		**804,662**	573,165

Notes:

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

(b) Included in the private investment funds were four private investment funds, two of which invested in listed equity securities with carrying amount of approximately HK$176,236,000. The remaining two private investment funds, one of which invested in unlisted convertible bonds issued by a listed company in Hong Kong with carrying amount of approximately HK$249,141,000 and another one invested in cryptocurrencies and unlisted equity investment with carrying amount of approximately HK$99,250,000 as at 31st December 2017.

As at 31st December 2016, included in the private investment funds were two private investment funds, one of which invested in listed equity securities with carrying amount of approximately HK$35,719,000 whilst another invested in unlisted equity securities with carrying amount of approximately HK$71,446,000.

The valuation techniques and inputs applied for fair value measurement of these private investment funds are disclosed in note 7.

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

20. INVESTMENT IN AN INSURANCE CONTRACT

	2017 HK$'000	2016 HK$'000
Other receivable	**8,467**	9,805
Derivative financial instrument	**–**	1,373
	8,467	11,178

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

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

The Company invested in an insurance contract with one-off premium of USD1,408,000 (equivalent to approximately HK$10,920,000) under the name of Mr. Choo, with Mr. Choo as the sole beneficiary and no expiry date during the year ended 31st December 2015 accordingly. Although Mr. Choo is the sole beneficiary of the insurance contract but in substance, the Company has control over the redemption of the insurance contract except when the clause of unsettlement of Mr. Choo's employment package under the service agreement is triggered. As the insurance contract had been decided by the management to be held for long-term purpose, the cost of insurance premium was recognised as financial asset under non-current assets in the consolidated statement of financial position as at 31st December 2016.

Notes to the Consolidated Financial Statements

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

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

As a result, the guaranteed return was discounted at risk-free rate on amortised cost basis until the expected redemption date of the insurance contract. As at 31st December 2016, other receivable under the investment in an insurance contract with carrying amount of approximately HK$9,805,000 was recognised in the consolidated statement of financial position with respective imputed interest income of approximately HK$159,000 recognised in the consolidated income statement for the year then ended.

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

Mr. Choo resigned as chief executive officer on 15th December 2017. Since the Company had fulfilled its payment obligation in full upon the resignation of Mr. Choo, it was entitled to exercise control over the redemption of the insurance contract.

After the resignation of Mr. Choo, the management decided to early redeem the insurance contract and use the redeemed fund for other investment opportunities. The redemption was completed in January 2018.

As a result, other receivable and the derivative financial instrument under the investment in insurance contract were written down to its estimated recoverable amount of approximately HK$8,467,000 and HK$Nil respectively and were reclassified as current assets in the consolidated statement of financial position as at 31st December 2017. This resulted in recognition of write off of other receivable of approximately HK$2,882,000 in the consolidated income statement for the year ended 31st December 2017. The imputed interest income in respect of the other receivable of approximately of HK$171,000 was recognised in the consolidated income statement for the year ended 31st December 2017.

21. INVENTORIES

	2017 **HK$'000**	2016 HK$'000
Raw materials	**58,581**	31,123
Work-in-progress	**18,187**	7,057
Finished goods	**5,229**	13,032
	81,997	51,212

Notes to the Consolidated Financial Statements

22. LOANS RECEIVABLE

(a) *Loan receivable from Shanghai Ying Hong Investment Management Company Limited**

As at 31st December 2016, loan receivable represented advances to Shanghai Ying Hong Investment Management Company Limited* (上海鷹虹投資管理有限公司) ("Ying Hong"), an independent third party.

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

On 21st December 2016, Ying Hong drew RMB200,000,000 (equivalent to approximately HK$223,589,000) loan from Lasaruida. As at 31st December 2016, the RMB200 million Loan was recognised as loan receivable under current assets.

On 22nd February 2017, Ying Hong issued an early repayment notice to Lasaruida in which Ying Hong proposed to make an early repayment of the RMB200 million Loan and the relevant interest expenses calculated up to 23rd February 2017. On 23rd February 2017, Ying Hong repaid the principal amount of RMB200,000,000 (equivalent to approximately HK$223,589,000) and interest expenses of approximately RMB2,889,000 (equivalent to approximately HK$3,230,000) to Lasaruida.

(b) *Loans receivable from Xiang Jiang Technology Co., Limited**

As at 31st December 2017, loans receivable represented advances to Xiang Jiang Technology Co., Limited* (香江科技股份有限公司), an independent third party (the "Borrower").

On 17th May 2017, Lasaruida and Beijing E'rich Investment Management Co., Ltd* (北京裕睿投資管理有限公司) ("E'rich"), indirect wholly-owned subsidiaries of the Company, and the Borrower entered into loans agreements (the "Loans Agreements") pursuant to which Lasaruida and E'rich agreed to grant loans in the principal amount of up to RMB100,000,000 (equivalent to approximately HK$119,632,000) (the "Loans") to the Borrower as additional fund for its general working capital requirement. The Loans are interest-bearing at 8% per annum and repayable in one year from the dates of the first drawdowns. According to the loan agreement entered by the Borrower and E'rich, the drawdown date was 17th May 2017 and the drawdown amount was RMB50,000,000. According to the loan agreement entered by the Borrower and Lasaruida, the drawdown dates were 17th May 2017 and 19th June 2017 and the drawdown amounts were RMB5,000,000 and RMB45,000,000 respectively. According to the Loans Agreements, the Borrower can choose to repay the Loans before the repayment date and the major shareholder of the Borrower has provided personal guarantee for the Loans. At the end of the reporting period, the Loans of approximately HK$119,632,000 and the accrued interest receivables of approximately HK$5,693,000 were recognised as loans receivable under current assets. Details of the Loans to the Borrower were disclosed in the Company's announcement dated 17th May 2017.

