CLOUD
雲信集團

Cloud Investment Holdings Limited
雲 信 投 資 控 股 有 限 公 司

(formerly known as China Bio Cassava Holdings Limited 中國生物資源控股有限公司)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8129)

ANNUAL REPORT 2017

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

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

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

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Kwan Kin Chung *(Managing Director)*
(Resigned on 31 May 2017)
Mr. Yu Huaguo
(Resigned on 10 April 2017)
Mr. Poon Yu Keung
Mr. Hung Ching Fung
Mr. Tang Lap Chin Richard
(Appointed on 28 March 2017 and passed away on 18 March 2018)
Mr. Ng Chung Yuen Frank
(Appointed on 10 April 2017)

NON-EXECUTIVE DIRECTOR

Mr. Leung Lap Yan
(Resigned on 31 May 2017)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Wing Tung
Mr. Ko Wai Lun Warren
Ms. Luk Huen Ling Claire
(Appointed on 6 February 2017 and resigned on 21 April 2017)
Mr. Yam Chiu Fan Joseph
(Appointed on 21 April 2017)

COMPLIANCE OFFICER

Mr. Poon Yu Keung

AUDIT COMMITTEE

Mr. Chow Wing Tung *(Chairman)*
Mr. Ko Wai Lun Warren
Ms. Luk Huen Ling Claire
(Appointed on 6 February 2017 and resigned on 21 April 2017)
Mr. Yam Chiu Fan Joseph
(Appointed on 21 April 2017)

REMUNERATION COMMITTEE

Mr. Chow Wing Tung *(Chairman)*
Mr. Ko Wai Lun Warren
Ms. Luk Huen Ling Claire
(Appointed on 6 February 2017 and resigned on 21 April 2017)
Mr. Yam Chiu Fan Joseph
(Appointed on 21 April 2017)

NOMINATION COMMITTEE

Mr. Chow Wing Tung *(Chairman)*
Mr. Ko Wai Lun Warren
Ms. Luk Huen Ling Claire
(Appointed on 6 February 2017 and resigned on 21 April 2017)
Mr. Yam Chiu Fan Joseph
(Appointed on 21 April 2017)

CREDIT COMMITTEE

Mr. Ko Wai Lun Warren *(Chairman)*
(Appointed on 15 May 2017)
Mr. Tang Lap Chin Richard
(Appointed on 15 May 2017 and passed away on 18 March 2018)
Mr. Ng Chung Yuen Frank
(Appointed on 15 May 2017)
Mr. Yam Chiu Fan Joseph
(Appointed on 15 May 2017)

INVESTMENT STEERING COMMITTEE

Mr. Ko Wai Lun Warren *(Chairman)*
(Appointed on 15 May 2017)
Mr. Tang Lap Chin Richard
(Appointed on 15 May 2017 and passed away on 18 March 2018)
Mr. Ng Chung Yuen Frank
(Appointed on 15 May 2017)
Mr. Yam Chiu Fan Joseph
(Appointed on 15 May 2017)

Corporate Information

AUTHORISED REPRESENTATIVES

Mr. Kwan Kin Chung
(Resigned on 31 May 2017)
Mr. Poon Yu Keung
Mr. Tang Lap Chin Richard
(Appointed on 31 May 2017 and
passed away on 18 March 2018)
Mr. Hung Ching Fung
(Appointed on 19 March 2018)

COMPANY SECRETARY

Ms. Ng Man Kwan

AUDITOR

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

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B on 7th Floor
Connaught Harbourfront House
35–36 Connaught Road West
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISERS

as to Hong Kong law
Michael Li & Co.
19/F., Prosperity Tower
No. 39 Queen's Road Central
Central
Hong Kong

as to Cayman Islands law
Maples and Calder
53/F, The Center
99 Queen's Road Central
Hong Kong

PRINCIPAL BANK

The Hongkong and Shanghai Banking
Corporation Limited

STOCK CODE

8129

WEBSITE ADDRESS

www.cloud-grp.com

Management's Discussion and Analysis

HIGHLIGHTS OF THE YEAR

The Group recorded turnover of approximately HK$13,203,000 for the year ended 31 December 2017, representing a significant increase of approximately HK$6,199,000 or 88.5% when compared to the previous year.

The Group recorded loan interest income of approximately HK$5,442,000 from provision of financing services for the year ended 31 December 2017, representing an increase of 67.4% from the previous year (2016: approximately HK$3,251,000).

The Group recorded revenue of approximately HK$1,509,000 from sales and licensing of software and embedded systems through online platform for the year ended 31 December 2017, representing a decrease of 0.9% from the previous year (2016: approximately HK$1,522,000).

Packaged software sales for the year ended 31 December 2017 was approximately HK$1,869,000, representing a decrease of 16.2% from the previous year (2016: approximately HK$2,231,000). The Group generated revenue of approximately HK$973,000 from the provision of I.T. services business for the year ended 31 December 2017 (2016: Nil).

The Group commenced the provision of financial public relations services business since July 2017 and recorded revenue of approximately HK$3,410,000 for the year ended 31 December 2017 (2016: Nil).

