無縫綠色中國(集團)有限公司
Seamless Green China (Holdings) Ltd.

(Incorporated in the Cayman Islands and re-domiciled and continued in Bermuda with limited liability)

Stock Code: 8150

ANNUAL REPORT 2017

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

TABLE OF CONTENTS

CORPORATION INFORMATION

Registered Office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Head Office and Principal Place of Business	Room 1604, Seaview Commercial Building, 21-24 Connaught Road West, Sheung Wan Hong Kong
Executive Directors	Mr. Wong Kin Hong *(Chairman)* Mr. Huang Yonghua Mr. Wong Tat Wa Ms. Leung Po Yee
Independent Non-executive Directors	Mr. Yan Guoniu Mr. Tang Rong Gang Mr. Ou Wei An Mr. Ng Yu Ho, Steve
Company Secretary	Mr. Fung Nam Shan *(HKICPA, CPA (Aust))*
Compliance Officer	Ms. Leung Po Yee
Authorised Representatives	Mr. Wong Tat Wa Mr. Fung Nam Shan
Audit Committee	Mr. Yan Guoniu *(Chairman)* Mr. Tang Rong Gang Mr. Ou Wei An Mr. Ng Yu Ho, Steve
Remuneration Committee	Mr. Yan Guoniu *(Chairman)* Mr. Tang Rong Gang Mr. Ou Wei An Mr. Ng Yu Ho, Steve

CORPORATION INFORMATION

Nomination Committee	Mr. Yan Guoniu *(Chairman)* Mr. Tang Rong Gang Mr. Ou Wei An Mr. Ng Yu Ho, Steve
Legal Advisers as to Hong Kong Law	Cheung & Choy
Principal Share Registrar and Transfer Office	Butterfield Fund Services (Bermuda) Ltd. Rosebank Centre 11 Bermuda
Hong Kong Branch Share Registrar and Transfer Office	Boardroom Share Registrars (HK) Limited Room 2103B, 21/F., 148 Electric Road North Point Hong Kong
Independent Auditor	RSM Hong Kong *(Certified Public Accountants)*
Stock Code	8150

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors of the Company (the "Board"), I hereby present the annual report of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2017 (the "Year").

RESULTS

During the Year, the Group recorded revenue of approximately HK$40.7 million (2016: approximately HK$12.8 million), representing an increase of approximately 217% against the prior year. Loss attributable to the owners of the Company amounted to approximately HK$15.9 million (2016: approximately HK$18.8 million), representing a decrease of loss of approximately 16% as compared to 2016. Basic loss per share for the Year was HK1.10 cents (2016: HK1.47 cents).

BUSINESSES

The principal businesses of the Group are manufacturing and sale of synthetic sapphire watch crystals and optoelectronic products, trading of liquor, manufacturing and trading of LED lighting and related products.

Synthetic sapphire watch crystals

No revenue for this business segment was generated for the Year (2016: Nil).

Optoelectronic products

The revenue of optoelectronic products division for the years ended 31 December 2017 and 2016 amounted to approximately HK$2.8 million and approximately HK$1.0 million, respectively, representing an increase of approximately 189% over 2016. The increase in revenue was mainly due to the increase in the market demand.

Liquor products

The revenue of liquor products division for the year ended 31 December 2017 amounted to HK$0.8 million (2016: HK$4.6 million), representing a decrease of approximately 84% as compared to 2016. The decrease in revenue was mainly due to the decrease in demand of high-end chinese liquor.

LED lighting and related products

The revenue of the LED lighting and related products division for the years ended 31 December 2017 and 2016 amounted to approximately HK$37.1 million and approximately HK$7.2 million respectively, representing an increase of approximately 414% over 2016.

The increase in revenue to the year was mainly due to new contracts signed with important customers in the LED lighting industry during the Year.

CHAIRMAN'S STATEMENT

PROSPECTS

The Company has been continuously reviewing its business operations and financial position for the purpose of formulating business plans and strategies for its future business development, which would enable the Group not only to develop its existing business divisions but also to capture business opportunities, diversify its businesses and broaden its income sources. During this process, the Company may streamline or restructure the business divisions which did not perform well in the past and are unlikely to turn around in near future. The Company will endeavour to allocate its resources in an efficient and effective manner and in the best interest of the Company and its Shareholders as a whole.

The Group had started its LED lighting business since 2014. During these years, LED lighting products become more and more popular, but the competition of LED manufacturing and trading industry in China was severe. Smaller LED producers have been struggling in the price war, squeezing profit margin to a dangerously low level. To survive the competition, the Group has decided to upgrade its production methodology. By the end of 2016, the Group successfully obtained TUV accreditation for our LED lighting devices. Since then, the Group has secured a few supplier contracts with important customers in the LED lighting industry in the first half of 2017. We have commenced shipment and delivery of these new orders in the second half of 2017, and two phases of production line expansion are commenced in third quarter of 2017 and planned to commence in the first quarter of 2018, respectively. The Group will continue to focus on the LED lighting business in 2018. With the expected increase in business turnover of our LED division, the Board and the management believe that the financial performance of the division will improve as a matter of economy of scale.

In 2017, the Group adjusted the business strategy of our liquor trading division, through diversifying our product range to include not only Chinese liquor but also western red wine, brandy and whisky. Subject to clearance of legal and tax issues, we have entered into several distribution agreements with business partners in China to establish online and offline sales channels on wholesale and retail scales. The Group liquor trading business has been relaunched in the fourth quarter of 2017 and will continue on the strategy on focusing on trading of western liquor including but not limited to red wine, brandy and whisky in 2018.

Wong Kin Hong
Chairman
26 March 2018

BUSINESS AND FINANCIAL REVIEW

The Company was an investment holding company. The Group's principal activities were involved in the manufacturing and sale of synthetic sapphire watch crystals and optoelectronic products, trading of liquor, manufacturing and trading of LED lighting and related products and property investment.

Total revenue of the Group for the Year amounted to approximately HK$40.7 million, representing a 217% increase from that of approximately HK$12.8 million generated in 2016. Loss attributable to owners of the Company for the Year was approximately HK$15.9 million while such loss was approximately HK$18.8 million in 2016.

Sapphire watch crystals division

The Group's sapphire watch crystals division did not generate any revenue during the Year (2016: Nil), principally due to the sluggish market of traditional watches resulted from competition of smart watches. In addition, the Group's watch manufacturing facilities need substantial maintenance, upgrade and replacement if the Group is to accept more profitable orders. The Company is exploring opportunities in trading of watches and watch-related components, which are less reliant on intensive capital expenditure, with the view to leveraging on its established experience in watch industry by way of vertical diversification.

Optoelectronics products division

The Group's optoelectronics products division recorded a revenue of approximately HK$2.8 million during the Year (2016: approximately HK$1.0 million), represented an increase of approximately 189% as compared to 2016. The division's performance remains weak due to the sluggish market of traditional watches. The increase in sales in 2017 was mainly due to deliveries in the fourth quarter of 2017 pursuant to new trading orders received by the Group in respect of watch related components. The Board will continue to monitor the market situation and will continue to explore business opportunities which are less capital-reliant to leverage on the Group's established experience in watch industry.

LED lighting and related products division

The Group's LED products division recorded a revenue of approximately HK$37.1 million for the Year (2016: approximately HK$7.2 million), representing an increase of approximately 414%. The volume of purchase orders of the Group's LED division sharply rebounded since the second quarter of 2017. The price and supply of raw material has finally stabilized after several months of severe fluctuation on a worldwide basis, enabling the Group to have a better planning on purchase order acceptances. In addition, with the obtaining of TUV accreditation on the Group's LED lighting devices around the end of 2016, the Group's new business strategy on the LED division is starting to take effect and make good progress, as reflected by the signing of a supplier contracts with important customers in the LED lighting industry in the second, third and fourth quarters of 2017.

Trading of liquor products division

The Group's liquor trading division recorded a revenue of approximately HK$0.8 million (2016: HK$4.6 million), representing a decrease of approximately 83% as compared to 2016. The division has been suffering from the market downturn of the trading of Chinese liquor in Hong Kong, due to the decreasing demand and consumption of high-end Chinese liquor and the decrease of Chinese visitors to Hong Kong, and the liquor trading business is rather inactive in the first half of the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

With respect to the change in the market condition, during the Year, the Group strategically diversified its product range to include western liquor, by entering into supply agreements with several liquor suppliers and an Italian red wine supplier to source western liquor including Cognac and Extra Old Cognac, and Italian red wine respectively. In addition, the Group also entered into distribution agreements with both online and offline distributors, to set up the platform for the Group liquor trade business. The Group successfully reactivated its liquor trading business in the last quarter in 2017 and recorded a revenue of HK$0.8 million accordingly.

Other income and gains

Other income and gains for the Year amounted to approximately HK$0.9 million, representing a decrease of approximately HK$0.3 million from that of HK$1.2 million generated in 2016. The decrease in other income and gains was mainly due to decrease in interest income during the Year.

Administrative and other operating expenses

Total administrative and other operating expenses were approximately HK$11.2 million for the Year (2016: approximately HK$13.4 million), representing a decrease of HK$2.2 million. The slightly decrease in administrative and other operating expenses was mainly due to the cost control measures adopted by the management to control the expenditure of the Group.

Impairment loss on interests in associates and loan receivable from an associate

The Group recognised impairment loss of HK$4,974,000 for the year ended 31 December 2017 on its interests in associates, Full Pace Holdings Limited ("Full Pace") and its wholly-owned subsidiary, TDI Transportation Display International Limited (the "Full Pace Group"). Besides, the Group also recognised impairment loss on loan receivable due from Full Pace of HK$2,006,000 for the year ended 31 December 2017. As the Full Pace failed to settle the loan receivable upon repeated demands and the majority investor has withdrawn substantially all of the funds from Full Pace Group, the Directors are of the opinion that these amounts are irrecoverable and accordingly made full impairment on them as a matter of prudent practice.

Capital structure, financial resources and liquidity

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the value of its shareholders (the "Shareholders").

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Directors may adjust the dividend payment to the Shareholders, return capital to the Shareholders or issue new shares.

In managing the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on funds generated from operations and fund raising activities.

The shareholders' funds of the Group increased to approximately HK$64.5 million as at 31 December 2017 (2016: approximately HK$39.3 million), which was due to the placing of shares completed during the Year, but partially offset by the operating loss during the Year. The Group's current assets amounted to approximately HK$85.3 million as at 31 December 2017 (2016: approximately HK$42.0 million), of which approximately HK$42.8 million (2016: approximately HK$35.6 million) was cash and cash equivalents.

As at 31 December 2017, the Group had cash and cash equivalents of approximately HK$42.8 million (2016: approximately HK$35.6 million), of which approximately 70%, 28% and 2% (2016: approximately 9%, 89% and 2%) were denominated in Hong Kong dollars ("HKD"), Chinese Renminbi ("RMB") and United States dollars ("USD") respectively.

As at 31 December 2017, the Group's borrowing comprised the promissory notes amounting to approximately HK$15.0 million (2016: approximately HK$15.0 million). The promissory notes were expected to be repayable within one year and are denominated in HKD.

The Group's gearing ratio as at 31 December 2017 was -6.6% (2016: -38.1%). The Group's gearing ratio was kept at a low level as other than the promissory notes of approximately HK$15 million (2016: approximately HK$15 million), the Group had no other borrowings. Gearing ratio is calculated by dividing the net debt with the aggregate of total capital and net debt. Net debt includes trade payables and other payables, and promissory notes, less cash and cash equivalents. Total capital represents equity attributable to owners of the Company.

After considering the Group's financial results for the Year and existing financial position, the Board will actively seek new additional funding, including but not limited to the issue of new shares and new bank loans to strengthen the Group's financial position and finance new projects.

Foreign currency risk

During the Year, the Group had transactional currency exposures as the sales and purchases of the Group were mainly transacted in USD, RMB and HKD.

During the Year, the exchange rate of USD was quite stable and the exchange rate of RMB was comparatively volatile.

As at 31 December 2017, the Group had not hedged any foreign currency sales to reduce such foreign currency risk. The management will, however, monitor this risk and if the exchange rates of these foreign currencies have continuous fluctuation, the management will consider using forward currency contracts to reduce these risks.

Contingent liabilities

At 31 December 2017, the Group had no material contingent liabilities.

Employees and remuneration policies

As at 31 December 2017, the Group had 67 employees (2016: 38). Employees were remunerated according to their performance and work experience. In addition to the basic salaries and retirement scheme, staff benefits including free accommodation at the Group's staff quarters in Hong Kong, performance bonus and share options. The total staff costs including Directors' remuneration for 2017 were approximately HK$4.3 million (2016: approximately HK$5.9 million).

Litigations

(i) On 6 March 2012, a writ of summons was issued by JMM Business Network Investments (China) Limited ("JMM") against (a) Mr. Chan Ka Ming, Mr. Nee, Henry Pei Ching, Mr. Ho Chun Kit Gregory, Mr. Tam Chak Chi, Mr. Ng Kai Shing, Mr. Jal Nadirshaw Karbhari and Ms. Chan Sze Man, all former Directors; and (b) the Company. In this action, JMM sought to challenge the validity of a notice of special general meeting of the Company dated 9 February 2012, but did not specify any monetary claim against the Company. The Directors have not been aware of any material progress of this action since as early as the third quarter of 2012. As such, the Directors are of the view that the action is unlikely to result in any significant financial impact on the Company.

(ii) On 14 March 2012, a writ of summons was issued by Good Capital Resources Limited ("Good Capital") against (a) Mr. Chan Ka Ming, Mr. Nee, Henry Pei Ching, Mr. Ho Chun Kit Gregory, Mr. Tam Chak Chi, Mr. Ng Kai Shing, Mr. Jal Nadirshaw Karbhari and Ms. Chan Sze Man, all former Directors; and (b) the Company. In this action, Good Capital sought to challenge the validity of the issuance of certain warrants and the grant of certain share options of the Company in March 2012, but did not specify any monetary claim against the Company. The Directors have not been aware of any material progress of this action since as early as the third quarter of 2012. As such, the Directors are of the view that the action is unlikely to result in any financial impact on the financial statements of the Company.

(iii) Under action HCA 987/2016, Good Return (BVI) Limited ("Good Return"), a wholly-owned subsidiary of the Company, claims against Wickham Ventures Limited ("Wickham") and Ms. Lee Hei Wun ("Ms. Lee") for, among others, the shortfall of a profit guarantee in a total sum of HK$16,188,374 pursuant to the sale and purchase agreement under which Good Return acquired Arnda Semiconductor Limited from Wickham (the "Legal Action").

On 31 May 2016, the Statement of Claim was filed and served to Ms. Lee. On 21 July 2016, Ms. Lee filed a Defence and Counterclaim alleging misrepresentation and breach of contract on the part of Good Return and claiming damages. She also seeks to rectify and rescind previous agreements. The damages claimed by Ms. Lee have not been quantified in her Defence and Counterclaim (the "Counterclaim"). On 1 December 2016, Good Return filed and served its Reply and Defence to Counterclaim. The Company has instructed its legal adviser to uphold its rights in the Legal Action and the Counterclaim.

(iv) On 11 February 2015, the Company and Silver Bonus Limited (a wholly-owned subsidiary of the Company and the purchaser to the acquisition) issued a writ of summons against Mr. Lau Hin Chung (the first vendor), Shinning Team Investment Limited (the second vendor), Neo Partner Investments Ltd. (the "Target Company"), Harvest View (China) Limited (a wholly-owned subsidiary of the Target Company) and Mr. Chen Zai (the registered owner of the other 55% shareholding in the Target Company) to claim for relief including damages for breach of contract and/or rescission of contract based on misrepresentation (including a declaration that the promissory notes issued as consideration for the acquisition being null and void and unenforceable), and negligence and breach of fiduciary duties against certain ex-directors of the Company. The Company's claim relates to the acquisition by the Group of 28% shareholding in the Target Company for the consideration of HK$23,800,000, pursuant to a sale and purchase agreement dated 10 December 2012 (as supplemented by a supplemental agreement dated 14 December 2012) which was completed on 23 January 2013. The Company has instructed its legal adviser to continue to uphold its rights in the legal action.

(v) On 20 April 2016, a writ of summons was issued by Mr. Zhu Jun Min ("Mr. Zhu") against the Company for claiming a sum of approximately HK$3.5 million, being the face value of a promissory note allegedly issued by the Company to Mr. Zhu in 2013. The Company has instructed its legal adviser to uphold its rights in the legal action.

Save as disclosed above, neither the Company nor any of its subsidiaries was involved in any litigation at the end of the reporting period.

Significant investments, material acquisitions and disposal of subsidiaries and affiliated companies

The Group had no significant investments, material acquisitions and disposal of subsidiaries and affiliated companies during the Year.