Notes to the Consolidated Financial Statements

23. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**130,499**	91,070
Less: Impairment loss in respect of trade receivables	**(2,442)**	(2,374)
	128,057	88,696
Other receivables, net of impairment loss	**8,249**	5,384
Amount due from a related company	**–**	31,225
Prepayments and deposits	**39,239**	20,963
Total trade and other receivables	**175,545**	146,268
Less: Balance due within one year included in current assets	**(175,545)**	(143,669)
Non-current portion	**–**	2,599

As at 31st December 2016, the amount due from a related company of approximately RMB27,930,000 (equivalent to approximately HK$31,225,000) was related to a potential equity investment by way of subscription for additional registered capital of a PRC unlisted company, in which a Director has indirect beneficial interest.

The related company was under restructuring for its plan of initial public offer in the PRC, which took longer than initially expected by the management. The management therefore sought to withdraw from this investment opportunity so that the amount returned could be utilised for other investment opportunities.

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

23. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group grants its trade customers an average credit period from 30 days to 18 months *(2016: 30 days to 18 months)*. The ageing analysis of trade receivables (net of impairment loss) by invoice date at the end of the reporting period is as follows:

	2017 **HK$'000**	2016 HK$'000
0-30 days	**90,176**	34,772
31-60 days	**31,422**	38,433
61-90 days	**525**	8,429
Over 90 days	**5,934**	7,062
	128,057	88,696

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

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

	2017 **HK$'000**	2016 HK$'000
At beginning of the reporting period	**2,374**	2,458
Reversal of impairment loss	**(2)**	–
Write-off	**(17)**	–
Exchange realignment	**87**	(84)
At the end of the reporting period	**2,442**	2,374

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

	2017 **HK$'000**	2016 HK$'000
At beginning of the reporting period	**16,779**	18,027
Reversal of impairment loss	**(10)**	(111)
Impairment loss	**–**	50
Write-off	**–**	(50)
Exchange realignment	**1,176**	(1,137)
At the end of the reporting period	**17,945**	16,779

Notes to the Consolidated Financial Statements

23. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**116,610**	81,620
Less than 3 months past due	**9,309**	6,647
3 months to 6 months past due	**475**	88
6 months to 9 months past due	**–**	1
Past due over 9 months	**1,663**	340
Past due but not impaired	**11,447**	7,076
	128,057	88,696

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

24. FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

		2017		2016	
	Note	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000
Held for trading investments:					
Equity securities listed in Hong Kong	(a)	**112,512**	**–**	206,259	–
Equity securities listed outside Hong Kong	(a)	**144,597**	**–**	60,932	–
Private investment funds	(c)	**59,946**	**–**	–	–
Unlisted debt securities	(d)	**117,250**	**–**	39,074	–
		434,305	**–**	306,265	–
Designated upon initial recognition:					
Money market funds	(a),(b)	**309,158**	**–**	125,927	–
		309,158	**–**	125,927	–
Derivative financial instruments:					
Early redemption option	30	**–**	**(50,057)**	–	–
		–	**(50,057)**	–	–
At the end of the reporting period		**743,463**	**(50,057)**	432,192	–

Notes:

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

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

(c) The investment in private investment funds are short-term investments with aggregate principal amounts of RMB48,700,000 (equivalent to approximately HK$58,261,000), which offer guaranteed annualised return of 5.9% and have maturity periods of six months, are issued by an investment company in the PRC.

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

Notes to the Consolidated Financial Statements

25. INVESTMENT PORTFOLIO

The Group discloses its ten largest investments, including individual investments with value exceeding 5% of the Group's total assets, as at 31st December 2017 and 2016 with brief description of the investee companies as follows:

As at 31st December 2017

Stock code	Name of investee company	Note	Number of shares held	Effective shareholding interest	Acquisition cost HK$'000	Carrying amount HK$'000	Accumulated unrealised holding gain/ (loss) arising on revaluation HK$'000	Dividend received/ receivable HK$'000	Classification of financial assets
	Listed equity securities								
2318	Ping An Insurance (Group) Company of China Ltd. (H shares)		4,000,000	0.05%	163,816	325,400	161,584	9,863	Available-for-sale financial assets/Financial assets at fair value through profit or loss
002199	Zhejiang East Crystal Electronic Co.,Ltd.		3,392,414	1.39%	70,738	62,296	(8,442)	–	Financial assets at fair value through profit or loss
	Unlisted debt securities								
	US Treasury Enhanced Yield Fiduciary Notes	(i)	N/A	N/A	117,000	117,250	250	–	Financial assets at fair value through profit or loss
	Money market funds								
	China Minsheng Bank Corp., Ltd	(ii)	N/A	N/A	281,732	282,048	316	–	Financial assets at fair value through profit or loss
	Private investment funds								
	Avalon Global Fixed Income Fund LP ("Avalon Fund")	(iii)	N/A	N/A	199,500	249,141	49,641	–	Available-for-sale financial assets
	Ciccjiazi Holdings Limited	(iv)	1,552,700	4.97%	78,000	101,681	23,681	–	Available-for-sale financial assets
	iSun Global Restructuring-led Partnership Fund I LP ("iSun Fund")	(v)	N/A	N/A	50,000	99,250	49,250	–	Available-for-sale financial assets
	MaxWealth Great China Fixed Income Fund II LP	(vi)	N/A	7.72%	60,000	74,555	14,555	–	Available-for-sale financial assets
	Minsheng Wealth Management Co., Ltd.	(vii)	N/A	N/A	58,261	59,946	1,685	–	Financial assets at fair value through profit or loss
	Unlisted equity securities								
	APAL Holdings Limited ("APAL")	(viii)	100,000,000	9.47%	78,000	78,000	–	–	Available-for-sale financial assets

The above investments represent in aggregate over 89.3% in value of the Group's investments. Apart from the ten largest investments listed above, the Group also held various other individual investments with value representing below or approximately 1% of the Group's total assets as at 31st December 2017.