The Group's total operating expenses in 2017 increased by approximately HK$714,000, representing an increase of 5.4% from the previous year. The increase is primarily attributable to increase in legal and professional services charges and other administrative expenses in relation to the listing status of the Company, as disclosed in the announcements of the Company dated 28 July 2017, 2 August 2017, 31 October 2017, 13 November 2017, 22 December 2017 and 2 January 2018.

The Group recorded a net loss attributable to owners of the Company for the year ended 31 December 2017 for approximately HK$1,772,000 (2016: approximately HK$7,117,000). Loss per share attributable to owners of the Company for the year ended 31 December 2017 was HK0.06 cent (2016: HK0.29 cent).

On 17 May 2017 and 15 June 2017, the Company completed a placing of 240 million new shares at HK$0.1 per placing share and a placing of 250 million new shares at HK$0.1 per placing share respectively under the general mandate of the Company. Accordingly, the issued share capital of the Company has been increased from HK$24,821,500 to HK$27,221,500 and from HK$27,221,500 to HK$29,721,500 upon the completion of the two said placings. An aggregate net proceeds of approximately HK$47.9 million have been raised from the two said placings and mainly used for repayment of the promissory note issued by the Company in relation to the acquisition of interests in associates and the provision of financing services business during the year ended 31 December 2017. For details of the 30% Acquisition and the subsequent disposal of such interests, please refer to the sub-section headed "ACQUISITION, DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES" in this section.

RESULTS

The consolidated turnover of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017 amounted to approximately HK$13,203,000, representing a significant increase of 88.5% from the previous year. Loss attributable to owners of the Company for the year ended 31 December 2017 was approximately HK$1,772,000 (2016: approximately HK$7,117,000). The loss per share was HK0.06 cent (2016: HK0.29 cent).

Management's Discussion and Analysis

REVIEW OF OPERATIONS

The Group continuously promotes and strengthens its market positions in both provision of financing services and sales and licensing of software and embedded systems. Revenue derived from sales and licensing of software and embedded systems through online platform performed steadily and remained stable. However, a decrease in packaged software sales of 16.2% was recorded due to decrease in customer demand in market. In view of the limitation on development pace of existing product line including software and embedded systems, the management of the Group diversified its product line into the provision of information technology services, such as designing tailor-made online platform and websites, by utilising the capacity of existing resources in full and generated revenue from provision of I.T. services of approximately HK$973,000 for the year ended 31 December 2017 in order to enhance the existing business of the Group.

The Group has been focusing on property mortgage financing services for several years and in this year, the management of the Group has taken active steps to improve the Group's financial position through fund raising activities. Supported by the proceeds raised from the completion of two placings of new shares under general mandate of the Company in May 2017 and June 2017 as well as the obtainments of external loan facilities from independent third parties, the management of the Group is allowed to actively exploring various ways to diversify the client base and loan portfolios of the existing financing business of the Group. The significant growth in interest income for the year ended 31 December 2017 of almost 67.4% when compared with last year showed the promising improvement in the provision of financing services business. Managing credit risk has been challenging in money lending business and the management has been enhancing the credit policies in order to improve the quality of customers, for example, our staffs keep constant contacts with customers leading to prompt response to changes in customers' behavior.

Besides, the Group generated favourable income stream of approximately HK$3.4 million for the year ended 31 December 2017 from the commencement of the provision of financial public relations services business since the second half of 2017 demonstrating its viable and sustainable prospect of substantial growth.

In 2017, the Group's total operating expenses increased by HK$714,000 compared with 2016, representing an increase of 5.4% from the previous year. It mainly included the increase in the legal and professional charges as well as other expenses spent to handle the unexpected issue raised by the Stock Exchange regarding the listing status of the Company since July 2017.

PROSPECTS

In light of the demand for money lending for loans has been growing in recent years, the Directors are optimistic about the future prospect in the money lending market in Hong Kong. The Directors have not foreseen any material adverse effect on the money lending market, the Company would continue to seize the opportunities and utilise the working capital available to the Group by allocating more resources in the investment of money lending business in order to enable the Group to maintain and expand the provision of financing services business and to achieve considerable profit contributions as well as diversify the credit risk. Besides, the Group will continue to expand the scale of provision of financial public relations services business with the grasp of huge potential opportunities from the speedy pace of reform of the PRC enterprises and the lasting and healthy growth of interaction of the capital markets of Hong Kong and the PRC.

Currently, the Group does not have any commitment or future plans for material investments and capital assets.

ENVIRONMENTAL POLICIES AND COMPLIANCE WITH LAWS AND REGULATIONS

As a responsible corporation, the Group is committed to maintain a high environmental standard to ensure sustainable development of its business. The Group does not involve in any nature resources emissions. However, the Group executes various practices that improve energy efficiency, conserve resources for its operations and raise environmental awareness for the employees. The key environmental impacts from the Group's operations related to energy and paper consumption. The Group has been encouraging employees to switch to electronic documents by scanning to reduce the use of paper and switching off all electronic equipment after usage.

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with relevant requirements could lead to adverse impact on business operation and financial position of the Group. To the best knowledge of the Directors, the Group has complied with relevant laws and regulations that have a significant impact on the Group during the year ended 31 December 2017.