Pledge of assets

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

Segment Information

An analysis of the Group's performance for the Year by the type of goods sold is set out in note 10 to the consolidated financial statements and is further elaborated under the "Business and Financial Review" above.

Fund raising activity

On 9 June 2017, a placing agreement (the "Placing Agreement") was made between the Company and Head & Shoulders Securities Limited (the "Placing Agent"), pursuant to the Placing Agreement, the Company has appointed the Placing Agent to procure altogether not less than six places, on a best effort basis, for subscribing up to an aggregate of 254,761,208 shares at HK$0.120 per share. On 26 June 2017, 254,761,208 shares have been successfully placed by the Placing Agent to seven places. The net proceeds arising from the above placing amounted to HK$30.2 million net of expenses, of which HK$9.9 million has been used as general working capital of the Group. As at 31 December 2017, the remaining HK$20.3 million has been placed in the bank.

Please refer to the Company's announcement dated 26 June 2017 for details.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The Company has been continuously reviewing its business operations and financial position for the purpose of formulating business plans and strategies for its future business development, which would enable the Group not only to develop its existing business divisions but also to capture business opportunities, diversify its businesses and broaden its income sources. During this process, the Company may streamline or restructure the business divisions which did not perform well in the past and are unlikely to turn around in near future. The Company will endeavour to allocate its resources in an efficient and effective manner and in the best interest of the Company and its Shareholders as a whole.

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In 2017, the Group adjusted the business strategy of our liquor trading division, through diversifying our product range to include not only Chinese liquor but also western red wine, brandy and whisky. Subject to clearance of legal and tax issues, we have entered into several distribution agreements with business partners in China to establish online and offline sales channels on wholesale and retail scales. The Group liquor trading business has been relaunched in the fourth quarter of 2017 and will continue on the strategy on focusing on trading of western liquor including but not limited to red wine, brandy and whisky in 2018.

BIOGRAPHIES OF DIRECTORS AND COMPANY SECRETARY

Executive Directors

Mr. Wong Kin Hong ("Mr. KH Wong"), aged 46, was appointed as an executive Director and the chairman of the Board on 25 June 2014 and 28 June 2014, respectively. Mr. KH Wong graduated from the Shenzhen University. Mr. KH Wong has been the managing director of a trading and IT company in Macau since 2002. He is the uncle of Mr. Huang Yonghua and Mr. Wong Tat Wa. Mr. KH Wong holds 25,500,000 shares of the Company.

Mr. Huang Yonghua, aged 30, was appointed as an executive Director on 25 June 2014. Mr. Huang graduated from the Lingnan College of Sun Yat-Sen University, majoring in international economics and trade (國際經濟與貿易). Mr. Huang has extensive working experience in financial and management aspects. He is a nephew of Mr. KH Wong.

Mr. Wong Tat Wa, aged 35, was appointed an executive Director on 25 June 2014 and an authorised representative of the Company on 1 July 2014. Mr. Wong graduated from the University of Macau with a bachelor's degree in law. Mr. Wong is currently a trainee solicitor in a law firm in Macau. He also acts as a legal consultant of various companies in Macau. Mr. Wong has extensive working experience in legal aspects. He is a nephew of Mr. KH Wong.

Ms. Leung Po Yee, aged 49, was appointed an executive Director on 25 June 2014 and a compliance officer of the Company on 16 September 2014. Ms. Leung graduated from the University of Hong Kong, majoring in English. Ms. Leung has been specialising in the fields of financial translation, corporate communications and public relations in Hong Kong for more than 21 years. She started her career in financial translation and communications with Beauhorse Professional Translation Limited in 1994 and became a manager of the company to build its leading position in translation of H-share IPO documents. Ms. Leung joined Manulife (International) Limited in 2004 as the Corporate Communications Manager. During her service at Manulife (International) Limited, Ms. Leung supervised the in-house translation department which provided language service across the company. Ms. Leung was also responsible for public relations and has established close connection with the media. In 2011, Ms. Leung joined Lohas Global in China as a company secretary and has been responsible for the management and development of online business platform.

Independent non-executive Directors ("INEDs")

Mr. Yan Guoniu, aged 63, was appointed as an INED on 25 June 2014 and was appointed as the chairman of each of the Board's audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") on the same date. Mr. Yan graduated from the Chinese Department of Foshan University and the Faculty of Law of Sun Yat-Sen University. Mr. Yan is currently a partner of a law firm in the People's Republic of China (the "PRC"). He is a member of the Legal Experts Panel of the Standing Committee of the People's Congress of Sanshui District, Foshan, Guangdong Province (廣東省佛山市三水區人大常委會法律專家委員會委員) and a mediator of the Commercial Mediation Committee of Sanshui Chamber of Commerce in Foshan (佛山市三水區商會企業商事調解委員會調解員). Mr. Yan has comprehensive working experience in the legal affairs of architecture, real estate, economic contracts and corporate law.

Mr. Ou Wei An, aged 50, was appointed as an INED and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee on 11 July 2014. Mr. Ou was awarded a master's degree in law from the Xiangtan University (湘潭大學), Hunan in 1999 and a doctorate's degree in law from the Sichuan University in 2008. Mr. Ou is an associate professor of the Law School of Guangzhou University and has been practising as a registered lawyer in China since 2001. Mr. Ou is currently a guest legal expert of the Guangzhou City Federation of Industry and Commerce.

Mr. Tang Rong Gang, aged 48, was appointed as an INED and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee on 25 June 2014. Mr. Tang graduated from the Hainan Open University (海南廣播大學) and was qualified as an assistant accountant in Guangdong Province in 2004. He has over 22 years of working experience in the accounting field.

Mr. Ng Yu Ho, Steve, aged 40, was appointed as an INED on 13 November 2014. Mr. Ng is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Ng graduated from the Hong Kong Polytechnic University with a bachelor's degree in accountancy. He has worked in PricewaterhouseCoopers Hong Kong for 9 years. He has extensive experience in auditing and has in-depth knowledge in auditing and accounting standards. The clients he served included both private and public companies, across different industries such as construction and property development, manufacturing, retailing, pharmaceutical and other services industries.

* *for identification purpose only*

Company Secretary

Mr. Fung Nam Shan, aged 41, was appointed as the company secretary and an authorised representative of the Company on 1 July 2014. He is responsible for financial management and reporting, and overseeing the compliance with certain listing rules and regulations for the Company. Mr. Fung holds a bachelor's degree in accounting awarded by the University of Newcastle, Australia. Mr. Fung is a member of the Hong Kong Institute of Certified Public Accountants and a CPA member of the Australian Institute of Certified Public Accountants. Mr. Fung is currently an independent non-executive director of Energy International Investments Holdings Limited (listed on the main board of the Stock Exchange (stock code: 0353)), the company secretary and authorised representative of Camsing International Holding Limited (currently listed on the main board (stock code: 2662)) and Yat Sing Holdings Limited (listed on the main board (stock code: 3708)) and the company secretory of Thelloy Development Group Limited (currently listed on the main board (stock code: 1546)). He was a joint company secretary of Future Bright Mining Holdings Limited (currently listed on the main board (stock code: 2212)) and company secretary of China Ocean Fishing Holdings Limited (listed on GEM (stock code: 8047)). Mr. Fung served Zhejiang Chang'an Renheng Technology Co., Ltd. (currently listed on the GEM (stock code: 8139)) as financial controller and company secretary from April 2013 to March 2015. Mr. Fung was employed as financial controller and company secretary of South China Land Limited (currently listed on the GEM (stock code: 8155)) from February 2010 to April 2013. He has worked for PricewaterhouseCoopers as an audit manager for several years which brought him strong experience in auditing, accounting and taxation in Hong Kong and the PRC. He has been one of the marketing committee members of The Hong Kong Youth Hostels and also a member of its charity walk organising committee since 2012.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Company is committed to implementing good corporate governance practices and emphasising transparency and accountability to its shareholders and stakeholders.

The Company had complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules throughout the Year except for the following:

Code provision A.2.1 of the CG Code stipulates that roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Mr. KH Wong serves as the chairman of the Board (the "Chairman") and also acts as the chief executive officer of the Company. The Board believes that vesting the roles of both Chairman and chief executive officer in the same person would allow the Company to be more effective and efficient in developing long term business strategies and execution of business plans.

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. All Directors (including executive Directors and INEDs) are not appointed for a specific term but they are all subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company.

The Board has reserved for its decision and consideration issues in relation to (i) formulating the strategic objectives of the Group; (ii) considering and deciding the Group's significant operational and financial matters, including but not limited to substantial mergers and acquisitions and disposals; (iii) overseeing the Group's corporate governance practices; (iv) ensuring a risk management control system in place; (v) directing and monitoring senior management in pursuit of the Group's strategic objectives; and (vi) determining the remuneration packages of all Directors and the Group's senior management, including benefits in kind, pension rights and compensation payments for loss or termination of their office or appointment. Implementation and execution of Board policies and strategies and the daily administrative matters are delegated to the respective Board committees and the management team of the Company.

The Board conducts at least four regular Board meetings a year and additional meetings will be held or resolutions in writing signed by all Directors in lieu of a meeting will be arranged as and when required. If a substantial shareholder of the Company or a Director has a conflict of interest in a transaction which the Board determines to be material, it will be considered and dealt with by the Board at a duly convened Board meeting. Comprehensive information on matters to be discussed at the Board meeting will be supplied to the Directors in a timely manner to facilitate discussion and decision-making.

COMPOSITION OF THE BOARD

At the date of this report, the Board comprises 4 executive Directors and 4 INEDs. The names and office of each of the members of the Board and the Board committees of the Company during the Year and up to the date of this report are as follows:

Board members	**Office**
Mr. Wong Kin Hong	Chairman/Executive Director
Mr. Huang Yonghua	Executive Director
Mr. Wong Tat Wa	Executive Director
Ms. Leung Po Yee	Executive Director
Mr. Yan Guoniu	INED
Mr. Tang Rong Gang	INED
Mr. Ou Wei An	INED
Mr. Ng Yu Ho, Steve	INED
Mr. Gao Hong (resigned on 31 May 2017)	Executive Director
Mr. Li Zhi Qiang (resigned on 31 May 2017)	Executive Director

Audit Committee members	
Mr. Yan Guoniu	Chairman
Mr. Tang Rong Gang	
Mr. Ou Wei An	
Mr. Ng Yu Ho, Steve	

Remuneration Committee members	
Mr. Yan Guoniu	Chairman
Mr. Tang Rong Gang	
Mr. Ou Wei An	
Mr. Ng Yu Ho, Steve	

Nomination Committee members	
Mr. Yan Guoniu	Chairman
Mr. Tang Rong Gang	
Mr. Ou Wei An	
Mr. Ng Yu Ho, Steve	

There is no specific term of appointment of the Directors. The term of office of each of the Directors (including the INEDs) is the period up to his/her retirement by rotation or otherwise as required by the Bye-laws.

The Board composition is regularly reviewed to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Group. A balanced composition of executive Directors and INEDs is maintained to ensure independence and effective management. The Company has satisfied the relevant provision of the GEM Listing Rules in having at least one of the INEDs with appropriate professional qualifications or accounting or related financial management expertise.

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

The daily operation and management of the business of the Group, among other matters, the implementation of strategies, are delegated to the executive Directors. They report periodically to the Board on their work and business decisions.

All Directors have been fully consulted about any matters proposed for inclusion in the agenda for regular meetings. The chairman of the Board has delegated the responsibility for drawing up the agenda for each Board meeting to the company secretary of the Company (the “Company Secretary”).

With the assistance of the executive Directors and the Company Secretary, the chairman of the Board seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and have received adequate and reliable information in a timely manner.

Notices of at least fourteen days are given to the Directors for regular meetings, while Board papers are sent to the Directors not less than three days before the intended date of a Board or Board committee meeting. With respect to other meetings, the Directors are given as much notice as is reasonable and practicable in the circumstances. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Bye-laws of the Company (the “Bye-laws”). The Company Secretary ensures that the procedures and all applicable rules and regulations are complied with. Minutes of Board meetings and meetings of Board committees are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

The Directors have full access to information of the Group and are able to obtain independent professional advice whenever they deem necessary. Memorandums are issued to the Directors from time to time to update them with legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties.

The Company has received from each of the INEDs an annual confirmation of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all of the INEDs are independent.

Mr. KH Wong, an executive Director and the chairman of the Board, is the uncle of Mr. Huang Yonghua and Mr. Wong Tat Wa, both executive Directors. Save as disclosed in the “Biographies of Directors” section of this annual report, there is no relationship (including financial, business, family and other material/relevant relationship) among the members of the Board (including between the chairman of the Board and the executive Directors).

RESPONSIBILITIES

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Their responsibilities include (1) regular board meetings focusing on business strategy, operational issues and financial performance; (2) monitoring the quality, timeliness, relevance and reliability of internal and external reporting; (3) monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in connected transaction; and (4) ensuing processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

DIRECTOR'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENT

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements of the Group are accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the consolidated financial statements of the Group. In preparing the accounts for the Year, the Directors have, among other things:

- Selected suitable accounting policies and applied them consistently;

- Approved adoption of all Hong Kong Financial Reporting Standards ("HKFRSs") which are in conformity with the International Financial Reporting Standards ("IFRSs"); and

- Made judgments and estimates that are prudent and reasonable; and have prepared the accounts on the going concern basis.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, nationality, cultural and educational background, ethnicity, professional experience, skills, knowledge, industry experience and length of service.

Selection of candidates will be based on a range of diversity perspectives as stated in the above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board comprises 8 Directors. Four of the Directors are INEDs and independent of management, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of professional background and skills.

DELEGATION BY THE BOARD

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Specific responsibilities of each committee are described below. All committees are chaired by an INED. All committees have defined terms of reference which are no less exacting than those set out in the CG Code.

During the year, the Board held 8 meetings in total, and the individual attendance record of each Director at the meetings of the Board and the general meetings of the Company during the Year is set out below:

Name of Directors	**Attendance/ Number of Board Meetings**	**Attendance/ Number of General Meetings**
Executive Directors:		
Mr. Wong Kin Hong *(Chairman)*	7/8	2/2
Mr. Huang Yonghua	8/8	2/2
Mr. Wong Tat Wa	8/8	2/2
Ms. Leung Po Yee	8/8	2/2
Mr. Gao Hong (resigned on 31 May 2017)	1/1	0/0
Mr. Li Zhi Qiang (resigned on 31 May 2017)	1/1	0/0
INEDs:		
Mr. Yan Guoniu	8/8	2/2
Mr. Tang Rong Gang	8/8	2/2
Mr. Ou Wei An	8/8	2/2
Mr. Ng Yu Ho, Steve	8/8	2/2

Note: The attendance figure represents the actual attendance/the number of meetings a Director was required to attend.

Apart from regular Board meetings, the chairman also had a meeting with the INEDs without the presence of executive Directors during the Year.

AUDIT COMMITTEE

The Audit Committee consists of four INEDs, namely Mr. Yan Guoniu, serving as the chairman, Mr. Tang Rong Gang, Mr. Ou Wei An and Mr. Ng Yu Ho, Steve.

The primary responsibilities of the Audit Committee are to (i) review the financial reporting process of the Group and its internal control and risk management systems, the effectiveness of the Company's internal audit function, (ii) oversee the audit process, (iii) review the Company's compliance with the CG Code and (iv) perform other duties assigned by the Board. All committee members possess appropriate professional qualifications or accounting or related financial management expertise as required by the GEM Listing Rules.

As required by Rule 5.28 of the GEM Listing Rules, the Company has established the Audit Committee with written terms of reference which deal clearly with its authority and duties. The Audit Committee's principal duties are to review and supervise the Company's financial reporting process and internal control systems.

During the Year, the Audit Committee reviewed the financial results of the Group on a quarterly basis, audit plans and findings of the external auditor, the independence of external auditors, accounting principles and practices of the Group, the GEM Listing Rules and statutory compliance, internal controls, risk management, financial reporting matters and adequacy of resources, qualifications and experience of accounting and financial reporting staff and made recommendations to the Board to improve the quality of financial information to be disclosed and internal control. The Audit Committee has also reviewed and approved the engagement of external auditors to perform statutory audit and non-audit services and approved their fees. There was no disagreement between the Board and the Audit Committee on the selection and appointment of external auditors.

The Company's financial statements for the Year have been reviewed by the Audit Committee. The Audit Committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange and disclosures have been fully made.

During the Year, the Audit Committee held 5 meetings and performed duties including reviewing the Group's annual, half-yearly and quarterly reports.