Notes to the Consolidated Financial Statements

25. INVESTMENT PORTFOLIO *(Continued)*

As at 31st December 2016

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

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

Notes to the Consolidated Financial Statements

25. INVESTMENT PORTFOLIO *(Continued)*

Notes:

(i) US Treasury Enhanced Yield Fiduciary Notes is issued by UBS (Luxembourg) Issuer SA under its EUR10,000,000,000 Fiduciary Note Programme. The proceeds are mainly invested into US Treasury Bills, US Treasury Notes and 91-Day Bills as auctioned by the US Department of the Treasury. As at 31st December 2017, the fair value of the US Treasury Enhanced Yield Fiduciary Note is approximately HK$117,250,000 *(2016: approximately HK$39,074,000)* by reference to the quoted US Treasury Bills and US Treasury Notes rates using discounted cash flow model.

(ii) The money market fund administrated by China Minsheng Bank Corp., Ltd principally invests in low risk and high liquidity financial instruments. The objective of the fund is pursuing superior return compared with similar products in the market and ensuring the stability of the investment capital. During the year ended 31st December 2017, the quoted annualised daily return rate ranging from 3.9% to 4.6% per annum *(2016: 2.8% to 4.05%)*.

(iii) Avalon Fund is a Cayman Islands exempted limited partnership with the principal purpose of primarily subscribing for convertible bonds of the portfolio company and temporary investments. The Avalon Fund may also achieve capital appreciation through equity and equity-related investments in certain industries. The partnership is managed by the general partner, MaxWealth Investment Management Limited, which holds the property of the partnership on behalf of the partnership. The partnership shall continue in existence for two years unless dissolution of the partnership. The objective of the partnership is to produce attractive returns on the capital from the partnership while managing investment risk. As at 31st December 2017, the fair value of the partnership is approximately HK$502,575,000 *(2016: HK$Nil)* by reference to the valuation on the convertible bonds of the portfolio company from the investment manager using Binomial Option Pricing Model. For details of the Avalon Fund, please refer to the announcements of the Company dated 24th August 2017 and 6th September 2017.

(iv) The private investment fund administrated by Ciccjiazi Holdings Limited solely invests in equity shares of a listed company in Hong Kong. As at 31st December 2017, the fair value of the private investment fund was approximately HK$2,165,625,000 *(2016: approximately HK$1,437,946,000)* by reference to the quoted prices of the underlying investments.

(v) iSun Fund is a Cayman Islands exempted limited partnership, with the principal objective of primarily target investments in public or private companies in the data centre, fintech or high tech (software and hardware) sectors. The partnership is managed by the general partner, iSun GP I Limited, which holds the property of the partnership on behalf of the partnership. The partnership shall continue in existence for five years unless dissolution of the partnership. The objective of the partnership is to produce attractive returns on the capital from the partnership while managing investment risk. As at 31st December 2017, the fair value of the partnership is approximately HK$115,666,000 *(2016: HK$Nil)* by reference to the quoted prices of the underlying investments and the valuation on the unlisted equity securities from the investment manager using discounted cash flows model. For details of the iSun Fund, please refer to the announcement of the Company dated 25th July 2017.

(vi) MaxWealth Great China Fixed Income Fund II LP (formerly known as Yue Xiu Great China Fixed Income Fund II LP) is a Cayman Islands exempted limited partnership with the principal objective of investing in equity shares of a listed company in Hong Kong. The partnership is managed by the general partner, MaxWealth Investment Management Limited, which holds the property of the partnership on behalf of the partnership. The partnership shall continue in existence for three years unless dissolution of the partnership. The objective of the partnership is to produce attractive returns on the capital from the partnership while managing investment risk. As at 31st December 2017, the fair value of the partnership is approximately HK$1,154,464,000 *(2016: approximately HK$432,999,000)* by reference to the quoted prices of the underlying investments.

(vii) The private investment fund administrated by Minsheng Wealth Management Co., Ltd. invests in trusts, money market funds, bank deposits and other fixed return financial product. During the year ended 31st December 2017, the annualised return rate was 5.9% per annum *(2016: Nil)*.

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

26. TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables *(Note)*	**133,203**	65,304
Other payables	**47,934**	27,540
Accruals	**34,287**	37,334
	215,424	130,178

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

	2017 HK$'000	2016 HK$'000
0-30 days	**58,290**	21,229
31-60 days	**50,122**	18,162
61-90 days	**14,566**	13,014
Over 90 days	**10,225**	12,899
	133,203	65,304

27. ACQUISITION OF SUBSIDIARIES

Acquisition of assets

On 26th June 2017, Noble Rich Investment Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Agreement") with Phoenix Bridge International Holdings Group Investment Co., Limited, an independent third party of the Group, to acquire the entire equity interests of Indeed Holdings Limited and its wholly-owned subsidiary, Shanghai Yiding Electronic Technology Company Limited* (上海一鼎電子科技有限公司), (together known as "Indeed Group") (the "Acquisition"), at a consideration of USD43,000,000 (equivalent to approximately HK$335,400,000) (the "Consideration"), in which USD27,950,000 (equivalent to approximately HK$218,010,000) was settled upon signing the Agreement. The remaining balance of the Consideration of USD15,050,000 (equivalent to approximately HK$117,390,000), subject to adjustments, would be paid at completion of the Acquisition. For details, please refer to the Company's announcement dated 26th June 2017, 17th July 2017, 31st July 2017 and 7th September 2017 and circular dated 17th August 2017.

The Acquisition was completed on 7th September 2017 and the total adjusted Consideration was approximately USD50,373,000 (equivalent to approximately HK$392,912,000). The remaining balance of adjusted Consideration of approximately USD22,423,000 (equivalent to approximately HK$174,902,000) was settled at completion of the Acquisition.

The major assets held by Indeed Group are investment properties located in the PRC. The underlying group of assets acquired were not integrated in forming a business to generate revenue. As a result, the management is of the opinion that the Acquisition is a purchase of net assets which does not constitute a business combination as defined in HKFRS 3 (Revised) *Business Combinations*.