However, the Company received a letter dated 28 July 2017 from the Stock Exchange, which served as a notice pursuant to Rule 9.15 of the Rules Governing the Listing of Securities on GEM ("GEM Listing Rules"), that the Stock Exchange considered that the Company has failed to maintain sufficient operations or assets under Rule 17.26 of the GEM Listing Rules to warrant the continued listing of its shares and therefore decided to commence the procedures to cancel the Company's listing under Rule 9.14 of the GEM Listing Rules. ("Decision"). For details of the Decision, please refer to the Company's announcement dated 28 July 2017.

Upon the Company's submission of a written request to the GEM Listing Committee of the Stock Exchange pursuant to Chapter 4 of the GEM Listing Rules for reviewing of the Decision on 2 August 2017, the GEM Listing Committee overturned the Decision on 31 October 2017 (the "LC's Decision"). Please refer to the Company's announcements dated 2 August 2017 and 31 October 2017 for details of the written request submission and the LC's Decision respectively.

In light of the request for a review of the LC's Decision raised by the Securities and Futures Commission (the "SFC") on 10 November 2017 and the provisions of the Memorandum of Understanding Governing Listing Matters between the SFC and the Stock Exchange dated 28 January 2003, the GEM Listing (Review) Committee overturned the LC's Decision on 22 December 2017 (the "Review Decision"). For details of the SFC's review request and the Review Decision, please refer to the Company's announcements dated 13 November 2017 and 22 December 2017 respectively.

On 2 January 2018, the Company has submitted a written request to the secretary of the Listing Appeals Committee applying for a review of the Review Decision, please refer to the Company's announcement dated the same date.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Our staff is regarded as the most important resource of the Group. The Group ensures all staff are reasonably remunerated and also continues to improve, review and update regularly its policies on remuneration and benefits, training, occupational health and safety.

We fully understand that employees, customers and partners are the key to our sustainable and stable development. The Group maintains strong relationships with its employees, has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure our sustainable development of the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties in implementing the Group's business strategies in the segments include:

(a) Sales and licensing of software and embedded systems and the provision of IT services

➢ if the demand for, or the prices of, the Group's limited number of products drops as a result of competition, promotional activities, technological changes or other factors such as lower growth or a contraction in the worldwide Chinese Input System ("CIS") software market, the Group's operating results will be materially and adversely affected; and

➢ the markets for CIS are highly competitive and are characterized by an increasing number of entrants that have introduced or developed products similar to those offered by the Group and may have substantially greater resources, larger customer bases, greater brand name recognition and more established relationships than the Group.

(b) Provision of financing services

➢ if a customer's financial healthiness is not stable to make the repayment of interests and principals to the Group timely as schedules, there is a risk of default and the collection cost of the debt, such as legal cost, may increase which would adversely affect the Group's cash flow and reduce the Group's working capital for operations and in future development;

➢ the markets of money lending are increasingly competitive and the competitors and potential competitors may have substantially greater resources and flexibility in interest rate setting strategies when compared to the Group, it may impact the fairness representation of the return on the risk association with the loan granted; and

➢ the changes in economic condition may pose impacts on the value of collateral which would also affect the financial stability of the Group.

(c) Provision of financial public relations services

- ➢ revenue may fluctuate from period to period due to variations in number, type and fee level of our services and cash flows will depend upon the timing of receipt of payment from customers;
- ➢ if our group company fails to keep clients' proprietary information and documentation private and confidential or handle such information improperly or make misstatements of such information, our business and reputation could be adversely affected; and
- ➢ the nature of business is substantially dependent on demand from initial public offering applicants in Hong Kong and thus disruption in Hong Kong or global securities markets, economic conditions, inflation, regulatory policies, interest rates and other factors could have a material adverse impact on its operations' results, financial position and cash flows.

To address these principal risks and uncertainties, the management of the Group will highly monitor the internal control over the credit management and collection procedures so as to reduce the business risks by enhanced controls environment. The management will also regularly monitor over cash flows and capital structure to reduce liquidity risk.

COMMITMENTS

(a) Capital commitments

At 31 December 2017, the Group had no capital commitment (2016: Nil).

(b) Commitments under operating leases

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	2017	2016
	HK$'000	HK$'000
Within one year	**1,259**	1,308
In the second to the fifth years, inclusive	**449**	346
	1,708	1,654

(c) Other commitment

At 31 December 2017, the Group had no other commitment (2016: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group relies on its internally generated resources, the net proceeds from the placing of new shares, issue of warrants and the obtainments of external facilities from the independent third parties as the sources of funding. The Group keeps most of its cash in Hong Kong dollars in the bank accounts in Hong Kong and maintains source of cash in Renminbi in the bank accounts of its subsidiaries in the People's Republic of China (the "PRC") as working capital of the Group.

As at 31 December 2017, the Group's current ratio was approximately 26.6 compared to approximately 4.9 as at 31 December 2016. The Group had total assets of approximately HK$100,202,000, which is financed by total liabilities and shareholders' equity of approximately HK$29,454,000 and HK$70,748,000, respectively. As at 31 December 2017, the Group had bank balances and cash of approximately HK$4,718,000 (2016: approximately HK$5,753,000).