The individual attendance record of each member at the meetings of the Audit Committee during the Year is set out below:

Name of Members	**Attendance/ Number of Meetings**
Mr. Yan Guoniu	5/5
Mr. Tang Rong Gang	5/5
Mr. Ou Wei An	5/5
Mr. Ng Yu Ho, Steve	5/5

REMUNERATION COMMITTEE

The Remuneration Committee was established with written terms of reference in compliance with the CG Code. The Remuneration Committee consists of four INEDs, namely Mr. Yan Guoniu, serving as the chairman, Mr. Tang Rong Gang, Mr. Ou Wei An and Mr. Ng Yu Ho, Steve.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure of all remuneration of Directors and senior management and the establishment of a formal and transparent procedure for developing a policy on such remuneration, assess performance of executive directors and approve the terms of executive directors' service contracts.

The Remuneration Committee and the Board review the terms of reference of the Remuneration Committee at least annually. The terms of reference of the Remuneration Committee are in line with the requirements of the GEM Listing Rules.

According to the terms of reference of the Remuneration Committee, the Remuneration Committee makes recommendation, to the Board for its final determination of the remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment; and make recommendations to the Board about the Directors' fee of non-executive Directors. The Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, responsibilities and performance of the Directors and senior management.

The Remuneration Committee members held one meeting in the Year. During the Year, the Committee has discussed and reviewed the executive Directors' services contract and performance and the remuneration packages for the Directors. The remuneration policy of the Company is to enable the Company to retain and motivate employees (including executive Directors) to meet corporate objectives. A Director is not allowed to approve his/her own remuneration. The remuneration package of an executive Director includes basic salary, allowance, discretionary bonus and share-based benefits, which are all covered by a service contract. The Director's fee of INEDs is subject to annual assessment. Remuneration surveys on companies operating in similar business, inflation rates, industry trends and performance of the Company are referred to when the Remuneration Committee is considering the remuneration packages of the Directors.

The individual attendance record of each member at the meeting of the Remuneration Committee during the Year is set out below:

Name of Members	**Attendance/ Number of Meeting**
Mr. Yan Guoniu	1/1
Mr. Tang Rong Gang	1/1
Mr. Ou Wei An	1/1
Mr. Ng Yu Ho, Steve	1/1

NOMINATION COMMITTEE

The Nomination Committee was established with written terms of reference in compliance with the CG Code. The Nomination Committee consists of four INEDs, namely Mr. Yan Guoniu, serving as the chairman, Mr. Tang Rong Gang, Mr. Ou Wei An and Mr. Ng Yu Ho, Steve.

The Nomination Committee is responsible for (i) reviewing the Board's structure, size, composition and diversity against factors including but not limited to gender, age, nationality, cultural and educational background, professional experience, skills, knowledge, industry experience and length of services, having regard to the Group's business activities, assets and management portfolio, (ii) selecting Board members and ensuring transparency of the selection process, (iii) reviewing and monitoring the training and continuous professional development of the Directors and senior management and (iv) assessing the independence of the INEDs, having regard to the requirements under the GEM Listing Rules. The Committee identifies individuals suitably qualified to become or continue to be the Board members by taking into consideration criteria like expertise, experience and commitment and makes recommendations to the Board on the selection of individuals nomination for directorships.

The Nomination Committee and the Board review the terms of reference of the Nomination Committee at least annually. The terms of reference of the Nomination Committee are in line with the requirements of the GEM Listing Rules.

During the year, one meeting was held by the Nomination Committee to review on the Board's structure, size, composition and diversity, to recommend the re-election of retiring Directors and to assess the independence of the INEDs.

The individual attendance record of each member at the meeting of the Nomination Committee during the Year is set out below:

Name of Members	Attendance/ Number of Meeting
Mr. Yan Guoniu	1/1
Mr. Tang Rong Gang	1/1
Mr. Ou Wei An	1/1
Mr. Ng Yu Ho, Steve	1/1

CORPORATE GOVERNANCE FUNCTIONS

The Board did not establish a corporate governance committee but has delegated its responsibility for performing corporate governance duties to the Audit Committee. During the Year, the Board and the Audit Committee have (i) reviewed the Company's policies and practices on corporate governance and made relevant recommendations to the Board, (ii) reviewed and monitored the training and continuous professional development of the Directors and senior management, (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, (iv) reviewed and monitored the code of conduct applicable to employees and Directors; and (v) reviewed the Company's compliance with the CG Code and disclosure in this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In response to the specific enquiry made by the Company of the Directors, all Directors of the Company have confirmed that they had compiled with the required standard of dealings and the code of conduct regarding securities transactions by the Directors adopted by the Company throughout the Year.

CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

Directors must keep abreast of their collective responsibilities. Each newly appointed Director receives an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. Apart from the updates on regulatory changes and governance developments provided by the Company, the Directors are encouraged to participate in professional training and seminars to develop and refresh their knowledge and skills. A training record has been devised to record the training which the Directors have undertaken.

Up to date of this report, the current Board members participated in the following training programs:

	Types of training	
Name of Directors	**Attending in-house training organised by professional organisations**	**Reading materials updating on new rules and regulations**
Executive directors		
Mr. Wong Kin Hong *(Chairman)*	✓	✓
Mr. Huang Yonghua	✓	✓
Mr. Wong Tat Wa	✓	✓
Ms. Leung Po Yee	✓	✓
INEDs	✓	✓
Mr. Yan Guoniu	✓	✓
Mr. Tang Rong Gang	✓	✓
Mr. Ou Wei An	✓	✓
Mr. Ng Yu Ho, Steve	✓	✓

DIRECTORS AND OFFICERS INSURANCE

Appropriate insurance covers on directors' and officers' liabilities have been in force to protect the Directors and officers of the Group from their risk exposure arising from the business of the Group and, as at the date of this report, the Directors and officers of the Company are indemnified under a directors' and officers' liability insurance against any liability incurred by them in discharge of their duties while holding office as the Directors and officers of the Company. The Directors and officers of the Company shall not be indemnified where there is any fraud, breach of duty or breach of trust proven against them.

COMPANY SECRETARY

The present company secretary of the Company (the "Company Secretary") is an external service provider, and his primary corporate contact person is Mr. KH Wong, an executive Director and the Chairman of the Board, for the purpose of code provision F.1.1 of the CG Code. The Company Secretary is to ensure a good information flow within the Board and between the Board and senior management of the Company, to provide advice to the Board in relation to the Directors' obligations under the GEM Listing Rules and applicable laws and regulations and to assist the Board in implementing the corporate governance practices. Mr. Fung Nam Shan, the Company Secretary of the Company, has attended and complied with the 15-hour training requirement under Rule 5.15 of the GEM Listing Rules.

INTERNAL CONTROLS

The Directors are responsible for maintaining and reviewing the effectiveness of the internal controls of the Company, including material financial, operational and compliance controls, risk management functions and particularly the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting and financial reporting function. Appropriate policies and control procedures have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Company performance are appropriately identified and managed. In the case of the Company, such procedures are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. These procedures can only provide reasonable, and not absolute, assurance against material misstatement or losses.

The Company has engaged an internal control review advisor to conduct the annual review of the effectiveness of the internal control system. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions of different systems has been done on a systematic rotational basis based on the risk assessments of the operations and controls. The scope of review for the Year had been determined and approved by the Audit Committee. No major issue but areas for improvement have been identified. The Board and the Audit Committee considered that the key areas of the Group's internal control systems are reasonably implemented.

RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group and ensure that the preparation of the consolidated financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

The Directors were not aware of any material uncertainties which may affect the Company's business or cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group for the Year is set out in the Independent Auditor's Report on pages 45 to 48 of this annual report.

AUDITOR'S REMUNERATION & RESPONSIBILITIES

The Company has appointed RSM Hong Kong (the "Auditor") as the Auditor of the Group. The Board was authorised by the Shareholders at the AGM held in 2017 to determine the remuneration of the Auditor.

For the Year, RSM Hong Kong received HK$600,000 for audit services and no non-audit services was provided by RSM Hong Kong.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group for the Year is set out in the Independent Auditor's Report on page 45 to 48 of this annual report.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with its shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The disclosure of the Group's information in a reasonable and time manner by the Board is to facilitate the shareholders as well as the investors to have a better understanding of the business performance, operations and strategies of the Group.

Our website at www.victoryhousefp.com/lchp/8150.html allows the Company's potential and existing investors as well as the public to get access to and acquire the Company's up-to-date corporate and financial information.

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. The contact details of the Company are provided in this report, the "Corporate Information" section of this annual report and the Company's website.

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns that they may have with the Board or the management directly. Board members and appropriate senior staff of the Group are available at the meetings to answer any questions raised by shareholders.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

To safeguard shareholders' interests and rights, separate resolutions are proposed at general meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. Besides, pursuant to bye-law 58 of the Bye-laws, any one or more shareholder(s) 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 meetings 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; and such meeting shall be held within two (2) months after the deposit of such requisition If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so.

Shareholders may send written enquiries to the Company or put forward any enquiries or proposals to the Board. The contact details are as follows:

Company Secretary
Seamless Green China (Holdings) Limited
Address: Room 1604, Seaview Commercial Building
21-24 Connaught Road West
Sheung Wan
Hong Kong
Fax No.: 852-37534617

To put forward proposals at an annual general meeting or a special general meeting, the shareholders shall submit a written notice of those proposals with detailed contact information to the Company Secretary at the Company's registered office.

The request will be verified with the Company's branch share registrar in Hong Kong and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the proposed resolution in the agenda for the general meeting.

Moreover, the notice period concerning the notice to be given to all the shareholders for consideration of the proposals submitted by the shareholders concerned varies as follows pursuant to bye-law 59 of the Bye-laws:

(a) for an annual general meeting and any special general meeting at which the passing of a special resolution is to be considered, it shall be called by at least 21 clear days' notice in writing; and

(b) for all other special general meetings, they may be called by not less than 14 clear days' notice in writing.

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the Company's address above-mentioned and provide their full names, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Constitutional documents

There are no changes in the Company's constitutional documents during the Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. About this Report

1.1. Reporting Period

This is the second Environmental, Social and Governance (ESG) report of the Company that illustrates and highlights the environment and social performance from 1 January 2017 to 31 December 2017 unless otherwise stated.

1.2. Reporting Scope

The content of this report is focused on the Company's business in the manufacturing and selling of optoelectronics products and LED lighting and related products in the factories and offices located in Hong Kong and China. This report demonstrates the ESG performance of the Company's business operation in achieving sustainable development.

1.3. Reporting Framework

This ESG report follows the disclosure requirement as set out in the Environmental, Social and Governance Reporting Guide contained in Appendix 20 to the GEM Listing Rules (the "ESG" Guide).

Key Performance Index (the "KPI") Reference Table

Reference KPI of the ESG Guide	**Corresponding KPI in this report**
A Environmental Performance	2.
A1 Emissions Policy and Compliance	2.1.
A1.1 Types of Emissions	2.1.1.
A1.2 Greenhouse Gas Emissions	2.1.2.
A1.3. Hazardous Waste	2.1.3.
A1.4 Non-Hazardous Waste	2.1.4.
A1.5 Emission Mitigation	2.1.5.
A1.6 Hazardous and Non-hazardous Wastes Reduction	2.1.5.
A2 Use of Resources	2.2.
A2.1 Energy Consumption	2.2.1.
A2.2 Water Consumption	2.2.2.
A2.3 Energy Use Efficiency	2.2.1.
A2.4 Water Use Efficiency	2.2.2.
A2.5 Total Packaging Material Used for Finished Products	2.1.4, 2.1.5
A3 The Environment and Natural Resources	2.3.
A3.1 Impacts of Activities on the Environment and Natural Resources	2.3.1.

Reference KPI of the ESG Guide	Corresponding KPI in this report
B Social Performance	3
B1 Employment Policy and Compliance	3.1.
B1.1 Total Workforce	3.1.1.
B2 Health and Safety Policies and Compliance	3.2.
B2.1 Number and Rate of Work-related Fatalities	3.2.1.
B2.2 Lost Days Due to Work Injury	3.2.1.
B2.3: Occupational Health and Safety Measures	3.2.2.
B3 Development and Training Policies	3.3.
B4 Labour Standards	3.4.
B4.1: Avoid Child and Forced Labour	3.4.1.
B4.2 Steps Taken to Eliminate Child and Forced Labour	3.4.1.
B5. Supply Chain Management	3.5.
B5.1 Number of Suppliers by Geographical Region	3.5.1.
B5.2 Suppliers Engagement	3.5.2.
B6 Product Responsibility	3.6.
B6.1. Product Recall or Return	3.6.
B6.2 Products and Service Related Complaints	3.6.
B6.4 Quality Assurance Process	3.6.1.
B6.5 Consumer Data Protection and Privacy Policies	3.6.2.
B7 Anticorruption Policies and Compliance	3.7.
B7.1 Number of Concluded Legal Cases Regarding Corrupt Practices	3.7.1.
B7.2 Preventive Measures and Whistle-blowing Procedures	3.7.1.
B8. Community Investment	3.8.

2. Environmental Performance

The Company continues to enforce its environmental policy in improving the environmental awareness of its employees and the environmental performance of its operations, the Company has begun to establish environmental management policy to ensure better use of resources and environmental protection.

2.1. Emissions Policy and Compliance

The Company complies with related environmental protection laws of Hong Kong and China in air (dust and residues) and water emissions, solid waste management and noise pollution. In addition, policies to promote efficient use of energy to lower emission and cost are in practice.

2.1.1. Types of Emissions

Carbon footprint generated from the Company's business operations will be disclosed in this report. Carbon footprint is defined as the total amount of direct and indirect emissions of greenhouse gas (GHG) expressed in terms of equivalent amount of carbon dioxide (CO_2) emission. The GHG emission was mainly generated from the usage of electricity, gasoline, water and paper. Comprising the Company's offices and factories for the reporting period, its operations cover a total floor area of 2,914 m^2 (2016: 1,438.81 m^2) and accounted for 100% of its GHG emissions.

2.1.2. Greenhouse Gas Emissions

The year on year carbon footprint comparison is listed in the following table. The total annual GHG emission intensity due to energy usage was 0.077 tCO_2-eq/m^2 as compared to 0.042 tCO_2-eq/m^2 last year. The major source of the GHG emission was from the consumption of electricity in the manufacturing locations and the usage of petroleum by the vehicles for employee transportation.

		2017		2016	
Scope	**Sources of carbon emission**	**GHG* emission (in tCO_2-eq)**	**Distribution**	GHG* emission (in tCO_2-eq)	Distribution
1	Stationary	**N/A**		N/A	
	Mobile (vehicles)	**10.60**	**4.71%**	9.66	16.03%
	Refrigerant	**N/A**		N/A	
2	Purchased electricity	**212.85**	**94.54%**	50.31	83.52%
3	Disposal of paper waste	**1.48**		0.27	
	Fresh water processing	**0.16**	**0.75%**	0.00	0.45%
	Sewage water processing	**0.06**		0.00	
	Total GHG* emission	**225.15**	**100%**	60.24	100%

* The GHG is calculated according to the 'Guiltiness to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong' jointly published by EPD and EMSD.

The increase in GHG emission this year was attributed to the new Xinhui factory that was in operation since August 2017.. The expansion was aimed to devote more resources in the concentration on products production for the European market that complies with the European environmental requirement.

2.1.3. Hazardous Waste

The only concerned hazardous waste generated from the optoelectronics and LED lighting and related products that includes LED driver and transformer would be electrical waste (E-waste). All products have obtained the CE marking accredited by international association and laboratory. Therefore, all E-waste generated from production is required to fulfill the Restriction on Hazardous Waste Directive (RoHS) and Waste Electrical and Electronic Equipment (WEEE) Directive. The product and its parts should not exceed the limit being set for the CE accredited listed hazardous substance. All parts and post-consumer parts should be appropriately recycled. During the reporting period, the E-waste had been well sorted and recycled by local recycler.

2.1.4. Non-hazardous Waste

Non-hazardous waste produced from the Company's operation includes packaging materials, paper for office use and other domestic waste from the factories. There were about 5 tonnes of carton boxes being used for the packaging of final products. While 308.36kg of papers were being used in the offices, therefore; they accounted for the total non-hazardous waste produced by the Company. There are practices in place to collect the waste for recycling and disposal.

2.1.5. Emission Prevention, Hazardous Waste and Non-hazardous Waste Reduction

With the growing awareness towards waste reduction and simpler packaging, the Company is already practicing minimal use of plastic related materials since it is difficult to be recycled and it is mostly ended-up in landfill. Double sided printing is also in practice to minimize the amount of paper use, and some paper waste was collected by local recyclers.

2.2. Uses of Resources

2.2.1. Energy Consumption

Fossil Fuel – Petroleum

A total of 4,490.00 litres of petroleum was used for the Company's vehicles. It contributed to 10.60 tCO_2-eq and 4.71% of the Company's total carbon footprint.

Electricity

The total electricity consumption by the Company was 272,427.00 Kilowatt-hour (kWh), with an energy intensity of 93.48 kWh/m^2. The Company has adopted an energy saving policy to improve energy efficiency since 2015. Energy saving practices were adopted in the offices and factories. The Company is actively seeking for more energy efficient equipment to reduce electricity consumption in the factories.