27. ACQUISITION OF SUBSIDIARIES *(Continued)*

Acquisition of assets *(Continued)*

At completion of the Acquisition, the Consideration was first allocated to the financial assets and liabilities at their respective fair values. The remaining balance of the Consideration was then allocated to the investment properties acquired. Consequently, the fair value of the investment properties was adjusted from approximately HK$376,368,000 to approximately HK$341,834,000 at completion of the Acquisition. The fair value of the investment properties was estimated by the Group based on the valuation performed by an independent professional qualified valuer on the basis of capitalisation of net rental income derived from the existing tenancy with allowance for the reversionary income potential at the completion date.

The following summarises the Consideration paid and the assets acquired and liabilities assumed at the date of Acquisition:

	2017 HK$'000
Consideration	
Consideration	**335,400**
Adjustments:	
Cash and bank balances	**62,050**
Water and electricity supply fee paid on behalf of the tenant	**93**
Rental deposit paid by the tenant	**(4,631)**
Total adjusted Consideration for the Acquisition	**392,912**
Identifiable assets acquired and liabilities assumed	
Investment properties *(note 16)*	**341,834**
Other receivables	**93**
Cash and bank balances	**62,050**
Other payables	**(11,065)**
Total identifiable net assets	**392,912**
Net cash flow on acquisition of subsidiaries	
Cash acquired from subsidiaries	**62,050**
Cash consideration	**(392,912)**
Net outflow of cash and cash equivalents	**(330,862)**

28. DISPOSAL OF A SUBSIDIARY

On 31st December 2017, the Group disposed of the entire equity interests in a subsidiary in the PRC, Foshan Zhixing Technology Company Limited* (佛山市智興電子有限公司) ("Foshan Zhixing") at no consideration.

The business licence of Foshan Zhixing was revoked because of failure to fully comply with the annual examination process by the local authority in prior year. The Group had proactively tried to apply for reprocessing of the annual examination several times but was not accepted. As management considered that it was not probable for Foshan Zhixing to be reissued the business licence and it had no assets and liabilities at the end of the reporting period, management decided that it was an appropriate time to account for the disposal of the Group's entire equity interests in Foshan Zhixing at the end of the reporting period. Accordingly, a gain on disposal of subsidiary of approximately HK$9,868,000 was recognised in the consolidated income statement for the year ended 31st December 2017 as a result of release of reserves and non-controlling interests upon disposal.

	2017 **HK$'000**
Net assets disposed of	–
Reclassification adjustment from equity to profit or loss upon disposal:	
Translation reserves	**9,929**
Other reserves	**(1,113)**
Non-controlling interests at date of disposal	**1,052**
Consideration received or receivable	–
Gain on disposal *(note 9)*	**9,868**

Notes to the Consolidated Financial Statements

29. BANK AND OTHER LOANS

	Note	2017 HK$'000	2016 HK$'000
Current and secured			
Bank loans with repayment on demand clause	(a)	**215,000**	123,500
Other loan with a repayment on demand clause	(b)	**64,813**	–
		279,813	123,500
Portion of term loans from banks due for repayment within one year	(a)	**348,654**	9,443
Portion of term loans from banks due for repayment after one year	(a)	**4,400**	310,731
Term loans with a repayment on demand clause		**353,054**	320,174
		632,867	443,674
Analysis of the amounts due based on scheduled payment dates set out in the loan agreements (ignoring the effect of any repayment on demand clause) is as follows:			
On demand or within one year		**628,467**	132,943
After one but within two years		**1,376**	306,331
After two but within five years		**1,333**	2,254
After five years		**1,691**	2,146
		632,867	443,674

Notes:

(a) As at 31st December 2017, the bank loans carried variable interest rates ranging from 2.01% to 4.35% *(2016: 2.23% to 2.65%)* per annum. The bank loans are secured by the assets of the Group as set out in note 35.

(b) This represented a margin loan from a securities broker carried interest rates ranging from 6.4% to 9% per annum, subject to periodic review. The loan is secured by funds and listed securities held by the securities broker of approximately RMB73,000 (equivalent to approximately HK$87,000) and RMB108,783,000 (equivalent to approximately HK$130,139,000) respectively. According to the margin loan agreement, the pledged assets have to be maintained at certain ratio of the loan amount.

30. CONVERTIBLE BONDS

On 20th June 2017 (the "Bond Issue Date"), the Company issued convertible bonds in the principal amount of HK$504,000,000 (the "Convertible Bonds") to an independent third party. The Convertible Bonds bear interest at the rate of 6% per annum. Such interest is accrued at the outstanding principal amount of the Convertible Bonds and shall only be payable by the Company to the bondholder once every six months from the Bond Issue Date if the Convertible Bonds are neither converted during the conversion period nor redeemed prior to 20th June 2018 (the "Bond Maturity Date"). The Convertible Bonds can be converted into maximum 360,000,000 ordinary shares of the Company at a conversion price of HK$1.4 per share (subject to adjustments). The conversion period commenced from the 180th day after the Bond Issue Date and end on the five business days prior to the Bond Maturity Date (the "Conversion Period").

Redemption at maturity

Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem all the outstanding Convertible Bonds held by the bondholder on the Bond Maturity Date at an amount equal to the outstanding principal amount of the Convertible Bonds together with accrued and unpaid interest on the Bond Maturity Date.

Early redemption at the options of the Company and the bondholder

The Company at any time three months after the Bond Issue Date and the bondholder at any time six months after the Bond Issue Date may give early redemption notice to each other to redeem the Convertible Bonds in full or in part held by the bondholder at an amount equal to the redeemed principal amount of the Convertible Bonds together with the relevant 6% accrued and unpaid interest up to the Bond Maturity Date.

At initial recognition, the Convertible Bonds are separated into a liability component, comprising straight debt component of the bonds and embedded derivatives (i.e. early redemption options by the Company and the bondholder) ("Derivative Component"), and an equity component representing the conversion options of the bondholder. As the early redemption options are considered not closely related to the host contract, they are separately recognised at fair value and classified as financial liabilities at fair value through profit or loss under current liabilities. The equity component is recognised in the convertible bond reserves, whereas the debt component is recognised at amortised cost under current liabilities. The effective interest rate of the liability component on initial recognition is 29.6% per annum and is subsequently carried at amortised cost.