As at 31 December 2017, the Group had borrowings of approximately HK$26,500,000, which were all denominated in HK$, bearing an interest rate of 8% per annum and having a fixed term of two years (2016: Nil).

The gearing ratio of the Group, based on total interest-bearing borrowings divided by equity attributable to owners of the Company, was 0.37 as at 31 December 2017 (2016: Nil). The Directors, taking into account the nature and scale of operations and capital structure of the Group, considered that the gearing ratio as at 31 December 2017 was reasonable.

The Group has obtained credit facilities from the independent third parties in total of HK$60,000,000 and HK$26,500,000 has been utilised as at 31 December 2017 (2016: Nil). As at 31 December 2017, the unutilised credit facilities of the Group amounted to HK$33,500,000 (2016: Nil).

CAPITAL STRUCTURE

As at 31 December 2017, the Company's equity attributable to its owners was approximately HK$70,748,000 (2016: HK$24,545,000) and the total issued share capital of the Company was approximately HK$29,722,000 (2016: HK$24,822,000) divided into 2,972,150,000 (2016: 2,482,150,000) ordinary shares of HK$0.01 each.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

During the year ended 31 December 2017, the Company has conducted equity fund raising activities by way of placing new shares under general mandate twice, namely Placing A and Placing B, respectively. The details of the Placing A and the Placing B are set out in the announcements of the Company dated 12 April 2017, 11 May 2017, 17 May 2017, 2 June 2017 and 15 June 2017, and herein summarised as follows:

On 17 May 2017, the Company completed the Placing A and a total of 240,000,000 new Shares (representing approximately 9% of the Company's shares in issue as enlarged by 240,000,000 placing shares) had been allotted and issued to not less than six placees at the placing price of HK$0.1 per placing share. The net proceeds from the Placing A of approximately HK$23.6 million have been fully utilised on the repayment of the promissory note issued by the Company in relation to the 30% Acquisition and the provision of financing services business during the year ended 31 December 2017. For details of the 30% Acquisition and the subsequent disposal of such interests, please refer to the sub-section headed "ACQUISITION, DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES".

On 15 June 2017, the Company completed the Placing B and a total of 250,000,000 new Shares (representing approximately 8% of the Company's shares in issue as enlarged by 250,000,000 placing shares) had been allotted and issued to not less than six placees at the placing price of HK$0.1 per placing share. The net proceeds from the Placing B of approximately HK$24.3 million have been fully utilised on the provision of financing services business during the year ended 31 December 2017.

ORDER BOOK

Due to the nature of the Group's business, the Group does not maintain an order book.

INVESTMENT

There was no significant investment held as at 31 December 2017 (2016: Nil). During the year ended 31 December 2017, the Group invested in Hong Kong's listed securities recognised as available-for-sale investments (2016: Nil).

For the year ended 31 December 2017, the Group recognised loss of approximately HK$781,000 in profit or loss upon disposal of available-for-sale investments.

ACQUISITION, DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 11 April 2017, the Company and the Vendor entered into the Agreement pursuant to which the Vendor had conditionally agreed to sell and the Company had conditionally agreed to purchase 30% of the issued capital in Master Ace Group Corporation ("Master Ace") (hereinafter referred to as the "30% Acquisition"). The 30% Acquisition was completed on 26 April 2017 and the Company became the ultimate holder of 30% issued share capital in Master Ace and the investment in Master Ace was classified as interests in associates in accordance with the relevant accounting standards.

On 14 July 2017, the Company and the Vendor entered into the Sale and Purchase Agreement in relation to the acquisition of 70% of the issued share capital in Master Ace and the Sale Loan (hereinafter referred to as the "70% Acquisition"). As the Vendor informed the Company as to her intention not to proceed with the 70% Acquisition due to the change in market circumstances, on 8 September 2017, the Company and the Vendor entered into the deed of termination to terminate the Sale and Purchase Agreement dated 14 July 2017 with immediate effect.

On 28 September 2017, the Company as vendor entered into another Sale and Purchase Agreement with the Vendor as purchaser pursuant to which the Company agreed to sell and the Vendor agreed to acquire 30% of the issued capital in Master Ace (hereinafter referred to as the "30% Disposal"). The 30% Disposal was completed on 19 October 2017 and then the Company has ceased to hold any interests in Master Ace and Master Ace has ceased to be an associated company of the Group. Please refer to the Company's announcements dated 11 April 2017, 26 April 2017, 14 July 2017, 8 September 2017, 28 September 2017 and 19 October 2017, respectively, for further details.

Save for the above, the Group did not have any material acquisition and disposal of subsidiaries or affiliated companies for the year ended 31 December 2017 (2016: Nil).

HUMAN RESOURCES

Staff number

As at 31 December 2017, the Group employed 32 staff (2016: 28). Total staff costs, including directors' emoluments were approximately HK$7.9 million for the year ended 31 December 2017 as compared with those of approximately HK$9.0 million in 2016.

Remuneration policies

The Group remunerated its employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus and share options may be granted to the eligible staff by reference to the Group's performance as well as individual's performance.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group currently does not have any commitment or future plans for material investments and capital assets.