2.2.2. Water Consumption

The total water consumption was 373 m3. The increase in year on year consumption was attributed to the water usage by the new Xinhui factory. Nevertheless, the Company shall actively include water conservation measure in the factories to enhance water efficiency and save this precious natural resource on earth.

2.3. The Environment and Natural Resources

2.3.1. Impacts of Activities on the Environment and Natural Resources

The Company's operations do not involve in production-related air, water and land pollutions which are regulated under related environmental laws and regulations. As the main operations are taken place in industrial area, most of the emission and waste generated from the factories were well treated before they were returned to the environment. Therefore, the direct impact from the Company's activities towards the environment and natural resources is minimal.

3. Social Performance

3.1. Employment Policy and Compliance

The Company understands that its product quality and competitiveness are highly dependent on its employees and as such, employees' remuneration is structured to encourage a sustainable workforce with a wide range of additional benefits including housing, transportation and meal allowances, free accommodation at the Company's staff quarters in Hong Kong, performance bonus and share options. During the reporting period, there was no incidence of work stoppages, litigation, claims, administrative action or arbitration relating to labour disputes against the Company.

3.1.1. Total workforce by gender, age group and geographical region

As at 31st December 2017, the total number of employees being employed by the Company was 67 (2016:38) with a combination of 37 women and 30 men and the age range between 18 to over 55.

3.2. Health and Safety Policies and Compliance

The Company cares about the well-being of employees through adopting various occupational health and safety measures to promote and enhance safety awareness and practices among employees. Specific instructions and guidelines on health and safety procedure are developed and communicated through briefings, notices, posters, and slogans. During the reporting period, the Company has not violated any related safety and health ordinance and provisions.

3.2.1. Occupational Health and Safety Data

Nevertheless, work-related injury is protected by the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) and the Regulation of Insurance for Labour Injury in China.

	2017	2016
Number of Work-related Fatalities	**0**	0
Work injury cases with leave of absence >3 days	**0**	0
Lost days due to work injury	**0**	0
Work Injury rate	**0**	0

3.2.2. Occupational Health and Safety Measures

The work injury rate was 0 this year (2016: 0). The Company has adopted an occupational health and safety system in the factories to ensure a safe and healthy working environment is provided. Personal protective equipment is provided to employees in accordance to the work process and safety precautions tips are communicated through daily briefing. Regular assessment is implemented to enhance employees' safety compliance.

3.3. Development and Training Policies

The Company regarded technical skills and experience of employees are important and critical to its continued success and growth; relevant safety, production skills, and equipment operation procedures trainings are provided to ensure employees are trained professionally and qualified for their jobs.

3.4. Labour Standards

3.4.1. Child, forced, and illegal labour

There is no child nor forced labour in the Company as it complies with the related employment ordinance and labour laws of Hong Kong and China on the protection of minors in terms of employment management. Steps are taken during the recruitment process to ensure laws are strictly abided.

3.5. Supply Chain Management

The safety and quality of the final products are among the top priorities of the Company. To ensure the safety and quality standard of its products, the Company's supply chain management oversees and manages processes from raw materials used, product design, customer specification, quality management in factories and final products testing. The Company's procurement policy is to plan and forecast production plan resources need and select suppliers that offer quality assurance, reasonable price, stable inventory and timely delivery so that the its production process and standard will not be compromised. The Company is committed to ensure its supply chain is operating as efficiently as possible to ensure the its final products are safe and standardized.

3.5.1. Number of Suppliers by Geographical Region

The Company has a total of 30 material suppliers in its approved suppliers list. Most of the suppliers are in the proximity of the factory to save transportation time and cost.

3.5.2. Suppliers Engagement

The Company recognizes the importance of using strategic suppliers who offer reliable, high quality, safe and technologically advanced products to meet the engineering needs of its customers. With the supplier qualifying process and the supplier performance measurement, suppliers are being accessed based on selection criteria including quality assurance, production environment, delivery stability, price and after-sales service. Sourcing for suppliers must undergo supplier survey and supplier on-site audit to be qualified as the strategic suppliers of the Company.

3.6. Product Responsibility

The Company is committed to manufacturing products that meet high safety, health, and environmental protection requirements by obtaining the CE marking. Production materials are purchased from accredited suppliers to ensure a non-toxic production. By affixing the CE marking to the products, the Company declares that its products meet all the legal and technical requirements verified by an independent entity. Furthermore, its products provide a high level of protection by complying with the Low Voltage Directive (LVD) 2014/35/EU. In order to facilitate a higher recycling rate, the Company shall also improve the effectiveness of its recycling practice during materials procurement, production and packaging process. During the reporting period, there was no product related complaints received.

3.6.1. Quality Assurance Process

The Company's production quality management system includes a standardized quality inspection process to ensure the quality of its raw materials and final products are satisfactory during the product manufacturing process in the factories. Complete product inspection and sampling method are used after production to ensure the quality standard are met. Inspection record are validated and kept for future reference.

3.6.2. Consumer Data Protection and Privacy Policies

The Company complies with the Personal Data (Privacy) Ordinance of Hong Kong, all personal data collected from employees, customers and suppliers are kept confidential, company computers and servers are protected from access passwords. Employees are responsible for ensuring data is collected, used, maintained, managed, stored and handled properly and secured appropriately.

3.7. Anticorruption, Conflict of Interest Policies and Compliance

The Company is committed to conducting businesses without undue influence, employees are required to adhere to the ethical consideration when engaging in the Company's business activities. Soliciting or accepting advantages of material value is strictly prohibited. Procurement and tendering process are conducted impartially to prevent bribery, corruption, and fraudulent practices. The Company has adopted a code of conduct that requires its directors and employees to avoid the conflict between personal and financial interest and the professional official duties in the Company.

3.7.1. Preventive Measures and Whistle-blowing Procedures

The Company encourages whistleblowing whereas an employee or a third party could report any concern about suspected misconduct, malpractice or irregularity, and conflict of interest in strict confidence. During the reporting period, communication was performed to ensure employees understand the Company's anticorruption policy and there were no related legal cases concluded against the Company.

3.8. Community Investment

Although the Company was not involved in any charity or community events during the reporting period, it is committed to conducting business in every aspect to minimize any potential environmental impact to its stakeholders such as its employees and the community members.

4. Stakeholders' Feedback

Stakeholders' comments and feedbacks regarding the Company's performance and approach on environmental, social and governance aspects are welcomed and valued. Questions, suggestions and recommendations could be sent via fax at 852-37534617.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017 (the "Year").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in the manufacturing and sale of synthetic sapphire watch crystals and optoelectronic products, trading of liquor, manufacturing and trading of LED lighting and related products.

An analysis of the Group's segment information for the Year by business is set out in note 10 to the consolidated financial statements.

RESULTS AND DIVIDENDS

Details of the audited consolidated results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 49 and 50, of this annual report.

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

BUSINESS REVIEW

A fair review of the business of the Group as well as discussion and analysis of the Group's performance during the Year and the material factors underlying its financial performance and financial position can be found in the "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 4 to 5 and pages 6 to 11 respectively. An analysis of the Group's financial risk management is provided in note 6 to the consolidated financial statements. No important event affecting the Group has occurred since the end of the Year.

Looking ahead, the global economic environment remains challenging. The global economic downturn and US interest rate hikes have created uncertainties and risks. The Group will continue to combat rising operating costs by bolstering production efficiency and employing stringent cost control measures. The Group will focus on the LED products business in 2018, with more of the Group resources being allocated in this business line as an initiative to improve the Group's financial performance.

Environmental policies and performance

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group aims to maximise energy conversation in its offices by promoting efficient use of resources and adopting green technologies. For instance, the Group continues to upgrade equipment such as lighting systems in order to increase overall operating efficiency. To identify energy efficiency opportunities, the Group measures and records the energy consumption intensity from time to time.

Compliance with law and regulation

The Group recognises the importance of compliance with regulatory requirements and that the risk of non-compliance with such requirements could lead to the termination of business operation. The Group has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with relevant authorities effectively through effective communications.

The Group also complies with the requirements under the Bermuda Companies Act, the GEM Listing Rules and the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO") for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interest employees of the Group in Hong Kong.

Key relationships with employees, customers and suppliers

The Group's success depends on, amongst other matters, the support from key stakeholders which comprise employees, shareholders, customers and suppliers.

Employees are regarded as the most important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement. One of the corporate goals of the Group is to enhance corporate value to shareholders. The Group is poised to foster business developments for improving the Group's financial performance and rewarding shareholders by stable dividend payouts in the foreseeable future when sustainable earnings growth can be achieved, taking into account the capital adequacy levels, liquidity positions and business expansion needs of the Group. The Group aimed to maintain good and sustainable relationship with its customers and suppliers in order to achieve stable growth in sales, as well as maintain a stable supplier chain.

Principal risks and uncertainties facing the Company

Risk relating to the business growth sustainability

The Group commenced the production and sales of LED lighting products in late of 2014. To a considerable degree, revenue during the Year was mainly attributable to the production and sale of LED lighting products. However, the Group only has a limited operating history for the production and sale of LED lighting products. Certain challenges are associated with companies that have relatively short operating histories on a business segment, including the ability to, among other things, effectively manage a rapidly growing business segment and respond effectively to the changes of market conditions.

Market risk on the existing LED lighting products
The competitiveness in the LED lighting industry is largely dependent on the Group's ability to improve the quality of the existing products and develop new products and techniques. As the Group has a limited history of operating the LED lighting business, no assurance could be given that such products will be well-accepted by the market.

Further, other competitors in the market may improve, develop and launch products which are superior to our products in terms of costs, production lead times and product quality, which would render our products non-competitive and obsolete. If the Group lags behind its competitors in improving existing products and/or launching new products in a timely manner, the Group may not be able to retain the existing customers, compete effectively for new business or maintain the position in the market, and the results of operations, profitability and prospects could be adversely affected as a result.

Risk relating to doing business in the People's Republic of China (the "PRC")
Substantially all of the Group's operations and assets are located the PRC. Accordingly, the Group's financial condition, results of operations and prospects are subject, to a significant degree, to the economic, political and social conditions and government policies in China. The PRC economy differs from the economies of most developed countries in a number of respects, including the extent of government involvement, level of development, growth rate, and control of foreign exchange.

While the PRC economy has grown significantly in the past 30 years, this growth has been geographically uneven among various sectors of the economy and during different periods. The Group cannot assure that the PRC economy will continue to grow, or that if there is growth, such growth will be steady and uniform. Any economic slowdown may have a negative effect on the Group's business. For example, the PRC government has in the past periodically implemented a number of measures intended to slow down certain segments of the economy, which the government believed to be overheating. The Group cannot assure that the various macroeconomic measures and monetary policies adopted by the PRC government to guide economic growth and the allocation of resources will be effective in improving the growth rate of the PRC economy. In addition, such measures, even if they benefit the overall PRC economy in the long term, may materially and adversely affect us if they reduce demand for the products.

SUBSIDIARIES

Details (including the principal activities) of the Company's subsidiaries as at 31 December 2017 are set out in note 34 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 52 of this annual report and note 28 to the consolidated financial statements, respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year are set out in note 16 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2017, no reserve was available for distribution to the owners of the Company (2016: Nil).

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under the Company's bye-laws (the "Bye-laws") or under the laws in Bermuda.

GROUP FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 110 of this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Year are set out in note 26 to the consolidated financial statements.

DIRECTORS

During the Year and thereafter up to the date of this report, the Directors are named as follows:

Executive Directors:
Mr. Wong Kin Hong *(Chairman)*
Mr. Huang Yonghua
Mr. Wong Tat Wa
Ms. Leung Po Yee
Mr. Gao Hong (resigned on 31 May 2017)
Mr. Li Zhi Qiang (resigned on 31 May 2017)

Independent Non-executive Directors (the "INEDs"):
Mr. Yan Guoniu
Mr. Tang Rong Gang
Mr. Ou Wei An
Mr. Ng Yu Ho, Steve

Pursuant to bye-law 87(1) of the Bye-laws, at each annual general meeting, one-third of the Directors for the time being (or, if this number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at an annual general meeting of the Company (the "AGM") at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. As such, Mr. Huang Yonghua, Mr. Yan Guoniu and Mr. Ou Wei An shall retire from office at the forthcoming AGM (the "2018 AGM"). All of the above retiring directors, being eligible, will offer themselves for re-election at the 2018 AGM.

Confirmation of independence of INEDs

The Company has received an annual written confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules from each of the INEDs, namely Mr. Yan Guoniu, Mr. Ou Wei An, Mr. Tang Rong Gang and Mr. Ng Yu Ho, Steve as at the date of this report. The Company considers the INEDs to be independent.

Biographies of Directors

The biographical details of the Directors are set out on pages 12 to 13 of this annual report.

Directors' service contracts

None of the Directors who are proposed for re-election at the 2018 AGM has entered into a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

There is no specific term of appointment of the Directors. The term of office of each of the executive Directors and INEDs is the period up to his/her retirement by rotation or otherwise as required by the Bye-laws. Pursuant to bye-law 87(1) of the Bye-laws, at each AGM, one-third of the Directors for the time being shall retire from office by rotation.

Directors' and controlling shareholders' interests in transactions, arrangements or contracts of significance

No transactions, arrangements or contracts of significance in relation to the business of the Group to which the Company, or any of its holding companies, or any of its subsidiaries or fellow 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, nor was there any transaction, arrangements or contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder (as defined in the GEM Listing Rules) or any of its subsidiaries for the Year.

Management contract

No contract concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the Year.

Directors' emoluments

Details of the remuneration of the Directors on a named basis during the Year are set out in note 14 to the consolidated financial statements.

Remuneration policy

The remuneration policy of the Company is reviewed regularly, making reference to the market conditions and performance of the Company and individual staff (including the Directors). The remuneration policy and remuneration packages of the Directors and senior management are reviewed by the remuneration committee and the Board, which are detailed in the paragraph headed "Remuneration Committee" under the Corporate Governance Report on page 21 of this annual report.

The Company provides a comprehensive benefit package for all employees as well as career development opportunities. This includes retirement schemes, share option scheme, medical insurance, other insurances, in-house training, on-the job training, external seminars and programs organised by professional bodies and educational institutes.

PENSION-DEFINED CONTRIBUTION PLANS

Details of the pension-defined contribution plans of the Group are set out in note 13 to the consolidated financial statements.

SHARE OPTIONS SCHEME AND OUTSTANDING SHARE OPTIONS

Details of the Company's share option scheme and the movement in the outstanding share options during the Year are set out in note 27 to the consolidated financial statements.

PERMITTED INDEMNITY

Appropriate insurance covers on directors' and officers' liabilities have been in force to protect the directors and officers of the Group from their risk exposure arising from the business of the Group.

Pursuant to the 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 they 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 duty.

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

As at 31 December 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO, which were required to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions in which they were taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

Ordinary shares in the Company (the "Shares")

Name of Director/ chief executive	**Capacity/Nature of interest**	**No. of Shares**	**Underlying Shares**	**Long/Short position**	**Approximate percentage of the Company's issued Shares** *(Note)*
Wong Kin Hong	Beneficial owner	25,500,000	–	Long Position	1.62%

Note: The percentage represents the number of Shares interested divided by the number of the Company's issued Shares as at 31 December 2017.

As at 31 December 2017, save as disclosed above, none of the Directors and the chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would have to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions in which they were taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed under the paragraphs headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Scheme and Outstanding Share Options" above, at no time during the Year were any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or the chief executive of the Company or any of their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 31 December 2017, so far as the Directors are aware, the persons (other than a Director or the chief executive of the Company) who had an interest or short position in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company under section 336 of the SFO, are as follows:

Name of shareholders	Capacity/Nature of Interest	Number of Shares held	Underlying Shares	Long/Short position	Approximate percentage of the Company's issued Shares *(Note)*
Elisabeta Ling	Beneficial owner	118,500,000	–	Long Position	7.54%

Notes: The percentage represents the number of Shares interested divided by the number of the Company's issued Shares as at 31 December 2017.

So far as is known to any Director, there was no person other than a Director or the chief executive of the Company who, as at 31 December 2017, had an interest or short position in the Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other substantial shareholders whose interest or short position were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHAREHOLDERS' INTERESTS IN SECURITIES OF SIGNIFICANCE

Other than the interests disclosed above in respect of the substantial shareholders, as at 31 December 2017, no other person is individually and/or collectively entitled to exercise or control the exercise of five per cent. or more of the voting power at the general meetings of the Company and are able, as a practicable manner, to direct or influence the management of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales for the Year generated from the Group's major customers is as follows:

– The largest customer	17%
– Five largest customers	58%

The percentage of purchases for the Year attributable to the Group's major suppliers is as follows:

– The largest supplier	11%
– Five largest suppliers	44%

None of the Directors, their close associates (as defined in the GEM Listing Rules) or any shareholders (which to the knowledge of the Directors, owns more than 5% of the Company's share capital) had an interest in any of the Group's five largest customers and suppliers for the Year.