Notes to the Consolidated Financial Statements

30. CONVERTIBLE BONDS *(Continued)*

The movements of the liability component of the Convertible Bonds for the year are set out below:

	2017 HK$'000
Debt component, classified as financial liability at amortised cost	
Nominal value of the Convertible Bonds at Bond Issue Date	**504,000**
Fair value of Derivative Component at Bond Issue Date	**(55,393)**
Equity component at Bond Issue Date	**(37,676)**
Issue costs attributable to the debt component	**(3,809)**
Fair value of debt component at Bond Issue Date	**407,122**
Imputed interest expenses	**64,288**
Repaid interest	**(15,161)**
At the end of the reporting period	**456,249**
Derivative Component, classified as financial liabilities at fair value through profit or loss	
Fair value at Bond Issue Date	**55,393**
Fair value change	**(5,336)**
At the end of the reporting period *(note 24)*	**50,057**

The fair values of the debt component and Derivative Component at Bond Issue Date and the fair value of Derivative Component at the end of the reporting period were determined with reference to professional valuation conducted by an independent professional qualified valuer using Binomial Option Pricing Model with unobservable market data.

The Convertible Bonds were secured by available-for-sale financial assets of approximately HK$276,590,000, financial assets at fair value through profit or loss of approximately HK$48,810,000 and funds held by a securities broker of approximately HK$411,885,000 at the end of the reporting period.

Notes to the Consolidated Financial Statements

31. SHARE CAPITAL

	Number of shares		Amount	
	2017	2016	**2017**	2016
	'000	'000	**HK$'000**	HK$'000
Authorised:				
At beginning and end of the reporting period				
Ordinary shares of HK$0.025 each	**8,000,000**	8,000,000	**200,000**	200,000
Issued and fully paid:				
At beginning of the reporting period				
Ordinary shares of HK$0.025 each	**1,803,089**	1,801,429	**45,077**	45,036
Exercise of share options *(Note)*	**–**	1,660	**–**	41
At end of the reporting period				
Ordinary shares of HK$0.025 each	**1,803,089**	1,803,089	**45,077**	45,077

Note:

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

Notes to the Consolidated Financial Statements

32. RESERVES

	Share premium HK$'000 (Note (b)(i))	Statutory reserves HK$'000 (Note (b)(ii))	Contributed surplus HK$'000 (Note (b)(iii))	Share option reserves HK$'000 (Note (b)(iv))	Investment revaluation reserves HK$'000 (Note (b)(v))	Convertible bond reserves HK$'000 (Note (b)(vi))	Property revaluation reserves HK$'000 (Note (b)(vii))	Translation reserves HK$'000 (Note (b)(viii))	Other reserves HK$'000 (Note (b)(ix))	Retained profits HK$'000	Total HK$'000
As at 1st January 2016	128,416	8,668	234,621	57,655	190,041	–	16,023	54,348	(1,113)	1,389,024	2,077,683
Profit for the year	–	–	–	–	–	–	–	–	–	54,016	54,016
Other comprehensive loss:											
Revaluation of property, plant and equipment upon transfer to investment properties (net of tax)	–	–	–	–	–	–	1,241	–	–	–	1,241
Change in fair value of available-for-sale financial assets	–	–	–	–	(55,273)	–	–	–	–	–	(55,273)
Reclassification of net changes in fair value of available-for-sale financial assets to profit or loss upon disposal	–	–	–	–	(159,214)	–	–	–	–	–	(159,214)
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	–	–	(23,036)	–	–	(23,036)
Total other comprehensive loss	–	–	–	–	(214,487)	–	1,241	(23,036)	–	–	(236,282)
Total comprehensive loss for the year	–	–	–	–	(214,487)	–	1,241	(23,036)	–	54,016	(182,266)
Transactions with owners:											
Contributions and distributions											
Issue of shares upon exercise of share options *(Note (a))*	4,833	–	–	(1,223)	–	–	–	–	–	–	3,610
Equity-settled share based payment	–	–	–	14,733	–	–	–	–	–	–	14,733
Share options lapsed	–	–	–	(315)	–	–	–	–	–	315	–
Total transactions with owners	4,833	–	–	13,195	–	–	–	–	–	315	18,343
As at 31st December 2016 and as at 1st January 2017	133,249	8,668	234,621	70,850	(24,446)	–	17,264	31,312	(1,113)	1,443,355	1,913,760
Profit for the year	–	–	–	–	–	–	–	–	–	94,192	94,192
Other comprehensive income:											
Revaluation of property, plant and equipment upon transfer to investment properties (net of tax)	–	–	–	–	–	–	1,571	–	–	–	1,571
Change in fair value of available-for-sale financial assets	–	–	–	–	426,721	–	–	–	–	–	426,721
Reclassification of net changes in fair value of available-for-sale financial assets to profit or loss upon disposal	–	–	–	–	(125,427)	–	–	–	–	–	(125,427)
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	–	–	30,825	–	–	30,825
Total other comprehensive income	–	–	–	–	301,294	–	1,571	30,825	–	–	333,690
Total comprehensive income for the year	–	–	–	–	301,294	–	1,571	30,825	–	94,192	427,882
Transactions with owners:											
Contributions and distributions											
Share options lapsed	–	–	–	(1,411)	–	–	–	–	–	1,411	–
Issue of convertible bonds	–	–	–	–	–	37,676	–	–	–	–	37,676
Changes in ownership interest											
Reclassification adjustment of reserves related to a disposed subsidiary	–	–	–	–	–	–	–	(9,929)	1,113	–	(8,816)
Total transactions with owners	–	–	–	(1,411)	–	37,676	–	(9,929)	1,113	1,411	28,860
As at 31st December 2017	**133,249**	**8,668**	**234,621**	**69,439**	**276,848**	**37,676**	**18,835**	**52,208**	**–**	**1,538,958**	**2,370,502**

32. RESERVES *(Continued)*

Notes:

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

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

(b) *Nature and purpose of reserves*

(i) Share premium

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

(ii) Statutory reserves

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

(iii) Contributed surplus

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

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

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

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

(iv) Share option reserves

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

(v) Investment revaluation reserves

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

Notes to the Consolidated Financial Statements

32. RESERVES *(Continued)*

Notes: (Continued)

(b) Nature and purpose of reserves (Continued)

(vi) Convertible bond reserves

Conversion bond reserves represent equity portion of convertible bonds.