HEDGING POLICY

The Group does not have any material exposure to fluctuations in exchange or interest rates. Therefore, no hedging measures have been taken at present.

CONTINGENT LIABILITIES

The Group does not have any contingent liabilities as at 31 December 2017 (2016: Nil).

CREDIT POLICY

The credit terms given to customers are generally based on the financial strengths of individual customers. The Group generally allows an average credit term of 0–30 days to its trade customers.

MAJOR CORPORATE EVENT

During the year ended 31 December 2017, the Company conducted the change of company name and the change of stock short names. Pursuant to the special resolution passed by the shareholders of the Company at the extraordinary general meeting of the Company held on 22 September 2017 and as certified by the Certificate of Incorporation on Change of Name issued by the Registry of Companies in the Cayman Islands on 27 September 2017, the change of English name of the Company to "Cloud Investment Holdings Limited" and the Chinese name to "雲信投資控股有限公司" came into effect from 27 September 2017. The Certificate of Registration of Alteration of the Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 1 November 2017, certifying the registration of the said new names of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) with effect from that date. With effect from 14 November 2017, the stock short name for trading in the Company's shares on the Stock Exchange has been changed to "CLOUD INV HOLD" in English and to "雲信投資控股" in Chinese.

SEGMENTAL INFORMATION

Details of the segmental information are set out in Note 5 to the consolidated financial statements.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance. Maintaining a good and solid framework of corporate governance will ensure the Company to run its business in the best interests of the shareholders of the Company. Throughout the year ended 31 December 2017, the Company has complied with the code provisions of the Corporate Governance Code (the "Code") set out in Appendix 15 of the GEM Listing Rules, with the exception of deviation set out below.

Under Code Provision A.2.1, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2017, the Company has not appointed a chairman, and the roles and functions of a chairman have been performed by all the executive Directors collectively.

Under Code Provision A.6.7, independent non-executive directors and non-executive director should attend general meetings and develop a balanced understanding of the views of shareholders of the Company. Mr. Chow Wing Tung, Mr. Ko Wai Lun Warren and Mr. Yam Chiu Fan Joseph, the independent non-executive Directors, were unable to attend the annual general meeting of the Company and the extraordinary general meeting of the Company held on 16 June 2017 and 22 September 2017 respectively due to their respective other important engagements elsewhere.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of the Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors for the year ended 31 December 2017.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises six members, including three executive Directors (namely Messrs. Poon Yu Keung, Hung Ching Fung and Ng Chung Yuen Frank) and three independent non-executive Directors (namely Messrs. Chow Wing Tung, Ko Wai Lun Warren and Yam Chiu Fan Joseph). An updated list of directors and their role and functions is maintained at the websites of the Company and the Stock Exchange. The Directors' biographical details are set out on pages 25 to 27 of this report. There is no other relationship, including financial, business, family or other material/relevant relationship(s) between members of the Board.

Currently, at every annual general meeting of the Company, all Directors including the independent non-executive Directors shall retire from office by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat.

Board and general meetings

The Board meets regularly. During the year ended 31 December 2017, the Board held twelve meetings and two general meeting on 16 June 2017 and 22 September 2017 to exercise its duties including discussing and making decisions on the Group's business strategic development, finance matters, material operational matters and other matters as required.

Statistics of each Director's attendance at the board meetings and general meetings:

Name of directors	Attendance at Board Meetings/ No. of Board Meetings held	Attendance at General Meeting/ No. of General Meeting held
Mr. Kwan Kin Chung *(Managing Director)* (resigned on 31 May 2017)	6/7	N/A
Mr. Yu Huaguo (resigned on 10 April 2017)	3/4	N/A
Mr. Poon Yu Keung	11/12	1/2
Mr. Hung Ching Fung	11/12	2/2
Mr. Tang Lap Chin Richard (appointed on 28 March 2017 and passed away on 18 March 2018)	10/10	2/2
Mr. Ng Chung Yuen Frank (appointed on 10 April 2017)	8/9	2/2
Mr. Leung Lap Yan (resigned on 31 May 2017)	2/7	N/A
Mr. Chow Wing Tung	11/12	0/2
Mr. Ko Wai Lun Warren	9/12	0/2
Ms. Luk Huen Ling Claire (appointed on 6 February 2017 and resigned on 21 April 2017)	4/5	N/A
Mr. Yam Chiu Fan Joseph (appointed on 21 April 2017)	7/7	0/2

Corporate Governance Report

The Board is accountable to shareholders for the activities and performance of the Group and for the preparation of financial statements which give a true and fair view. It oversees the Group's overall strategic plans, reviews the financial performance, supervises the management of the business and affairs and approves the strategic plans. The Board delegates the corporate matters to management of the Group, including preparation of annual, interim and quarterly accounts, execution of the business strategies and adopted by the Board, implementation of internal controls system and compliance with relevant statutory requirement and other rules and regulations. Management is required to present an annual budget and proposals for major investment, addition of capital assets, and changes in business strategies for the Board's approval.

Confirmation of independence

All three independent non-executive Directors come from professional backgrounds and two of them have appropriate accounting or related financial management expertise. The independent non-executive Directors render their valuable expertise and experience for safeguarding the best interests of the Group. The Company has received from each of the independent non-executive Directors the annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all the independent non-executive Directors are independent.