PURCHASE, SALE OR REDEMPTION OF SHARES BY THE COMPANY AND/OR SUBSIDIARIES

Save as aforesaid, the Company did not redeem any of its Shares listed and traded on GEM nor did the Company or any of its subsidiaries purchase or sell any of such Shares during the Year.

COMPETING INTERESTS

During the Year, none of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company or their respective close associates (as defined in the GEM Listing Rules) had an interest in a business that competed with or might compete with the business of the Group.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors (the "Securities Code") on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Following a specific enquiry made by the Company with the Directors, all of them have confirmed that they had complied with the required standard of dealings of the Securities Code throughout the Year.

REPORT OF THE DIRECTORS

REVIEW BY AUDIT COMMITTEE

As required by Rule 5.28 of the GEM Listing Rules, the Company has established an Audit Committee with written terms of reference, which deals clearly with its authority and duties. The principal duties of the Audit Committee are to review and supervise the Group's financial reporting process and its internal control and risk management systems. As at the date of this report, the Audit Committee comprises four INEDs, namely Mr. Yan Guoniu (chairman of the Audit Committee), Mr. Tang Rong Gang, Mr. Ou Wei An and Mr. Ng Yu Ho, Steve.

The Company's audited consolidated financial statements for the Year and this annual report have been reviewed by the Audit Committee. The Audit Committee considered that the relevant financial statements had been prepared in compliance with the applicable accounting principles and requirements of the GEM Listing Rules.

RELATED PARTIES TRANSACTIONS

No significant related party transactions was entered into by the Group during the Year.

PUBLIC FLOAT

From the information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital are held by the public at all times during the Year and thereafter up to the date of this report.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to implementing good corporate governance practices. Information on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 15 to 26 of this annual report.

INDEPENDENT AUDITORS

On 30 September 2014, Elite Partners CPA Limited, the preceding independent auditor of the Group, resigned and on 26 November 2014, RSM Hong Kong (formerly known as "RSM Nelson Wheeler") was appointed by the Board as the independent auditor of the Group.

At the Company's AGM held in 2017, RSM Hong Kong was re-appointed as the independent auditor of the Company.

The consolidated financial statements for the Year have been audited by RSM Hong Kong, who will retire and, being eligible, offer themselves for re-appointment. The Board has taken the Audit Committee's recommendation that a resolution for their re-appointment as independent auditor of the Company will be proposed at the 2018 AGM.

Save as disclosed above, there have been no other changes of independent auditors for the preceding three years.

SUBSEQUENT EVENT

The Group had no material event subsequent to 31 December 2017, the end of the reporting period and up to the date of this report.

On behalf of the Board

Wong Kin Hong
Chairman

Hong Kong, 26 March 2018

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
SEAMLESS GREEN CHINA (HOLDINGS) LIMITED
(Incorporated in the Cayman Islands with limited liability and re-domiciled to Bermuda on 22 January 2008)

Opinion

We have audited the consolidated financial statements of Seamless Green China (Holdings) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 49 to 109, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter we identified is:

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of provision for trade receivables	
Refer to the disclosure in note 21, the accounting policies in note 4(k) and the key estimates in note 5(f) to the consolidated financial statements The Group has trade receivables with aggregate value of HKD33,460,000 as at 31 December 2017. The credit terms of trade receivables are in accordance with sales contracts and/or payment schedules agreed with various customers and generally range from 20 to 300 days. As at 31 December 2016, the trade receivables amounted to HKD1,335,000. The amount significantly increased during 2017 heightening the risk that the carrying value of trade receivables may be impaired. Management concluded that there is no impairment in respect of the trade receivables. This conclusion required significant management judgment in assessing the recoverability of trade receivables.	Our procedures in relation to management's impairment assessment included: – Obtaining confirmations from debtors on a sample basis to verify the accuracy of the debtor balances; – Re-computing the accuracy of the ageing analysis on a sample basis; – Reviewing the settlement by significant debtors after the year end date; – Discussing with management the credit status of those debtors with aged balances including any collection actions planned and loss provision made; and – Assessing the adequacy of the credit risk disclosures in relation to trade receivables.

Other Information

The Directors are responsible for the Other Information. The Other Information comprises all the information in the annual report other than 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 on the Other Information, 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 for the Consolidated Financial Statements

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

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

The Audit Committee assists the Directors in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Chan Kong Wang.

RSM Hong Kong
Certified Public Accountants

Hong Kong
26 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017
(Expressed in Hong Kong dollars)

	Note	**2017** HK$'000	2016 HK$'000
Revenue	8	**40,680**	12,822
Cost of sales		**(36,347)**	(12,367)
Gross profit		**4,333**	455
Other income and gains	9	**901**	1,170
Selling and distribution costs		**(73)**	(149)
Administrative and other operating expenses		**(11,198)**	(13,353)
Change in fair value of investment property	17	**(585)**	347
Impairment loss on trade receivables	21	**–**	(3,768)
Impairment loss on other receivables	21	**(2,006)**	(2,902)
Impairment loss on interests in associates	18	**(4,974)**	–
Impairment loss on available-for-sale financial assets transferred from investment revaluation reserve	19	**(1,255)**	–
Loss from operations		**(14,857)**	(18,200)
Share of profits of associates	18	**71**	176
Loss before tax	12	**(14,786)**	(18,024)
Income tax expense	11	**(1,054)**	(114)
Loss for the year		**(15,840)**	(18,138)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign subsidiaries		**3,174**	(1,678)
Change in fair value of available-for-sale financial assets		**(413)**	(302)
Reclassified to profit or loss		**1,255**	–
Share of other comprehensive income of associates	18	**–**	(3)
Other comprehensive income for the year, net of tax		**4,016**	(1,983)
Total comprehensive income for the year		**(11,824)**	(20,121)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017
(Expressed in Hong Kong dollars)

	Note	**2017** **HK$'000**	2016 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(15,862)**	(18,790)
Non-controlling interests		**22**	652
		(15,840)	(18,138)
Total comprehensive income attributable to:			
Owners of the Company		**(11,846)**	(20,773)
Non-controlling interests		**22**	652
		(11,824)	(20,121)
Loss per share attributable to the owners of the Company			
– Basic	*15*	**HK(1.10) cents**	HK(1.47) cents
– Diluted	*15*	**HK(1.10) cents**	HK(1.47) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017
(Expressed in Hong Kong dollars)

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	*16*	**4,366**	2,306
Investment property	*17*	**14,707**	14,183
Interests in associates	*18*	**–**	4,903
Available-for-sale financial assets	*19*	**1,094**	1,507
Total non-current assets		**20,167**	22,899
Current assets			
Inventories	*20*	**3,507**	291
Trade and other receivables	*21*	**38,948**	6,067
Current tax recoverable		**39**	36
Cash and cash equivalents	*22*	**42,784**	35,568
Total current assets		**85,278**	41,962
TOTAL ASSETS		**105,445**	64,861
Current liabilities			
Trade and other payables	*23*	**23,736**	9,478
Current tax liabilities		**1,041**	4
Promissory notes	*25*	**15,000**	15,000
Total current liabilities		**39,777**	24,482
Net current assets		**45,501**	17,480
Total assets less current liabilities		**65,668**	40,379
Non-current liabilities			
Deferred tax liabilities	*24*	**1,121**	1,039
NET ASSETS		**64,547**	39,340
CAPITAL AND RESERVES			
Share capital	*26*	**78,626**	64,350
Reserves	*29*	**(13,275)**	(24,184)
Equity attributable to owners of the Company		**65,351**	40,166
Non-controlling interests		**(804)**	(826)
TOTAL EQUITY		**64,547**	39,340

Approved by the Board of Directors on 26 March 2018 and are signed on its behalf by:

Wong Tat Wa
Director

Leung Po Yee
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017
(Expressed in Hong Kong dollars)

	Attributable to owners of the Company								
	Share capital HK$'000	**Share premium** HK$'000	**Investment revaluation reserve** HK$'000	**Warrant reserve** HK$'000	**Exchange reserve** HK$'000	**Share-based payment reserve** HK$'000	**Accumulated losses** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 January 2016	63,690	462,713	(540)	130	(3,629)	14,234	(478,563)	(1,478)	56,557
(Loss)/profit for the year	–	–	–	–	–	–	(18,790)	652	(18,138)
Other comprehensive income for the year:									
Exchange difference on translating foreign subsidiaries	–	–	–	–	(1,678)	–	–	–	(1,678)
Change in fair value of available-for-sale financial assets	–	–	(302)	–	–	–	–	–	(302)
Share of other comprehensive income of associates	–	–	–	–	–	–	(3)	–	(3)
Total comprehensive income for the year	–	–	(302)	–	(1,678)	–	(18,793)	652	(20,121)
Lapse of warrants	–	–	–	(130)	–	–	130	–	–
Issuance of shares through exercise of options	660	3,300	–	–	–	(1,056)	–	–	2,904
Lapse of options	–	–	–	–	–	(1,956)	1,956	–	–
Changes in equity for the year	660	3,300	(302)	(130)	(1,678)	(3,012)	(16,707)	652	(17,217)
At 31 December 2016 and 1 January 2017	64,350	466,013	(842)	–	(5,307)	11,222	(495,270)	(826)	39,340
(Loss)/profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(15,862)**	**22**	**(15,840)**
Other comprehensive income for the year:									
Exchange difference on translating foreign subsidiaries	**–**	**–**	**–**	**–**	**3,174**	**–**	**–**	**–**	**3,174**
Change in fair value of available-for-sale financial assets	**–**	**–**	**(413)**	**–**	**–**	**–**	**–**	**–**	**(413)**
Reclassified to profit or loss	**–**	**–**	**1,255**	**–**	**–**	**–**	**–**	**–**	**1,255**
Total comprehensive income for the year	**–**	**–**	**842**	**–**	**3,174**	**–**	**(15,862)**	**22**	**(11,824)**
Issuance of shares through exercise of options	**1,538**	**7,687**	**–**	**–**	**–**	**(2,460)**	**–**	**–**	**6,765**
Issuance of shares through placement	**12,738**	**17,528**	**–**	**–**	**–**	**–**	**–**	**–**	**30,266**
Changes in equity for the year	**14,276**	**25,215**	**842**	**–**	**3,174**	**(2,460)**	**(15,862)**	**22**	**25,207**
At 31 December 2017	**78,626**	**491,228**	**–**	**–**	**(2,133)**	**8,762**	**(511,132)**	**(804)**	**64,547**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017
(Expressed in Hong Kong dollars)

	Note	**2017** **HK$'000**	2016 HK$'000
Cash flows from operating activities			
Loss before tax		**(14,786)**	(18,024)
Adjustments for:			
Depreciation of property, plant and equipment	*16*	**200**	463
Share of profits of associates	*18*	**(71)**	(176)
Change in fair value of investment property	*17*	**585**	(347)
Reversal of allowance for trade receivables	*21*	**(280)**	–
Loss on disposal of property, plant and equipment		**16**	–
Impairment loss on interests in associates	*18*	**4,974**	–
Impairment loss on trade receivables	*21*	**–**	3,768
Impairment loss on other receivables	*21*	**2,006**	2,902
Impairment loss on available-for-sale financial assets transferred from investment revaluation reserve	*19*	**1,255**	–
Allowance for inventories	*20*	**–**	407
Reversal of allowance for inventories	*20*	**(63)**	(1,364)
Interest income		**(598)**	(1,067)
Operating loss before working capital changes		**(6,762)**	(13,438)
– (Increase)/decrease in inventories		**(3,301)**	4,647
– Increase in trade and other receivables		**(34,827)**	(1,293)
– Increase/(decrease) in trade and other payables		**14,258**	(2,712)
Cash used in operations		**(30,632)**	(12,796)
Income tax paid		**(47)**	(15)
Net cash used in operating activities		**(30,679)**	(12,811)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017
(Expressed in Hong Kong dollars)

	Note	2017 HK$'000	2016 HK$'000
Cash flows from investing activities			
Interest received		**598**	1,067
Purchases of property, plant and equipment		**(2,086)**	(612)
Net proceeds from disposal of property, plant and equipment		**39**	–
Net cash (used in)/generated from investing activities		**(1,449)**	455
Cash flows from financing activities			
Net proceeds from shares issued in placement		**30,266**	–
Net proceeds from shares issued in exercise of share options		**6,765**	2,904
Net cash generated from financing activities		**37,031**	2,904
Net increase/(decrease) in cash and cash equivalents		**4,903**	(9,452)
Effect of foreign exchange rate changes		**2,313**	5,704
Cash and cash equivalents at 1 January		**35,568**	39,316
Cash and cash equivalents at 31 December	*22*	**42,784**	35,568

1. General information

Seamless Green China (Holdings) Limited (the "Company") was incorporated in the Cayman Islands on 18 January 2001 as an exempted company with limited liability. The issued shares of the Company's shares have been listed on GEM of The Stock Exchange of Hong Kong Limited since 10 August 2001. Pursuant to a special resolution passed on 7 January 2008, the shareholders of the Company resolved to change the domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. The re-domicile was completed on 22 January 2008. The change of domicile has no impact on the continuity and the listing status of the Company. The addresses of its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Room 1604, Seaview Commercial Building, 21-24 Connaught Road West, Sheung Wan, Hong Kong respectively.

The Company is an investment holding company. The Group's principal activities of its subsidiaries are set out in note 34 to the consolidated financial statements.

2. Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

Going concern basis

The Group incurred a loss attributable to owners of the Company for both the years ended 31 December 2016 and 2017, of HK$18,790,000 and HK$15,862,000 respectively. Notwithstanding this fact, the Directors consider it is appropriate to prepare the consolidated financial statements on a going concern basis as the Group is expected to have sufficient financial resources to meet its obligation as they fall due for at least the next twelve months based on its projected cash flow forecasts. The Group's management has reviewed the financial position of the Group as at 31 December 2017, including its working capital and bank and cash balances, together with the projected cash flow forecasts for the next twelve months and the Directors consider that the Group is financially viable to continue as a going concern.

(Expressed in Hong Kong dollars)

2. Basis of preparation *(continued)*

Going concern basis *(continued)*

In addition, if necessary, the Group can also improve its financial position, immediate liquidity and cash flows, by adopting the following measures:

(a) the management can increase the capital base of the Group through various fund-raising exercise, including but not limited to, issuing right shares to the qualifying shareholders and/or placing of new shares; and

(b) the Directors will take action to reduce costs.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

3. Adoption of new and revised Hong Kong Financial Reporting Standards

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2017. None of these impact on the accounting policies of the Group.

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to HKAS 40 Investment Property Transfers of investment property	1 January 2018
HKFRS 16 Leases	1 January 2019
HK (IFRIC) 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
HK (IFRIC) 23 Uncertainly over Income Tax Investments	1 January 2019

3. Adoption of new and revised Hong Kong Financial Reporting Standards *(continued)*

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

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. 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 interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 9 Financial Instruments

HKFRS 9 will replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of HKFRS 9 to the Group's consolidated financial statements as follows:

(a) *Classification and measurement*

The Group expects to irrevocably designate those listed and unlisted equity securities currently classified as available-for-sale as at fair value through other comprehensive income.

Fair value gains and losses on these instruments will no longer be recycled to profit or loss on disposal. Impairment losses on equity securities will no longer be recognised in profit loss but rather in other comprehensive income. In addition, the Group currently measures certain unlisted equity securities at cost less impairment. Under HKFRS 9 these instruments will be measured at fair value.

(b) *Impairment*

HKFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the applciaiton of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, if the Group were to adopt the new impairment requirements at 31 December 2017, there will be no significant impact on impairment loss.

3. Adoption of new and revised Hong Kong Financial Reporting Standards *(continued)*

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) *Timing of revenue recognition*

Currently, revenue arising from the provision of sales of manufactured goods and trading of goods generally recognised when the risks and rewards of ownership have passed to the customers.