(vii) Property revaluation reserves

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

(viii) Translation reserves

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

(ix) Other reserves

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

33. OTHER CASH FLOW INFORMATION

Changes in liabilities arising from financing activities

Details of the changes in the Group's liabilities from financing activities are as follows:

As at 31st December 2017

	Bank and other loans HK'000	Convertible bonds HK'000	Total HK'000
At beginning of the reporting period	443,674	–	443,674
Net cash flows	155,189	485,030	640,219
Exchange differences	21,951	–	21,951
Fair value of Derivative Component at Bond Issue Date	–	(55,393)	(55,393)
Equity component	–	(37,676)	(37,676)
Interest accrued	12,053	64,288	76,341
At the end of the reporting period	632,867	456,249	1,089,116

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

As at 31st December 2017

	Note	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries		**1,130,523**	579,323
Investment in an insurance contract		**–**	11,178
Available-for-sale financial assets		**276,590**	271,600
		1,407,113	862,101
CURRENT ASSETS			
Prepayment, deposits paid and other receivables		**2,699**	1,801
Financial assets at fair value through profit or loss		**87,845**	19,400
Investment in an insurance contract		**8,467**	–
Pledged bank deposits		**394,353**	–
Cash and bank balances		**138,958**	49,099
		632,322	70,300
CURRENT LIABILITIES			
Other payables		**2,038**	6,848
Dividend payables		**31**	31
Convertible bonds		**456,249**	–
Financial liabilities at fair value through profit or loss		**50,057**	–
Amounts due to subsidiaries		**968,541**	543,172
		1,476,916	550,051
NET CURRENT LIABILITIES		**(844,594)**	(479,751)
NET ASSETS		**562,519**	382,350
CAPITAL AND RESERVES			
Share capital		**45,077**	45,077
Reserves	(a)	**517,442**	337,273
TOTAL EQUITY		**562,519**	382,350

Approved and authorised for issue by the Board on 20th March 2018 and signed on its behalf by:

Li Qiang
Director

Shi Guangrong
Director

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

(a) Reserves

	Share premium HK$'000 *(note 32(b)(i))*	Contributed surplus HK$'000 *(note 32(b)(iii))*	Share option reserves HK$'000 *(note 32(b)(iv))*	Investment revaluation reserves HK$'000 *(note 32(b)(v))*	Convertible bond reserves HK$'000 *(note 32(b)(vi))*	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
As at 1st January 2016	128,416	380,621	57,655	–	–	(203,358)	363,334
Loss for the year	–	–	–	–	–	(34,216)	(34,216)
Other comprehensive loss:							
Change in fair value of available-for-sale financial assets	–	–	–	(10,188)	–	–	(10,188)
Total other comprehensive loss	–	–	–	(10,188)	–	–	(10,188)
Total comprehensive loss for the year	–	–	–	(10,188)	–	(34,216)	(44,404)
Transactions with owners:							
Contributions and distributions							
Issue of shares upon exercise of share options *(note 32(a))*	4,833	–	(1,223)	–	–	–	3,610
Equity-settled share based payment	–	–	14,733	–	–	–	14,733
Share options lapsed	–	–	(315)	–	–	315	–
Total transactions with owners	4,833	–	13,195	–	–	315	18,343
As at 31st December 2016 and as at 1st January 2017	133,249	380,621	70,850	(10,188)	–	(237,259)	337,273
Loss for the year	–	–	–	–	–	(7,417)	(7,417)
Other comprehensive income:							
Change in fair value of available-for-sale financial assets	–	–	–	220,810	–	–	220,810
Reclassification of net changes in fair value of available-for-sale financial assets to profit or loss upon disposal	–	–	–	(70,900)	–	–	(70,900)
Total other comprehensive income	–	–	–	149,910	–	–	149,910
Total comprehensive income for the year	–	–	–	149,910	–	(7,417)	142,493
Transactions with owners:							
Contributions and distributions							
Share options lapsed	–	–	(1,411)	–	–	1,411	–
Issue of convertible bonds	–	–	–	–	37,676	–	37,676
Total transactions with owners	–	–	(1,411)	–	37,676	1,411	37,676
As at 31st December 2017	**133,249**	**380,621**	**69,439**	**139,722**	**37,676**	**(243,265)**	**517,442**

35. PLEDGE OF ASSETS

As at 31st December 2017, the Group had pledged the following assets to secure the loan facilities and convertible bonds:

		2017	2016
		HK$'000	HK$'000
(a)	Investment properties	**73,966**	65,307
(b)	Buildings	**5,440**	6,312
(c)	Leasehold property	**2,138**	2,237
(d)	Prepaid lease payments	**1,891**	1,825
(e)	Available-for-sale financial assets	**276,590**	388,000
(f)	Financial assets at fair value through profit or loss	**296,199**	66,607
(g)	Bank deposits	**1,030,521**	359,913

As at 31st December 2017, investment properties, buildings and prepaid lease payments amounted to approximately HK$12,966,000 *(2016: approximately HK$11,307,000)*, approximately HK$5,440,000 *(2016: approximately HK$6,312,000)* and approximately HK$1,891,000 *(2016: approximately HK$1,825,000)* respectively (the "Pledged Assets") are pledged to a bank to secure a loan facility which had been expired during the year ended 31st December 2016. The bank is in the process of applying for the release of the Pledged Assets from the PRC local authority.