Continuous professional development

All the Directors have been informed of the requirement under Code Provision A.6.5 regarding continuous professional development, they should keep abreast of their collective responsibilities as Directors and of the business and activities of the Group. Directors receive regular updates and presentations on changes and developments to the Group's business and to environments in which the Group operates, as well as their responsibilities under the relevant statutes, laws, rules and regulations to ensure compliance and enhance their awareness of good corporate governance practices. Directors are also encouraged to attend relevant training courses at the Company's expenses.

For the year ended 31 December 2017, the Directors participated in the continuous professional developments in relation to regulatory updates, the duties and responsibilities of the Directors and the business of the Group in the following manner:

Name of directors	Attending seminars and/or conferences and/or reading professional journals and updates relating to the economy, general business, director's duties and responsibility, etc.
Mr. Kwan Kin Chung *(Managing Director)* (resigned on 31 May 2017)	√
Mr. Yu Huaguo (resigned on 10 April 2017)	√
Mr. Poon Yu Keung	√
Mr. Hung Ching Fung	√
Mr. Tang Lap Chin Richard (appointed on 28 March 2017 and passed away on 18 March 2018)	√
Mr. Ng Chung Yuen Frank (appointed on 10 April 2017)	√
Mr. Leung Lap Yan (resigned on 31 May 2017)	√
Mr. Chow Wing Tung	√
Mr. Ko Wai Lun Warren	√
Ms. Luk Huen Ling Claire (appointed on 6 February 2017 and resigned on 21 April 2017)	√
Mr. Yam Chiu Fan Joseph (appointed on 21 April 2017)	√

CHAIRMAN AND CHIEF EXECUTIVE

Under Code Provision A.2.1., the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The chairman's roles are convening meetings of the Board and make decision of the Group's business strategies. The Managing Director's responsibilities are to participate in the decision on essential matters of the Company and to monitor and manage the daily business of the Company. The roles and responsibilities of the two posts were well distinct.

Currently, the Board comprises three executive Directors and no chairman or chief executive is designated. The roles and functions of both chairman and chief executive have been performed by all the executive Directors collectively. The Board believes that the Company has already have a strong corporate governance structure in place to ensure effective oversight of management. The Board will continue to review the effectiveness of current management structure from time to time and may make changes if and when appropriate. The Board will also continue to monitor and review the Company's corporate governance practices to ensure compliance with the Code.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Mr. Ko Wai Lun Warren and Mr. Yam Chiu Fan Joseph were appointed as independent non-executive Directors on 13 February 2014 and 21 April 2017 respectively. Both of them have an appointment for a term of three years with the Company and are subject to retirement by rotation and re-election at every annual general meeting of the Company. Apart from this, the other independent non-executive Director is not appointed for a specific term but are subject to retirement by rotation and re-election at every annual general meeting of the Company.

BOARD COMMITTEES

The Board has established committees, namely Audit Committee, Remuneration Committee, Nomination Committee, Credit Committee and Investment Steering Committee to oversee other particular aspects of the Company's affairs.

REMUNERATION COMMITTEE

The Remuneration Committee was reconstituted in March 2012 with defined terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and Code Provision B.1.2. It's role is to review and determine the policy for the remunerations of the Directors and other senior management members. As at the date of this report, it comprises three independent non-executive Directors, namely Mr. Chow Wing Tung (as the chairman of the Remuneration Committee), Mr. Ko Wai Lun Warren and Mr. Yam Chiu Fan Joseph. The terms of reference of the Remuneration Committee are available at the websites of the Company and the Stock Exchange.

The Remuneration Committee is mainly responsible for:

(a) Formulating remuneration policy for approval by the Board, which shall take into consideration factors such as salaries paid by comparable companies, employment conditions, and responsibilities, and individual performance of the Directors, senior management, and the general staff. Performance shall be measured against corporate goals and objectives resolved by the Board from time to time; and implement the remuneration policy laid down by the Board;

(b) Establishing guidelines for the recruitment of the chief executive and senior management;

(c) Recommending to the Board the policy and structure for the remuneration of Directors (including non-executive Directors, and the chief executive as an ex-officio member) and senior management whilst ensuring no Director or any of his associates is involved in deciding his own remuneration;

(d) Determining the remuneration of executive Directors (including the chief executive who is an ex-officio member) and senior management, including benefits in kind, pension right, compensation payment (including compensation for loss of office or appointment etc.). The chairman and/or the chief executive shall be consulted respectively about their proposals relating to the remuneration of the chief executive and/or senior management, as the case may be;

(e) Reviewing and approving the compensation arrangements in connection with any loss or termination of their office or appointment, or dismissal or removal for misconduct to executive Directors and senior management which shall be fair and non-excessive;

(f) Determining the criteria for assessing employee performance, which should reflect the Company's business objectives and targets;

(g) Considering the annual performance bonus for executive Directors, senior management, and the general staff, having regard to their achievements against the performance criteria and by reference to market norms, and make recommendation to the Board;

(h) Engage such external professional advisors to assist and/or advise the Committee on issues as it considers necessary;

(i) Do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board; and

(j) Conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by applicable legislation and regulations.