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

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

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

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

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

For contracts with customers in which the sales of manufactured goods and trading of goods is generally expected to be the only performance obligation, adoption of HKFRS 15 is not expected to have any impact on the Group's revenue or profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

3. Adoption of new and revised Hong Kong Financial Reporting Standards *(continued)*

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

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

(b) Warranty obligations

The Group generally provides for warranties for repairs to any defective electrical products and does not provide extended warranties in its contracts with customers. As such, most existing warranties will be assurance-type warranties under HKFRS 15, which will continue to be accounted for under HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with its current practice.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 31, the Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to HK$1,129,000 as at 31 December 2017. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will be better to predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

4. Significant accounting policies

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. investment property and certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment, complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. 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 has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated exchange reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. Significant accounting policies *(continued)*

(a) Consolidation *(continued)*

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). 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.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

4. Significant accounting policies *(continued)*

(b) Business combination and goodwill *(continued)*

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. The Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated exchange reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

4. Significant accounting policies *(continued)*

(c) Associates *(continued)*

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Foreign currency translation

(i) Functional and presentation currency

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 "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

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

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

4. Significant accounting policies *(continued)*

(d) Foreign currency translation *(continued)*

(ii) Transactions and balances in each entity's financial statements *(continued)*

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administration purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The useful lives are as follows:

Leasehold improvements	Over the shorter of lease terms or 10 years
Plant and machinery	3 years to 10 years
Furniture, fixtures and equipment	3 years to 5 years

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

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

(f) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

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

4. Significant accounting policies *(continued)*

(g) Leases

The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidation statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(j) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

4. Significant accounting policies *(continued)*

(j) Financial assets *(continued)*

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

(k) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(l) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

4. Significant accounting policies *(continued)*

(n) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of manufactured goods and trading of raw materials are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

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

(q) Employee benefits

(i) Employee leave entitlements

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

4. Significant accounting policies *(continued)*

(r) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

(s) Taxation

Income tax represents the sum of the current tax and deferred tax.

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

4. Significant accounting policies *(continued)*

(s) Taxation *(continued)*

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

PRC land appreciation tax ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. LAT is recognised as an income tax expense. LAT paid is a deductible expense for PRC enterprise income tax purposes.

(t) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

4. Significant accounting policies *(continued)*

(u) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

In addition, for trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(v) Provisions and contingent liabilities

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

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

4. Significant accounting policies *(continued)*

(w) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. Critical judgments and key estimates

Critical judgments in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgments that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Going concern basis

These financial statements have been prepared on a going concern basis, the validity of which depends upon certain measures taken by the Directors to improve the Group's financial position, immediate liquidity, cash flows, profitability and operations as explained in note 2 to the consolidated financial statements.

(b) Deferred tax for investment property

For the purposes of measuring deferred tax for investment property that is measured using the fair value model, the Directors have reviewed the Group's investment property and concluded that the Group's investment property is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment property, the Directors have adopted the presumption that investment property measured using the fair value model is recovered through sale.

Key sources of estimation uncertainty

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

(a) Impairment on interests in associates

The Group carried out review on impairment on interests in associates by comparing their recoverable amounts (higher of value-in-use and fair value less cost of disposal) with their respective carrying amounts. The review led to the recognition of accumulated impairment losses on interests in associates of HK$132,447,000 (2016: HK$127,473,000) as at 31 December 2017.

(b) Prolonged impairment on available-for-sale financial assets

To determine if an available-for-sale financial asset is impaired, the Group evaluated the duration and extent to which the fair value of the asset is less than its costs, and the financial health of and short-term business outlook of the investee. If the decline in fair value of the listed investment is considered to be prolonged or significant, reclassification of the accumulated change in fair value previously recognised in the investment revaluation reserve will be transferred from reserve to profit or loss. During the year, impairment of available-for-sale financial assets of HK$1,255,000 (2016: HK$ Nil) was reclassified from investment revaluation reserve to profit or loss. The accumulated impairment losses as at 31 December 2017 were HK$69,255,000 (2016: HK$68,000,000).

5. Critical judgments and key estimates *(continued)*

Key sources of estimation uncertainty *(continued)*

(c) Fair values of investment property

The Group appointed an independent professional valuer to assess the fair value of the investment property. In determining the fair value, the valuer has utilised a method of valuation which involves certain estimates. The Directors have exercised their judgment and are satisfied that the method of valuation and inputs used are reflective of the current market conditions.

The carrying amount of investment property as at 31 December 2017 was HK$14,707,000 (2016: HK$14,183,000).

(d) Property, plant and equipment, depreciation and impairment

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

The carrying amount of property, plant and equipment as at 31 December 2017 was HK$4,366,000 (2016: HK$2,306,000).

(e) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, HK$1,054,000 (2016: HK$114,000) was charged to profit or loss.

(f) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event requires the use of judgment and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

As at 31 December 2017, accumulated impairment losses for bad and doubtful debts amounted to HK$15,037,000 (2016: HK$13,094,000).

5. Critical judgments and key estimates *(continued)*

Key sources of estimation uncertainty *(continued)*

(g) Net realisable value of inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. As at 31 December 2017, accumulated allowance for inventories amounted to HK$5,030,000 (2016:HK$4,945,000).

6. Financial risk management

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

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as certain of its business transactions, assets and liabilities are denominated in currencies other than their functional currencies of the Group entities, including HK$, USD, Great british pound ("GBP") and RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2017, if the HK$ had weakened/strengthened 5% per cent against RMB with all other variables held constant, consolidated loss after tax for the year would have been HK$119,000 (2016: HK$83,000) higher/lower, arising mainly as a result of the foreign exchange loss/gain on bank balances denominated in HK$.

At 31 December 2017, if the USD had weakened/strengthened 5% per cent against RMB with all other variables held constant, consolidated loss after tax for the year would have been HK$32,000 (2016: HK$50,000) higher/lower, arising mainly as a result of the foreign exchange loss/gain on bank balances denominated in USD.

At 31 December 2017, if the GBP had weakened/strengthened 5% per cent against HK$ with all other variables held constant, consolidated loss after tax for the year would have been HK$55,000 (2016: HK$62,000) higher/lower, arising mainly as a result of the foreign exchange loss/gain on available-for-sale financial assets denominated in GBP.

(b) Interest rate risk

As the Group has no significant interest-bearing financial assets and liabilities with a floating interest rate, the Group's results and operating cash flows are substantially independent of changes in market interest rates.

6. Financial risk management *(continued)*

(c) Price risk

The Group's available-for-sale financial assets are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The Group's equity price risk is mainly concentrated on equity securities quoted on the NEX Exchange.

At 31 December 2017, if the share price of the investment increase/decrease by 10%, the other comprehensive income for the year would have been HK$109,000 (2016: HK$150,000) higher/lower, arising as a result of the fair value gain/loss of the investment.

(d) Credit risk

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

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

The credit risk on liquid funds is limited because the majority of the counterparties are reputable banks or banks with high credit-ratings. Loans receivables from associates are closely monitored by the Directors.

Credit risk is concentrated as 58.34% (2016: 55.30%) of the total trade receivables are due from the Group's five largest customers. However, the management considers, based on the strong financial background and good creditability of those debtors, there are no significant credit risks.

(e) Liquidity risk

In managing the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on funds generated from operations and fund raising activities as a significant source of liquidity.

6. Financial risk management *(continued)*

(e) Liquidity risk *(continued)*

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	On demand or less than 1 year HK$'000	**More than 1 year HK$'000**	**Total undiscounted cash flows HK$'000**	**Total carrying amount at 31 December 2017 HK$'000**
2017				
Non-derivative financial liabilities				
Promissory notes	**15,000**	**–**	**15,000**	**15,000**
Trade and other payables	**23,204**	**–**	**23,204**	**23,204**
	38,204	**–**	**38,204**	**38,204**

	On demand or less than 1 year HK$'000	More than 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount at 31 December 2016 HK$'000
2016				
Non-derivative financial liabilities				
Promissory notes	15,000	–	15,000	15,000
Trade and other payables	9,478	–	9,478	9,478
	24,478	–	24,478	24,478

6. Financial risk management *(continued)*

(f) Categories of financial instruments as at 31 December 2017

	2017 HK$'000	2016 HK$'000
Financial assets		
Available-for-sale financial assets	**1,094**	1,507
Trade and other receivables	**33,980**	5,840
Cash and cash equivalents	**42,784**	35,568
	77,858	42,915
Financial liabilities		
Trade and other payables	**23,204**	9,478
Promissory notes	**15,000**	15,000
	38,204	24,478

Except as disclosed in note 7 to the consolidated financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: 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 asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

7. Fair value measurements *(continued)*

(a) Disclosures of level in fair value hierarchy at 31 December 2017

	Fair value measurements using							
	2017				2016			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements:								
Financial assets								
Available-for-sale financial assets								
Listed equity securities	**1,094**	**–**	**–**	**1,094**	1,507	–	–	1,507
Investment property								
Residential unit – PRC	**–**	**14,707**	**–**	**14,707**	–	14,183	–	14,183
Total	**1,094**	**14,707**	**–**	**15,801**	1,507	14,183	–	15,690

The investment property was measured at Level 2, and there were no transfer between Level 1, Level 2 and Level 3 during the year.

During the two years, there were no changes in the valuation techniques used.

7. Fair value measurements *(continued)*

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2017

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes. The financial controller reports directly to the Board for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board at least once a year.

Level 2 fair value measurements

			Fair value			
			2017		2016	
Description	Valuation technique	Inputs	**HK$'000**		HK$'000	
			Assets	**Liabilities**	Assets	Liabilities
Residential units located in the PRC	Market Approach	Price per square metre, using relevant market comparables and taking into account of adjustments on nature of transaction, building age and size	**14,707**	**–**	14,183	–

8. Revenue

The Group's revenue represents the sales of goods to customers, net of discounts and sales related tax during the year.

9. Other income and gains

	2017	2016
	HK$'000	HK$'000
Bank interest income	**598**	1,067
Reversal of allowance for trade receivables	**280**	–
Others	**23**	103
	901	1,170

10. Segment information

Segment information reported by the Group's operating division to the chief operating decision maker ("CODM"), i.e. the Directors, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. The Group's operating and reportable segments under HKFRS 8 are as follows:

(a) The synthetic sapphire watch crystals segment ("Sapphire") is a supplier of watch crystals mainly for use in the manufacturing of watch products;

(b) The optoelectronic products segment ("Optoelectronic") is a supplier of optoelectronic products for use in the watch products;

(c) The liquor products segment ("Liquor") is engaged in trading of wine; and

(d) The LED products segment ("LED") is engaged in manufacturing and trading of LED lighting or related products.

For the purposes of assessing segment performance and resources between segments, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment revenue represents revenue generated from external customers. There were no inter-segment sales in the year (2016: Nil).

10. Segment information *(continued)*

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Reportable segment results represent the profit or loss resulted by each segment and do not include bank interest income, change in fair value of investment property, impairment loss on other receivables, reversal of allowance for other receivables, share of profits of associates, interest on promissory notes and unallocated corporate expenses.

Segment assets do not include unallocated corporate assets, including bank and cash balances, investment property, interests in associates and available-for-sale financial assets. Segment liabilities do not include promissory notes, unallocated corporate liabilities and current and deferred tax liabilities.

(a) Segment revenue and results

	Sapphire HK$'000	**Optoelectronic** HK$'000	**Liquor** HK$'000	**LED** HK$'000	**Total for reportable segments** HK$'000
Year ended 31 December 2017					
Revenue from external customers	**–**	**2,805**	**754**	**37,121**	**40,680**
Segment results	**(2)**	**752**	**143**	**2,393**	**3,286**
Year ended 31 December 2016					
Revenue from external customers	–	971	4,636	7,215	12,822
Segment results	(328)	(2,748)	1,347	(4,955)	(6,684)

	2017 **HK$'000**	2016 HK$'000
Reconciliation:		
Total profit or loss of reportable segments	**3,286**	(6,684)
Unallocated amounts:		
Unallocated corporate income	**–**	26
Change in fair value of investment property	**(585)**	347
Impairment loss on other receivables	**(2,006)**	(1,104)
Impairment loss on available-for-sale financial assets transferred from investment revaluation reserve	**(1,255)**	–
Impairment loss on interests in associates	**(4,974)**	–
Share of profits of associates	**71**	176
Unallocated corporate expenses		
– staff costs	**(2,853)**	(2,829)
– others	**(6,470)**	(7,956)
Consolidated loss before tax	**(14,786)**	(18,024)

10. Segment information *(continued)*

(b) Segment assets and liabilities

	Sapphire	Optoelectronic	Liquor	LED	Total for reportable segments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2017					
Segment assets	**–**	**1,777**	**5,166**	**60,454**	**67,397**
Segment liabilities	**(19)**	**(1,352)**	**(7)**	**(16,430)**	**(17,808)**
At 31 December 2016					
Segment assets	–	90	–	41,132	41,222
Segment liabilities	(2,349)	(1,273)	(22)	(2,542)	(6,186)

	2017	2016
	HK$'000	HK$'000
Reconciliation:		
Total assets of reportable segments	**67,397**	41,222
Unallocated assets		
– Investment property	**14,707**	14,183
– Interests in associates	**–**	4,903
– Available-for-sale financial assets	**1,094**	1,507
– Bank and cash balances	**21,567**	976
– Others	**680**	2,070
Consolidated total assets	**105,445**	64,861
Total liabilities of reportable segments	**(17,808)**	(6,186)
Unallocated liabilities		
– Promissory notes	**(15,000)**	(15,000)
– Current tax liabilities	**(1,041)**	(4)
– Deferred tax liabilities	**(1,121)**	(1,039)
– Others	**(5,928)**	(3,292)
Consolidated total liabilities	**(40,898)**	(25,521)

10. Segment information *(continued)*

(c) Other segment information

For the year ended 31 December 2017:

	Sapphire	Optoelectronic	Liquor	LED	Unallocated	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Capital expenditure	**–**	**–**	**–**	**2,073**	**13**	**2,086**
Interest income	**–**	**–**	**–**	**598**	**–**	**598**
Depreciation	**–**	**4**	**–**	**167**	**29**	**200**
Income tax expense	**–**	**–**	**21**	**1,033**	**–**	**1,054**
Impairment loss on available-for-sale financial assets transferred from investment revaluation reserve	**–**	**–**	**–**	**–**	**1,255**	**1,255**
Impairment loss on interests in associates	**–**	**–**	**–**	**–**	**4,974**	**4,974**
Impairment loss on other receivables	**–**	**–**	**–**	**–**	**2,006**	**2,006**

For the year ended 31 December 2016:

	Sapphire	Optoelectronic	Liquor	LED	Unallocated	Total
Capital expenditure	–	–	–	580	32	612
Interest income	–	–	–	1,066	1	1,067
Depreciation	312	–	–	124	27	463
Income tax expense	–	–	–	15	99	114
Impairment losses on trade and other receivables	–	458	–	5,108	1,104	6,670

10. Segment information *(continued)*

(d) Geographical information

The Group's operations are mainly located in Hong Kong and the PRC.

The Group's revenue from external customers by location of operation and information about its non-current assets by location of assets are detailed below:

	Revenues from external customers		Non-current assets	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**6,894**	3,455	**485**	500
PRC	**32,089**	2,646	**18,588**	20,892
Philippines	**1,697**	2,077	**–**	–
Macau	**–**	3,552	**–**	–
South America	**–**	1,092	**–**	–
	40,680	12,822	**19,073**	21,392

(e) Information about major customers

The following table set out the information for the Group's customers contributing over 10% total revenue:

	2017	2016
	HK$'000	HK$'000
Customer A	**–**	3,552
Customer B	**–**	2,190
Customer C	**–**	2,078
Customer D	**7,035**	–
Customer E	**4,890**	–
Customer F	**4,605**	–
Customer G	**4,199**	–
	20,729	7,820

Save as disclosed above, there was no other single customer contributing over 10% total revenue of the Group for the year ended 31 December 2017.

11. Income tax expense

(a) Income tax has been recognised in profit or loss as followings:

	2017 **HK$'000**	2016 HK$'000
Provision for current income tax		
– Hong Kong Profits Tax	**21**	–
– PRC Enterprise Income Tax	**985**	15
Under provision in prior year		
– PRC Enterprise Income Tax	**48**	–
Deferred tax *(Note 24)*	**–**	99
	1,054	114

Hong Kong Profits Tax has been provided at a rate of 16.5% (2016: Nil) on the estimated assessable profit for the year ended 31 December 2017.

PRC Enterprise Income Tax is calculated at 25% (2016: 25%).