36. COMMITMENTS UNDER OPERATING LEASES

(a) The Group as lessee

As at 31st December 2017, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017	2016
	HK$'000	HK$'000
Within one year	**7,575**	9,172
In the second to fifth year inclusive	**719**	4,064
	8,294	13,236

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

36. COMMITMENTS UNDER OPERATING LEASES *(Continued)*

(b) The Group as lessor

As at 31st December 2017, the Group had contracted with tenants for the following future minimum rental receivables under non-cancellable operating leases of the Group's investment properties:

	2017	2016
	HK$'000	HK$'000
Within one year	**34,665**	4,378
In the second to fifth year inclusive	**129,457**	3,623
Later than fifth year	**140,544**	545
	304,666	8,546

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

37. SHARE OPTION SCHEME

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

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

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

Category A Eligible Participants

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

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

37. SHARE OPTION SCHEME *(Continued)*

Category B Eligible Participants

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

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

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

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

37. SHARE OPTION SCHEME *(Continued)*

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

On 16th January 2015, the Company offered to grant 186 Eligible Participants to subscribe for a total of 107,527,008 ordinary shares of HK$0.025 each in the capital of the Company at an exercise price HK$2.2 per share ("Share Options"). These Share Options are exercisable up to five years from the date of grant. On 8th June 2016, the Company removed vesting period of all existing Share Options which are outstanding and unvested under the Share Option Scheme pursuant to the ordinary resolutions passed by the Shareholders at a SGM and such Share Options therefore shall be immediately vested with the consent of relevant Share Options holders. As a result, non-cash share-based compensation expenses in respect of all outstanding and unvested Share Options at the date of approval of removal of vesting period of the Share Options of approximately HK$7,564,000 was recognised as expense by the Group with the same amount credited to share option reserves under equity for the year ended 31st December 2016. For details of the amendment of the terms of Share Options, please refer to the Company's announcement dated 18th May 2016 and the circular dated 23rd May 2016.

No share options were granted or exercised during the year ended 31st December 2017.

(a) Movements in Share Options:

	Number of options 2017	2016
At beginning of the reporting period	**95,763,008**	98,215,008
Exercised during the year	**–**	(1,660,000)
Lapsed during the year	**(1,892,000)**	(792,000)
At the end of the reporting period	**93,871,008**	95,763,008
Options vested at the end of the reporting period	**93,871,008**	95,763,008

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

Date of grant	Exercise period	Exercise price per share HK$	Number of options 2017	2016
16th January 2015	16th January 2015 – 15th January 2020	2.2	**93,871,008**	95,763,008

Notes to the Consolidated Financial Statements

37. SHARE OPTION SCHEME *(Continued)*

(c) Details of Share Options granted

Details of the movements of Share Options granted to subscribe for the Shares are as follows:

For the year ended 31st December 2017

Category	Date of grant	Exercise price per share HK$	Exercisable period*	Number of shares issuable under the Share Options: Outstanding as at 1st January 2017	Granted during the year	Reclassification of Category during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31st December 2017
Directors									
Mr. Zhu Weisha (retired on 8th March 2017)	16th January 2015	2.2	16th January 2015 - 15th January 2020	1,792,116	–	(1,792,116)	–	–	**-**
Mr. Shi Guangrong	16th January 2015	2.2	16th January 2015 - 15th January 2020	6,500,000	–	–	–	–	**6,500,000**
Mr. Zhu Jiang	16th January 2015	2.2	16th January 2015 - 15th January 2020	7,000,000	–	–	–	–	**7,000,000**
Ms. Shen Yan	16th January 2015	2.2	16th January 2015 - 15th January 2020	1,000,000	–	–	–	–	**1,000,000**
Mr. Zhong Pengrong	16th January 2015	2.2	16th January 2015 - 15th January 2020	1,000,000	–	–	–	–	**1,000,000**
Mr. Wu Jiajun (resigned on 15th September 2017)	16th January 2015	2.2	16th January 2015 - 15th January 2020	1,000,000	–	–	–	(1,000,000)	**-**
Chief executive officer									
Mr. Kevin Choo (resigned on 15th December 2017)	16th January 2015	2.2	16th January 2015 - 15th January 2020	8,000,000	–	(8,000,000)	–	–	**-**
Continuous contract employees	16th January 2015	2.2	16th January 2015 - 15th January 2020	61,550,892	–	(10,142,116)	–	(892,000)	**50,516,776**
Suppliers of goods or services	16th January 2015	2.2	16th January 2015 - 15th January 2020	1,920,000	–	–	–	–	**1,920,000**
Other eligible participants	16th January 2015	2.2	16th January 2015 - 15th January 2020	6,000,000	–	19,934,232	–	–	**25,934,232**
				95,763,008	–	–	–	(1,892,000)	**93,871,008**
Outstanding as at 31st December 2017									**93,871,008**
Weighted average exercise price *(HK$)*				2.2	–	2.2	–	2.2	**2.2**

37. SHARE OPTION SCHEME *(Continued)*

(c) Details of Share Options granted *(Continued)*

For the year ended 31st December 2016

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

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

Notes:

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

(ii) 1,892,000 *(2016: 792,000)* Share Options were lapsed according to the terms of the Share Option Scheme during the year under review.

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

Notes to the Consolidated Financial Statements

37. SHARE OPTION SCHEME *(Continued)*

(d) The non-cash share-based payment in respect of the Share Options for the year ended 31st December 2017 was HK$Nil *(2016: approximately HK$14,733,000)*.

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

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

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

38. SHARE AWARD SCHEME

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

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

During the years ended 31st December 2017 and 2016, there was no movement in the number of shares held under the Share Award Scheme.

On 5th October 2017, the Share Award Scheme expired.