The Remuneration Committee held three meetings during the year ended 31 December 2017 to discuss the policy and structure of the remuneration of the Directors and other senior management members.

Statistics of each Remuneration Committee member's attendance at the Remuneration Committee Meeting:

Name of members	**Attendance at Remuneration Committee Meeting/ No. of Remuneration Committee Meeting held**
Mr. Chow Wing Tung *(Chairman)*	3/3
Mr. Ko Wai Lun Warren	3/3
Ms. Luk Huen Ling Claire (appointed on 6 February 2017 and resigned on 21 April 2017)	3/3
Mr. Yam Chiu Fan Joseph (appointed on 21 April 2017)	N/A

NOMINATION COMMITTEE

The Nomination Committee was formed in March 2012 with defined terms of reference in compliance with Code Provisions A.5.1 and A.5.2. It is mainly responsible for the formulation of the nomination policy, reviewing the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skill, knowledge and length of service) of the Board, nomination of candidates to fill casual vacancies of elected Directors, assessing non- executive Directors' independence, reviewing the time required from a Director to perform his responsibilities, and making recommendations to the Board on the succession planning for the chairman, the chief executive as well as the senior management. As at the date of this report, it comprises three independent non-executive Directors, namely Mr. Chow Wing Tung (as the Chairman of the Nomination Committee), Mr. Ko Wai Lun Warren and Mr. Yam Chiu Fan Joseph. The terms of reference of the Nomination Committee are available at the websites of the Company and the Stock Exchange.

The Nomination Committee shall meet as least annually and whenever it considers necessary. During the year ended 31 December 2017, the Nomination Committee held four meetings to review the structure, size and diversity of the Board.

Statistics of each Nomination Committee member's attendance at the Nomination Committee Meeting:

Name of members	Attendance at Nomination Committee Meeting/ No. of Nomination Committee Meeting held
Mr. Chow Wing Tung *(Chairman)*	4/4
Mr. Ko Wai Lun Warren	4/4
Ms. Luk Huen Ling Claire (appointed on 6 February 2017 and resigned on 21 April 2017)	3/3
Mr. Yam Chiu Fan Joseph (appointed on 21 April 2017)	N/A

AUDIT COMMITTEE

The Audit Committee has been established since the listing of the Company on GEM in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules and Code Provisions C.3.3 and C3.3.7. Its' roles and functions, among others, are to review and supervise the Company's financial reporting process, risk management and internal control systems in compliance with the GEM Listing Rules. As at the date of this report, it comprises three independent non-executive Directors, namely Mr. Chow Wing Tung (as the Chairman of the Audit Committee), Mr. Ko Wai Lun Warren and Mr. Yam Chiu Fan Joseph. The terms of reference of the Audit Committee describing the authorities and duties of the Audit Committee were adopted with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountant and the Code published by the Stock Exchange and are available at the Company's website and on the website of the Stock Exchange.

The Audit Committee meets regularly to review the reporting of financial and other information to shareholders, reports and make recommendations to improve the Group's financial reporting process and internal controls to the Board.

During the year ended 31 December 2017 and up to the date of this report, the Audit Committee reviewed with the management of the Group's unaudited quarterly and interim results and reports as well as annual audited results and report for the year ended 31 December 2017, and discussed internal controls and financial reporting matters. The Audit Committee also reviewed this report, and confirmed that this report complies with the applicable standard, the GEM Listing Rules and other applicable legal requirements and that adequate disclosures have been made. The Audit Committee also met with the external auditor of the Company and reported that there is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditor of the Company.

The Audit Committee should meet at least four times per year and whenever it demands and four meetings were held during the year ended 31 December 2017.

Statistics of each Audit Committee member's attendance at the Audit Committee Meetings:

Name of members	**Attendance at Audit Committee Meetings/ No. of Audit Committee Meetings held**
Mr. Chow Wing Tung *(Chairman)*	4/4
Mr. Ko Wai Lun Warren	2/4
Ms. Luk Huen Ling Claire (appointed on 6 February 2017 and resigned on 21 April 2017)	1/1
Mr. Yam Chiu Fan Joseph (appointed on 21 April 2017)	3/3

CREDIT COMMITTEE

A Credit Committee was established on 15 May 2017. At the date of this report, members comprised of one executive Director and two independent non-executive Directors. The Committee is responsible for reviewing of the Company's process and policies on credit approval and recovery and making recommendations on any proposed changes to the Board, monitoring the implementation and compliance with the Company's standard operation procedures for credit approval and recovery and reviewing such policy, as appropriate, and making recommendations on any revisions that may be required to the Board.

INVESTMENT STEERING COMMITTEE

An Investment Steering Committee was established on 15 May 2017. At the date of this report, members comprised of one executive Director and two independent non-executive Directors. The Committee is responsible for the consideration, recommendation of potential investment projects. Ad-hoc meetings will be held when potential projects are identified. The Committee will review individual project's position and action to be taken if necessary, and to recommend to the Board for consideration and approval.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions under Code Provision D.3.1, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and (e) to review the Company's compliance with the Code and disclosures in the corporate governance report.