(b) The reconciliation between the income tax expense and the product of loss before tax multipled by the Hong Kong profits tax rate is as:

	2017 **HK$'000**	2016 HK$'000
Loss before tax	**(14,786)**	(18,024)
Tax at 16.5% (2016: 16.5%)	**(2,439)**	(2,974)
Tax effect of different tax rate of subsidiaries	**255**	(610)
Tax effect of non-taxable income	**(227)**	(246)
Tax effect of non-deductible expenses	**3,255**	3,538
Tax effect of temporary differences not recognised	**–**	(1)
Tax loss not recognised	**223**	535
Under-provision in current year	**(61)**	(87)
Under-provision in prior year	**48**	–
Tax effect of utilisation of tax losses not previously recognised	**–**	(41)
Income tax expense	**1,054**	114

12. Loss before tax

The Group's loss before tax is stated at after charging/(crediting) the following:

	2017	2016
	HK$'000	HK$'000
Depreciation	**200**	463
Impairment losses on		
– Interests in associates	**4,974**	–
– Trade receivables	**–**	3,768
– Other receivables	**2,006**	2,902
– Available-for-sale financial assets transferred from investment revaluation reserve	**1,255**	–
Cost of inventories sold	**36,347**	12,367
Loss on disposal of property, plant and equipment	**16**	–
Allowance for inventories (included in administrative and other operating expenses)	**–**	407
Reversal of allowance for trade receivables	**(280)**	–
Reversal of allowance for inventories (included in cost of inventories sold) (2016: included in administrative and other operating expenses)	**(63)**	(1,364)
Operating leases charges:		
– Buildings	**1,991**	1,609
– Motor vehicle	**25**	17
Auditor's remuneration		
– Current year	**600**	635
– Under-provision for prior year	**–**	77
Foreign exchange losses	**997**	621

Cost of inventories sold includes staff costs, depreciation and operating lease charges of HK$678,000 (2016: HK$592,000) and reversal of allowance for inventories of HK$63,000 (2016: Nil) which are included in the amounts disclosed separately above.

13. EMPLOYEE BENEFITS EXPENSE

Retirement scheme contributions

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries subject to a monthly maximum amount of HK$1,500 (2016: HK$1,500) per employee and vest fully with employees when contributed into the MPF Scheme.

The Group's PRC employees are members of a central pension scheme operated by the local municipal government. The Group is required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the Group. The only obligation of the Group with respect to the central pension scheme is to meet the required contributions under the scheme.

There were no forfeited contributions (2016: Nil) available at the end of the reporting period to reduce future contributions.

	2017	2016
	HK$'000	HK$'000
Employee benefits expense:		
Salaries, bonuses and allowances	**4,176**	5,698
Retirement benefit scheme contributions	**143**	206
	4,319	5,904

Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2016: four) Directors whose emoluments are reflected in the analysis presented in note 14. The emoluments of the remaining two (2016: one) individuals are set out below:

	2017	2016
	HK$'000	HK$'000
Basic salaries and allowances	**608**	311
Retirement benefit scheme contributions	**30**	16
	638	327

13. EMPLOYEE BENEFITS EXPENSE *(continued)*

The emoluments fell within the following band:

	Number of individuals	
	2017	2016
Nil to HK$1,000,000	**2**	1

14. Benefits and interests of Directors

(a) Directors' emoluments

The remuneration of every Director is set out below:

	Fee HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	Share-based payments HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive Directors						
Mr. Wong Kin Hong	**240**	**–**	**–**	**–**	**–**	**240**
Mr. Huang Yonghua	**144**	**195**	**–**	**–**	**–**	**339**
Mr. Wong Tat Wa	**144**	**370**	**–**	**–**	**–**	**514**
Ms. Leung Po Yee	**144**	**370**	**–**	**–**	**18**	**532**
Mr. Gao Hong *(Note 1)*	**60**	**–**	**–**	**–**	**–**	**60**
Mr. Li Zhi Qiang *(Note 2)*	**60**	**–**	**–**	**–**	**–**	**60**
	792	**935**	**–**	**–**	**18**	**1,745**
Independent Non-executive Directors						
Mr. Yan Guoniu	**120**	**–**	**–**	**–**	**–**	**120**
Mr. Tang Rong Gang	**120**	**–**	**–**	**–**	**–**	**120**
Mr. Ou Wei An	**120**	**–**	**–**	**–**	**–**	**120**
Mr. Ng Yu Ho, Steve	**120**	**–**	**–**	**–**	**–**	**120**
	480	**–**	**–**	**–**	**–**	**480**
Total for 2017	**1,272**	**935**	**–**	**–**	**18**	**2,225**

14. Benefits and interests of Directors *(continued)*

(a) Directors' emoluments *(continued)*

	Fee HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	Share-based payments HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive Directors						
Mr. Wong Kin Hong	240	–	–	–	–	240
Mr. Huang Yonghua	144	183	–	–	–	327
Mr. Wong Tat Wa	144	390	–	–	–	534
Ms. Leung Po Yee	144	390	–	–	18	552
Mr. Gao Hong *(Note 1)*	77	–	–	–	–	77
Mr. Li Zhi Qiang *(Note 2)*	76	–	–	–	–	76
Mr. Thomas Ng Cheng Kiong *(Note 3)*	25	–	–	–	–	25
	850	963	–	–	18	1,831
Independent Non-executive Directors						
Mr. Yan Guoniu	120	–	–	–	–	120
Mr. Tang Rong Gang	120	–	–	–	–	120
Mr. Ou Wei An	120	–	–	–	–	120
Mr. Ng Yu Ho, Steve	120	–	–	–	–	120
	480	–	–	–	–	480
Total for 2016	1,330	963	–	–	18	2,311

Notes:

1. Mr. Gao Hong was appointed on 18 June 2016 and resigned on 31 May 2017.

2. Mr. Li Zhi Qiang was appointed on 22 June 2016 and resigned on 31 May 2017.

3. Mr. Thomas Ng Cheng Kiong resigned on 3 March 2016.

(Expressed in Hong Kong dollars)

14. Benefits and interests of Directors *(continued)*

(a) Directors' emoluments *(continued)*

The remunerations of Directors of the Company fall into the following bands:

	No. of Directors 2017	No. of Directors 2016
HK$Nil – HK$1,000,000	**10**	11
	10	11

None of the Directors waived any remuneration during the year ended 31 December 2017 (2016: Nil).

During the year ended 31 December 2017, there was no emoluments have been paid to the Directors as an inducement to join or upon joining the Group; or as compensation for loss of office (2016: Nil).

(b) Directors' material interests in transactions, arrangements or contracts

There were no significant transactions, arrangements and contracts to which the Company was a party and in which a Director and other Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

15. LOSS PER SHARE

(a) Basic loss per share

The basic loss per share is calculated based on the loss attributable to the owners of the Company of HK$15,862,000 (2016: HK$18,790,000) and the weighted average number of 1,443,523,491 shares (2016: 1,274,419,159) in issue during the year.

(b) Diluted loss per share

Diluted loss per share for the year ended 31 December 2017 was same as the basic loss per share as the potential shares araising from the exercise of the Company's share options would decrease the loss per share of the Group for the Year and is regarded as anti-dilutive.

16. Property, plant and equipment

	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
At cost:				
At 1 January 2016	19	49,643	632	50,294
Additions	424	156	32	612
Exchange realignment	(15)	(194)	(14)	(223)
At 31 December 2016 and at 1 January 2017	**428**	**49,605**	**650**	**50,683**
Additions	**138**	**1,792**	**156**	**2,086**
Disposals	**–**	**(69)**	**–**	**(69)**
Exchange realignment	**37**	**1,918**	**22**	**1,977**
At 31 December 2017	**603**	**53,246**	**828**	**54,677**
Accumulated depreciation and impairment:				
At 1 January 2016	19	47,434	478	47,931
Charge for the year	32	400	31	463
Exchange realignment	(1)	(5)	(11)	(17)
At 31 December 2016 and at 1 January 2017	**50**	**47,829**	**498**	**48,377**
Charge for the year	**45**	**118**	**37**	**200**
Disposals	**–**	**(14)**	**–**	**(14)**
Exchange realignment	**4**	**1,729**	**15**	**1,748**
At 31 December 2017	**99**	**49,662**	**550**	**50,311**
Net carrying amount:				
At 31 December 2017	**504**	**3,584**	**278**	**4,366**
At 31 December 2016	378	1,776	152	2,306

17. Investment property

	2017	2016
	HK$'000	HK$'000
At 1 January	**14,183**	14,756
Fair value (loss)/gain on investment property	**(585)**	347
Exchange differences	**1,109**	(920)
At 31 December	**14,707**	14,183

Investment property situated in the PRC was revalued at 31 December 2017 and 2016 by Ascent Partner Valuation Service Limited, an independent professional valuer.

Valuation for investment property was derived using the market comparable approach based on the recent market prices as at 31 December 2017 without significant adjustment being made to the market observable data.

Particulars of the Group's investment property at 31 December 2017 is set out on page 111.

18. Interests in associates

	2017	2016
	HK$'000	HK$'000
Share of net assets less impairment, unlisted investment		
At 1 January	**4,903**	4,730
Shares of post-acquisition profit and other comprehensive income, net of dividend received	**71**	173
Impairment loss for the year	**(4,974)**	–
At 31 December	**–**	4,903

The Group recognised impairment loss of HK$4,974,000 for the year ended 31 December 2017 on its interests in associates, Full Pace Holdings Limited ("Full Pace") and its wholly-owned subsidiary, TDI Transportation Display International Limited (the "Full Pace Group"). Besides, the Group also recognised impairment loss on its loan receivable due from Full Pace of HK$2,006,000 for the year ended 31 December 2017 (note 21 (a) (ii)). As the Full Pace failed to settle the loan receivable upon repeated demands and the majority investor has withdrawn substantially all of the funds from the Full Pace Group, the Directors are of the opinion that these amounts are irrecoverable and accordingly made full impairment on them.

(Expressed in Hong Kong dollars)

18. Interests in associates *(continued)*

Details of the Group's associates at 31 December 2017 are as follows:

Name of company	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Group		Principal activities
			Direct	Indirect	
Great Steer Limited	BVI	US$10,000	20%	–	No operation
Neo Partner Group					
Neo Partner Investments Limited	BVI	US$100	28%	–	Investment holding
Harvest View (China) Limited	Hong Kong	HK$100	–	28%	Distribution of care watch smart series products
Full Pace Group					
Full Pace Holdings Limited	BVI	US$100	45%	–	Investment holding
TDI Transportation Displays International Limited	Hong Kong	HK$250,000	–	45%	Provision of multimedia technical consultancy service

19. Available-for-sale financial assets

	2017 HK$'000	2016 HK$'000
Listed investment, at fair value		
Equity securities listed outside Hong Kong	**2,349**	2,349
Cumulative fair value change recognised in investment revaluation reserve	**–**	(842)
Accumulated impairment losses recognised in statement of profit and loss	**(1,255)**	–
	1,094	1,507
Unlisted equity securities, at cost		
Cost	**68,000**	68,000
Accumulated impairment losses	**(68,000)**	(68,000)
	1,094	1,507

The fair values of listed securities are based on current bid prices. As at 31 December 2017, the market value of listed securities was HK$1,094,000 (2016: HK$1,507,000). During the year, prolonged impairment loss of HK$1,255,000 was reclassified from investment revaluation reserve to profit or loss.

Unlisted equity securities with carrying amount of Nil (2016: Nil) were carried at cost less accumulated impairment losses as they do not have a quoted market price in an active market and their fair value cannot be reliably measured.

Available-for-sale financial assets are denominated in the following currency:

	2017 HK$'000	2016 HK$'000
GBP	**1,094**	1,507

20. Inventories

	2017 HK$'000	2016 HK$'000
Raw materials	**786**	280
Finished goods	**15**	11
Merchandise	**2,706**	–
	3,507	291

As at 31 December 2017, accumulated allowance for inventories amounted to HK$5,030,000 (2016: HK$4,945,000). The amount of allowance reversed during the year was HK$63,000 (2016: HK$1,364,000) as the inventories which previously impaired were sold in current year.

21. Trade and other receivables

	2017	2016
	HK$'000	HK$'000
Trade receivables	**37,095**	4,970
Allowance for doubtful debts	**(3,635)**	(3,635)
	33,460	1,335
Loan receivables *(Note (a))*	**–**	2,006
Other receivables *(Note (b))*	**363**	447
Prepayments and deposits	**5,125**	2,279
	38,948	6,067

Notes:

(a) As at 31 December 2017 and 2016, loan receivables comprise:

(i) the Group granted a loan to Neo Partner Group of HK$5,000,000 which is unsecured, 2% interest per annum and receivable on demand. Impairment loss on loan to Neo Partner Group amounted to HK$5,000,000 (2016: HK$5,000,000) was made as at 31 December 2017; and

(ii) the Group granted a loan to Full Pace Group of HK$2,006,000, which is unsecured, interest-free and receivable on demand. Impairment loss on loan to Full Pace Group amounted to HK$2,006,000 (2016: HK$Nil) was made as at 31 December 2017. Details are set out in note 18 to the consolidated financial statements.

(b) As at 31 December 2017, an allowance of HK$4,396,000 (2016: HK$4,326,000) was made for estimated irrecoverable other receivables.

21. Trade and other receivables *(continued)*

During the year, the Group entered into the business strategic agreements with certain customers in order to further penetrate into the market in the PRC, where the Group's credit terms on sales ranged from 20 to 300 days (2016: 30 to 90 days). The aging analysis of the trade receivables (net of allowance for doubtful debts) at the end of the reporting period, based on the invoice date, is as follows:

	2017	2016
	HK$'000	HK$'000
0 – 30 Days	**12,292**	363
31 – 60 Days	**2,485**	–
61 – 90 Days	**1,361**	873
Over 90 Days	**17,322**	99
	33,460	1,335

Reconciliation of in allowance for doubtful debts for trade receivables:

	2017	2016
	HK$'000	HK$'000
At 1 January	**3,635**	–
Allowance for the year	**–**	3,768
Reversal	**(280)**	–
Exchange differences	**280**	(133)
At 31 December	**3,635**	3,635

As of 31 December 2017, trade receivables of HK$8,039,000 (2016: HK$236,000) were past due but not impaired. These relate to a number of diversified and independent customers for whom there was no recent history of default. The aging analysis of these receivables is as follows:

	2017	2016
	HK$'000	HK$'000
Past due but not impaired:		
– Less than 1 month	**813**	–
– 1 to 3 months	**4,313**	47
– Over 3 months	**2,913**	189
	8,039	236

21. Trade and other receivables *(continued)*

The carrying amount of the Group's trade receivables is denominated in the following currencies:

	2017	2016
	HK$'000	HK$'000
USD	**3**	738
RMB	**33,457**	597
Total	**33,460**	1,335

22. Cash and cash equivalents

	2017	2016
	HK$'000	HK$'000
Bank and cash balances	**42,784**	21,050
Short-term investments	**–**	14,518
	42,784	35,568

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2017	2016
	HK$'000	HK$'000
HK$	**29,961**	3,303
RMB	**12,004**	31,475
USD	**819**	790
Total	**42,784**	35,568

As at 31 December 2017, the cash and cash equivalents of the Group denominated in RMB amounted to HK$12,004,000 (2016: HK$31,475,000), conversion of RMB into foreign currencies is subject the PRC's Foreign Exchange Control Regulation and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

23. Trade and other payables

	2017	2016
	HK$'000	HK$'000
Trade payables	**14,882**	1,700
Other payables and accrued charges	**8,854**	7,778
	23,736	9,478

The aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017	2016
	HK$'000	HK$'000
0 – 30 Days	**12,872**	1,585
31 – 60 Days	**148**	4
61 – 90 Days	**10**	–
Over 90 Days	**1,852**	111
	14,882	1,700

The trade payables are non-interest bearing and are normally settled on 60 days terms.

The carrying amount of the Group's trade payables is denominated in the following currencies:

	2017	2016
	HK$'000	HK$'000
HK$	**1,824**	179
USD	**15**	20
RMB	**13,043**	1,501
Total	**14,882**	1,700

24. Deferred tax liabilities

	Revaluation of investment property
	HK$'000
At 1 January 2016	1,005
Charge to profit or loss for the year *(Note 11)*	99
Exchange realignment	(65)
At 31 December 2016	1,039
Exchange realignment	82
At 31 December 2017	1,121

24. Deferred tax liabilities *(continued)*

At 31 December 2017, the Group has unused tax losses of approximately HK$80,004,000 (2016: HK$80,657,000) available for offset against future profits. The tax losses of HK$2,863,000 (2016: HK$3,499,000) will expire within 2022 and HK$77,141,000 (2016: 77,158,000) can be carried forward indefinitely under current tax legislation. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

At 31 December 2017, no deferred tax asset has been recognised in relation to the deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised (2016: Nil).

25. Promissory notes

	2017	2016
	HK$'000	HK$'000
At 1 January	**15,000**	15,000
Repayment	**–**	–
Interest charge	**–**	–
At 31 December	**15,000**	15,000

Promissory notes for acquisition of Great Steer Limited (the "Promissory Notes")

On 23 November 2012, the Company issued Promissory Notes at an aggregate principal amount of HK$71,000,000 for acquisition of 20% equity interests in Great Steer Limited. The Promissory Notes were interest free and due 3 years after the date of issue. The fair value of the Promissory Notes was HK$55,794,000 as at the issue date, calculated at the effective interest rate of 8.366% per annum.

During the year ended 31 December 2012, Promissory Notes at amortised cost of HK$9,733,000 were early repaid by cash at nominal value of HK$13,000,000. During the year ended 31 December 2015, the Company further repaid HK$43,000,000 on maturity. The remaining balance of HK$15,000,000 has not yet been repaid as at 31 December 2017.