Notes to the Consolidated Financial Statements

39. CHANGES IN LEGAL OWNERSHIP INTERESTS IN A SUBSIDIARY THAT DOES NOT RESULT IN A CHANGE OF CONTROL

As at 31st December 2016, the Group indirectly held 75.02% equity interest in a PRC subsidiary, Shenzhen Shi Qian Hai Yi Zhang Wo Internet Technology Company Limited* (深圳市前海易掌沃網絡科技有限公司) ("Yi Zhang Wo").

Yi Zhang Wo was incorporated on 14th October 2014 with registered capital of RMB13,330,000 which comprised cash injection from the Group of RMB10,000,000 and injection of intangible assets and technical know-how of RMB3,330,000 from another independent third party (the "Counterparty"). The registered capital has to be attained within 5 years from its incorporation. The Group had fulfilled its cash commitment of RMB10,000,000 in 2015 whereas the Counterparty had never made any injection into Yi Zhang Wo. As a result, the Company had 100% consolidated the financial results and assets and liabilities of Yi Zhang Wo since its incorporation.

On 25th September 2017, the Group had reached an agreement with the Counterparty to transfer the Counterparty's entire equity interest in Yi Zhang Wo to the Group at a consideration of RMB1. The transfer was completed on 26th September 2017 and resulted in the increase of the Group's equity interest in Yi Zhang Wo from 75.02% to 100%.

As a result of the above transfer, the Group had capital commitment for the remaining registered capital of Yi Zhang Wo of RMB3,330,000 (equivalent to approximately HK$3,984,000) at the end of the reporting period.

40. RETIREMENT BENEFITS SCHEME

The Group operates a MPF for all eligible employees in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs of each eligible employee to the MPF, subject to a maximum amount of HK$1,500 per month. Since 1st July 2017, the Group has made voluntary contributions to the MPF for executive Directors and senior management up to 5% of their relevant monthly income.

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

The total cost charged to profit or loss of approximately HK$6,652,000 *(2016: approximately HK$6,571,000)* represents contributions paid and payable to these schemes by the Group in respect of the current year.

41. CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Connected transactions

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

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

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

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

Mr. Choo resigned as the chief executive officer of the Company on 15th December 2017. Therefore, the service agreement entered into on 30th December 2016 ceased to be a Continuing Connected Transaction on the same date.

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

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

Key management compensation

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

	2017 HK$'000	2016 HK$'000
Salaries	**13,455**	12,446
Discretionary bonus	**5,924**	4,415
Housing and other allowances	**2,168**	2,465
Retirement benefits scheme contributions	**575**	308
Share option benefit	**–**	3,974
	22,122	23,608

42. PRINCIPAL SUBSIDIARIES

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

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

42. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ kind of legal entity	Principal activities/ place of operation	Particulars of issued share capital/ registered capital	Interest held
Indirect subsidiaries:				
Harmony Wealthy Investments Limited	BVI/limited liability company	Investment/HK	1 ordinary shares of US$1	100%
Up Spacious Global Investments Limited	BVI/limited liability company	Trading of securities/HK	3 ordinary shares of US$1 each	100%
Yield Lasting Investments Limited	BVI/limited liability company	Property holding/HK	1 ordinary share of US$1	100%
RiCloud Corp.	The United States/limited liability company	Property holding/the United States	100 common stock of US$0.01	100%
Cloud Digital Co., Limited	HK/limited liability company	IDC/HK	100 ordinary shares of HK$1 each	100%
HyBroad Vision (HK) Technology Company Limited	HK/limited liability company	Trading and distribution of information home appliances and electronic components/HK	10,000,000 ordinary shares of HK$1 each	100%
Yuxing Technology Company Limited	HK/limited liability company	Trading and distribution of information home appliances and electronic components and investment holding/HK	2 ordinary shares of HK$1 each	100%
Beijing E'rich Investment Management Co., Ltd*	The PRC/domestic wholly owned enterprise	Investment consultancy/the PRC	RMB8,000,000	100%
Beijing Yuxing Software Company Limited*	The PRC/foreign wholly owned enterprise	Research and development ("R&D") and software design/the PRC	RMB10,610,850	100%
Guangdong HyBroad Vision Electronics Technology Company Limited*	The PRC/domestic equity joint venture	Manufacturing, distribution and sales of information home appliances and R&D and software design/the PRC	RMB90,000,000	100%
Lasaruida	The PRC/domestic wholly owned enterprise	Investment consultancy/the PRC	RMB10,000,000	100%
Shanghai Yiding Electronic Technology Company Limited*	The PRC/foreign wholly owned enterprise	Property holding/the PRC	US$31,000,000	100%
Sheng Bang Qiang Dian Electronics (Zhongshan) Company Limited*	The PRC/foreign wholly owned enterprise	Manufacturing and sales of electronic components, plastic and miscellaneous products/the PRC	RMB123,000,000	100%

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

Notes to the Consolidated Financial Statements

43. EVENTS AFTER THE REPORTING PERIOD

Further subscription of a private investment fund

In February 2018, the Group further invested HK$20,000,000 in a private investment fund, namely iSun Fund, as part of the Group's commitment of investment in iSun Fund of HK$200,000,000. Details of the iSun Fund and the Group's commitment can be referred to the announcement of the Company dated 25th July 2017. At the end of the reporting period, the Group had capital commitment in respect of this investment of HK$150,000,000.

Loan to a private company

In January 2018, the Company's indirectly wholly-owned subsidiary, Yuxing Technology Company Limited and a Hong Kong private company (the "Borrower") entered into a HK$50,000,000 loan agreement for the grant of a loan to the Borrower for its daily operation. The loan is unsecured, interest-bearing at 8% per annum and repayable in five months from the drawdown date.

Consulting agreements in respect of the IDC in the United States

In January 2018, the Company's indirectly wholly-owned subsidiary, RiCloud Corp. and two United States private companies (the "Consultants") entered into the consulting agreements. The Consultants will provide consultancy service on the design and construction of the Group's IDC in the United States at a consideration of USD1,500,000 (equivalent to approximately HK$11,700,000) and USD1,920,000 (equivalent to approximately HK$14,976,000) respectively.