26. Share capital

	Number of share		Share capital	
	2017	2016	**2017**	2016
	'000	'000	**HK$'000**	HK$'000
Authorised:				
Ordinary shares of HK$0.05 (2016: HK$0.05) each	**20,000,000**	20,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
At the beginning of year	**1,287,006**	1,273,806	**64,350**	63,690
Issuance of shares through exercise of options *(Note a)*	**30,750**	13,200	**1,538**	660
Issuance of shares through placement *(Note b)*	**254,761**	–	**12,738**	–
At the end of the year	**1,572,517**	1,287,006	**78,626**	64,350

Notes:

(a) During the year ended 31 December 2017, 30,750,000 share options were exercised in March 2017 at exercise price of HK$0.22 per ordinary share, resulting in the issuance of 30,750,000 ordinary shares of HK$0.05 each.

(b) On 9 June 2017, the Company proposed to raise HK$30,571,000 (before expenses) through a placing agent to issue 254,761,208 shares at the subscription price of HK$0.120 per offer share. The placing were fully subscribed and completed on 26 June 2017. The net proceeds were used to strengthen the Group's financial position and to increase the capital base of the Company for future investment purposes.

26. Share capital *(continued)*

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the directors of the Company may adjust the dividend payment to shareholders, return capital to shareholders and issue of new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes trade payables, other payables and accruals and promissory notes, less cash and cash equivalents. Capital includes equity attributable to the owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	2017	2016
	HK$'000	HK$'000
Trade and other payables	**23,736**	9,478
Promissory notes	**15,000**	15,000
Less: Cash and cash equivalents	**(42,784)**	(35,568)
Net debt	**(4,048)**	(11,090)
Equity attributable to the owners of the Company	**65,351**	40,166
Capital and net debt	**61,303**	29,076
Gearing ratio	**(6.6%)**	(38.1%)

The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year.

27. Share option scheme

The Company operates a share option scheme (the "Scheme"), which was adopted by the Company on 8 March 2011 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's Directors, including independent non-executive Directors, employees, whether full-time or part-time, of the Group or any Invested Entity (as defined in the Scheme), suppliers of goods or services to the Group or any Invested Entity, customers of the Group or any Invested Entity, person or entity that provides research, development or other technological support to the Group or any Invested Entity, and any shareholder of any member of the Group or any Invested Entity or holder of securities issued by any member of the Group or any Invested Entity.

Under the Scheme, the Board of Directors of the Company may grant options to eligible employees (including any executive, non-executive and independent non-executive Directors), supplier, customer, shareholder and adviser or consultant of any members of the Group and any person or entity that provides research, development or other technological support to any members of the Group. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of shares of the Company in issue on the adoption date of the Scheme. The maximum number of shares of the Company in respect of which share options may be granted under the Scheme and any other schemes of the Company must not, in aggregate, exceed 30% of the total number of shares in issue from time to time. The total number of shares to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. The exercise price (subscription price) shall be such price as determined by the Board in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the offer date; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

The options were granted at a consideration of HK$1 each. As at 31 December 2017, options to subscribe for a total of 67,343,940 (FY2016: 98,093,940) option shares are still outstanding under the Scheme which represents approximately 4.3% (FY2016: 7.6%) of the issued ordinary shares of the Company. The options outstanding at the end of the year have a weighted average remaining contractual life of 7 years (2016: 8 years).

The Scheme shall be valid and effective for a period of 10 years commencing from the date the Company adopted the scheme.

(Expressed in Hong Kong dollars)

27. Share option scheme *(continued)*

Details of the specific categories of options are as follows:

	Date of grant	Exercise period	Exercise price HK$	Adjusted exercise price *(Note)* HK$
Employees and consultants				
2011	24/3/2011	24/3/2011 – 23/3/2021	1.450	N/A
2013	19/11/2013	19/11/2013 – 18/11/2023	1.594	1.503
2014	29/1/2014	29/1/2014 – 28/1/2024	1.160	1.094
2015	13/7/2015	13/7/2015 – 12/7/2025	0.220	N/A
Former Directors				
2013	19/11/2013	19/11/2013 – 18/11/2023	1.594	1.503

Remarks: The options are fully vested as of the date of grant.

Details of the movement of share options during the year are as follows:

	2017		2016	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**98,093,940**	**0.287**	113,415,152	0.302
Exercised during the year *(Note (a))*	**(30,750,000)**	**0.22**	(13,200,000)	0.22
Lapsed during the year	**–**	**–**	(2,121,212)	1.503
Outstanding at the end of the year	**67,343,940**	**0.318**	98,093,940	0.287
Exercisable at the end of the year	**67,343,940**	**0.318**	98,093,940	0.287

Notes:

(a) The weighted average share price at the date of exercise for share options exercised during the year was HK$0.22.

28. Statement of financial position and reserve movement of the Company

(a) Statement of financial position of the Company

	Note	As at 31 December **2017** **HK$'000**	2016 HK$'000
Non-current assets			
Property, plant and equipment		**96**	110
Investments in subsidiaries	34	**–**	–
Available-for-sale financial assets		**1,094**	1,507
Total non-current assets		**1,190**	1,617
Current assets			
Deposits, prepayments and other receivables		**384**	2,489
Due from subsidiaries, net of accumulated impairment losses		**9,222**	1,781
Cash and cash equivalents		**20,719**	951
Total current assets		**30,325**	5,221
Total assets		**31,515**	6,838
Current liabilities			
Accruals and other payables		**683**	684
Promissory notes		**15,000**	15,000
Total current liabilities		**15,683**	15,684
Net current assets/(liabilities)		**14,642**	(10,463)
NET ASSETS/(LIABILITIES)		**15,832**	(8,846)
Share capital		**78,626**	64,350
Reserves	*28(b)*	**(62,794)**	(73,196)
TOTAL EQUITY/(CAPITAL DEFICIENCIES)		**15,832**	(8,846)

Approved by the Board of Directors on 26 March 2018 and are signed on its behalf by:

Wong Tat Wa
Director

Leung Po Yee
Director

28. Statement of financial position and reserve movement of the Company *(continued)*

(b) Reserve movement of the Company

	Share premium HK$'000	Share-based payment reserve HK$'000	Warrant reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2016	462,713	14,234	130	(543,825)	(66,748)
Total comprehensive income for the year	–	–	–	(8,692)	(8,692)
Issuance of shares through exercise of options	3,300	(1,056)	–	–	2,244
Lapse of warrants	–	–	(130)	130	–
Lapse of options	–	(1,956)	–	1,956	–
At 31 December 2016 and at 1 January 2017	466,013	11,222	–	(550,431)	(73,196)
Total comprehensive income for the year	–	–	–	(12,353)	(12,353)
Issuance of shares through exercise of options	7,687	(2,460)	–	–	5,227
Issuance of shares through placement	17,528	–	–	–	17,528
At 31 December 2017	491,228	8,762	–	(562,784)	(62,794)

29. Reserves

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value per Share. The application of the share premium account is governed by the Company Act 1981 of Bermuda.

(c) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of reporting period and is dealt with in accordance with the accounting policy in note 4(j) to the consolidated financial statements.

29. Reserves *(continued)*

(d) Warrant reserve

The warrant reserve represents the net proceeds received from the issuance of warrants of the Company. During the year, warrants were lapsed and the warrant reserve was transferred to accumulated losses.

(e) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(d) to the consolidated financial statements.

(f) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to its directors, employees and others of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(r) to the consolidated financial statements.

30. Related party transactions

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

The remuneration of members of Director and other members of key management during the year was as follows:

	2017	2016
	HK$'000	HK$'000
Short term benefits	**2,207**	2,293
Post-employment benefits	**18**	18
	2,225	2,311

The remuneration of Directors and other members of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

31. Lease Commitments

The Group as lessee

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017	2016
	HK$'000	HK$'000
Within 1 year	**602**	1,426
After 1 year but within 5 years	**527**	–
	1,129	1,426

Operating lease payments represent rentals payable by the Group for its offices, staff quarters and motor vehicle. Leases are negotiated for terms ranging from one to three years (2016: one to two years) and rentals are fixed over the lease terms and do not include contingent rentals.

32. Litigation

(i) On 6 March 2012, a writ of summons was issued by JMM Business Network Investments (China) Limited ("JMM") against (a) Mr. Chan Ka Ming, Mr. Nee, Henry Pei Ching, Mr. Ho Chun Kit Gregory, Mr. Tam Chak Chi, Mr. Ng Kai Shing, Mr. Jal Nadirshaw Karbhari and Ms. Chan Sze Man, all former Directors of the Company; and (b) the Company. In this action, JMM sought to challenge the validity of a notice of special general meeting of the Company dated 9 February 2012, but did not specify any monetary claim against the Company. The Directors are not aware of any material progress of this action since as early as the third quarter of 2012. As such, the Directors are of the view that the action is unlikely to result in any significant financial impact on the financial statements of the Company.

(ii) On 14 March 2012, a writ of summons was issued by Good Capital Resources Limited ("Good Capital") against (a) Mr. Chan Ka Ming, Mr. Nee, Henry Pei Ching, Mr. Ho Chun Kit Gregory, Mr. Tam Chak Chi, Mr. Ng Kai Shing, Mr. Jal Nadirshaw Karbhari and Ms. Chan Sze Man, all former Directors of the Company; and (b) the Company. In this action, Good Capital sought to challenge the validity of the issuance of certain warrants and the grant of certain share options of the Company in March 2012, but did not specify any monetary claim against the Company. The Directors are not aware of any material progress of this action since as early as the third quarter of 2012. As such, the Directors are of the view that the action is unlikely any financial impact on the financial statements of the Company.

32. Litigation *(continued)*

(iii) Under action HCA 987/2016, Good Return (BVI) Limited ("Good Return"), a wholly-owned subsidiary of the Company, claims against Wickham Ventures Limited ("Wickham") and Ms. Lee Hei Wun ("Ms. Lee") for, among others, the shortfall of a profit guarantee in a total sum of HK$16,188,374 pursuant to the sale and purchase agreement under which Good Return acquired Arnda Semiconductor Limited from Wickham (the "Legal Action").

On 31 May 2016, the Statement of Claim was filed and served to Ms. Lee. On 21 July 2016, Ms. Lee filed a Defence and Counterclaim alleging misrepresentation and breach of contract on the part of Good Return and claiming damages. She also seeks to rectify and rescind previous agreements. The damages claimed by Ms. Lee have not been quantified in her Defence and Counterclaim (the "Counterclaim"). On 1 December 2016, Good Return filed and served its Reply and Defence to Counterclaim. The Company has instructed its legal adviser to uphold its rights in the legal Action and the Counterclaim.

(iv) On 11 February 2015, the Company and Silver Bonus Limited (a wholly-owned subsidiary of the Company and the purchaser to the acquisition) issued a writ of summons against Mr. Lau Hin Chung (the first vendor), Shinning Team Investment Limited (the second vendor), Neo Partner Investments Ltd. (the "Target Company"), Harvest View (China) Limited (a wholly-owned subsidiary of the Target Company) and Mr. Chen Zai (the registered owner of the other 55% shareholding in the Target Company) to claim for relief including damages for breach of contract and/or rescission of contract based on misrepresentation (including a declaration that the promissory notes issued as consideration for the acquisition being null and void and unenforceable), and negligence and breach of fiduciary duties against certain ex-directors of the Company. The Company's claim relates to the acquisition by the Group of 28% shareholding in the Target Company for the consideration of HK$23,800,000, pursuant to a sale and purchase agreement dated 10 December 2012 (as supplemented by a supplemental agreement dated 14 December 2012) which was completed on 23 January 2013. The Company has instructed its legal adviser to continue to uphold its rights in the legal action.

(v) On 20 April 2016, a writ of summons was issued by Mr. Zhu Jun Min ("Mr. Zhu") against the Company for claiming a sum of approximately HK$3.5 million, being the face value of a promissory note allegedly issued by the Company to Mr. Zhu in 2013. The Company has instructed its legal adviser to uphold its rights in the legal action.

Save as disclosed above, neither the Company nor any of its subsidiaries was involved in any litigation at the end of the reporting period.

33. Events after the reporting period

Other than disclosed elsewhere in these consolidated financial statements, up to the date of this report, there is no significant event identified by the management subsequent to the reporting period.

(Expressed in Hong Kong dollars)

34. Particulars of subsidiaries

The following list contains the particulars of the Company's subsidiaries as at 31 December 2017.

Name of company	Place of incorporation/ registration and operations	Issued ordinary/ registered paid up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Oriental Light (Holdings) Limited	British Virgin Islands	HK25,000,000	100%	–	Investment holding
Fast Systems Limited	Hong Kong	HK$2	–	100%	No operation
Oriental Light International Limited	British Virgin Islands	US$1	–	100%	Trading of optoelectronic products
Principle Industries Limited	British Virgin Islands	US$1	–	100%	Investment holding
Superjet Technologies Limited	Hong Kong	HK$2	–	100%	Investment holding
福建東昇光電科技有限公司#	The People Republic of China	US$7,100,000	–	100%	Trading of optoelectronic products
Billion Sky Investment Limited	British Virgin Islands	US$100	51%	–	Investment holding
Rich Point International Limited	Hong Kong	HK$2	–	75%	Trading of liquor
Good Faith Financial Group Limited	British Virgin Islands	US$1	100%	–	Investment holding
Good Return (BVI) Limited	British Virgin Islands	US$1	–	100%	No operation
Excel Energy Holdings Limited	British Virgin Islands	US$1	100%	–	Investment holding
Fullway (China) Limited	Hong Kong	HK$1	–	100%	Investment holding
象山弘通投資管理諮詢有限公司#	The People Republic of China	US$1,324,000	–	100%	Property investment

(Expressed in Hong Kong dollars)

34. Particulars of subsidiaries *(continued)*

Name of company	Place of incorporation/ registration and operations	Issued ordinary/ registered paid up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Rich Gain International Investment Limited	Hong Kong	HK$1	100%	–	No operation
Silver Bonus Limited	Hong Kong	HK$1	100%	–	Investment holding
Gains Achieve Limited	British Virgin Islands	US$1	100%	–	No operation
All Like Limited	Hong Kong	HK$1	100%	–	Investment holding and trading of LED lighting products
廣州無縫綠色科技有限公司#	The People Republic of China	HK$50,000,000	–	100%	Trading of LED lighting and related products
江門市新會區嘉熙年電子科技有限公司#	The People Republic of China	RMB1,000,000	–	100%	Manufacturing and trading of LED lighting products
Infinite Speed Limited	British Virgin Islands	US$1	100%	–	Investment holding
Bless Nation Limited	Hong Kong	HK$2	–	100%	No operation
Jewel King Limited	British Virgin Islands	US$1	100%	–	Investment holding
易富酒業（深圳）有限公司#	The People Republic of China	RMB500,000	–	75%	Trading of liquor

These subsidiaries are registered as wholly-owned foreign enterprise under the PRC law.

None of the subsidiaries of the Company has issued any debt securities at 31 December 2017 or any time during the year (2016: Nil).

FIVE YEARS FINANCIAL SUMMARY

A following is a summary of the published results and of the assets and liabilities of the Group prepared on the bases set out in the note below:

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**40,680**	12,822	17,621	20,837	25,070
Loss before tax	**(14,786)**	(18,024)	(30,673)	(199,796)	(153,825)
Income tax (expense)/credit	**(1,054)**	(114)	378	(691)	–
Loss for the year	**(15,840)**	(18,138)	(30,295)	(200,487)	(153,825)
Attributable to:					
Owners of the Company	**(15,862)**	(18,790)	(30,295)	(200,487)	(153,128)
Non-controlling interests	**22**	652	–	–	(697)
	(15,840)	(18,138)	(30,295)	(200,487)	(153,825)

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Non-current assets	**20,167**	22,899	23,658	37,949	103,390
Current assets	**85,278**	41,962	61,098	91,086	62,386
Current liabilities	**(39,777)**	(24,482)	(27,194)	(142,383)	(28,747)
Non-current liabilities	**(1,121)**	(1,039)	(1,005)	(1,459)	(110,057)
Net assets/(net liabilities)	**64,547**	39,340	56,557	(14,807)	26,972
Attributable to:					
Owners of the Company	**65,351**	40,166	58,035	(13,329)	28,450
Non-controlling interests	**(804)**	(826)	(1,478)	(1,478)	(1,478)
Total equity/(capital deficiencies)	**64,547**	39,340	56,557	(14,807)	26,972

SUMMARY OF INVESTMENT PROPERTY

Address	Approximate gross floor areas	Tenure	Existing use
House No. 11 in Phase I Rose Garden, Baishawan Xiangshan County, Ningbo City, Zhejiang Province, the PRC	440.27/sq.m. plus a basement ancillary floor of 301.26 sq.m.	A term of 70 years expiring on 19 September 2076	Residential use