EXTERNAL AUDITOR

During the year ended 31 December 2017, the Company's external auditor, Asian Alliance (HK) CPA Limited, provided its annual audit services and a non-assurance work in relation to the listing status of the Group to the Group. The Audit Committee is responsible for considering the appointment of the external auditor and reviewing the non-audit functions, if any, performed by the external auditor. In particular, the Audit Committee also considers, before they are contracted for such service, whether such non-audit service could lead to any potential material conflict of interest. Nothing has come to the Board's attention to cause the Audit Committee to believe that the non-audit services provided by the external auditor would affect their independence, objectivity and effectiveness in the audit processes in accordance with applicable standards.

The remuneration paid or payable in respect of services provided by Asian Alliance (HK) CPA Limited for the year ended 31 December 2017 is as follow:

	2017 HK$
Annual services	
Audit fee for the consolidated financial statements of the Group for the year ended 31 December 2017	462,000
Non-audit services	
Professional fee in connection with the listing status of the Company	160,000

COMPANY SECRETARY

Ms. Ng Man Kwan, the company secretary of the Company, is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. For the year ended 31 December 2017, Ms. Ng has confirmed that she has taken no less than 15 hours of relevant professional training in compliance with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting and putting forward proposals at Shareholders' meetings

Pursuant to the article 72 of the articles of association of the Company, general meetings shall be convened on the written requisition of any two or more members of the Company deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Procedures by which enquiries may be put to the Board

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Board/company secretary at the Company's principal place of business in Hong Kong. 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 principal place of business in Hong Kong and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law. Shareholders may also make enquiries with the Board at the general meetings of the Company.

During the year ended 31 December 2017, except for the change of company name disclosed in the sub-section headed "MAJOR CORPORATE EVENT" in the section headed "Management's Discussion and Analysis" of this report, there was no significant change in the Company's constitutional documents.

COMMUNICATION WITH SHAREHOLDERS

Information shall be communicated to shareholders through the Company's financial reports (quarterly, interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the (i) corporate communication documents including, but not limited to, copy of annual reports, interim reports, quarterly reports, notices of meeting, circulars, proxy forms; (ii) other documents issued by the Company which are published on the website of the GEM for the information or action of holders of any of its securities, including announcements, monthly returns on movements in the Company's securities for each month and next day disclosure returns; (iii) constitutional documents of the Company and board committees; (iv) corporate information including list of Directors; and (v) other corporate publications including the procedures shareholders can use to propose a person for election as a Director on the Company's website.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for ensuring that an adequate system of internal controls is maintained in place within the Group, and for reviewing its effectiveness together with the Audit Committee.

The internal control system of the Group comprises of a well-defined management structure with specified limits of authority and control procedures, designed to achieve the following objectives: (a) ensure proper maintenance of account records; (b) ensure the completeness and accuracy of accounting transactions recorded in the accounting system, and timely reporting of actual financial results of the Group with comparison against budgets; (c) safeguard the Group's assets and management acts within its limits of authorities; and (d) ensure compliance with relevant legislation, regulations and listing rules, including but not limited to present a balanced, clear and understandable assessment and regular review of the Group's financial reports, other price-sensitive announcements and other financial disclosures required under the GEM Listing Rules, and report to regulators as well as to information required to be disclosed pursuant to statutory requirements.

Risk Management and Internal Control Systems Review

To review the effectiveness of the risk management and internal control systems of the Group and to resolve (if any) material internal control defects of the Group for the year ended 31 December 2017, the Company has engaged an independent consultancy firm ("Internal Control Consultants") to act as an internal control consultant to conduct independent risk assessment and internal audit review for the year ended 31 December 2017 on the Company and its major subsidiaries. The Group has adopted a COSO ERM – Integrated Framework (2004) which is issued by the Committee of Sponsoring Organizations ("COSO") of The Treadway Commission to perform the risk assessment (the "Review") on the Group for the year ended 31 December 2017. The Review is designed to enhance the risk management of the Group through a holistic and integrated framework so that all material risks faced by the Group are identified and appropriately managed to:

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

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

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

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

During the Review, the Internal Control Consultants conducted the following procedures:

– interviewing with the department heads and management to identify the risks over the Company business units;

– quantifying the risks by financial data and market searches; and

– prioritizing the identified risks as high, medium and low risk.

The Internal Control Consultants have submitted its report of findings and recommendations to the management and the management has responded and taken necessary actions and formulated plans to remedy the findings. The Audit Committee has reviewed the report prepared by the Internal Control Consultants. The Audit Committee discharged its responsibilities, reviewed and discussed the financial results, risk management and internal control system of the Group. All material financial results, risk management and internal control system of the Group have been discussed and reviewed.

Management maintains and monitors the system of internal controls on an ongoing basis. Based on the evaluations made by the Board, external auditor and the Internal Control Consultants, the Audit Committee is satisfied that the Group has fully complied with the Code Provisions on internal controls during the year ended 31 December 2017 as set forth in the Code, except that an internal audit function has not been set up within the Group. The Company will perform the ongoing assessment to update the entity-level risk factors and report to the Board on a regular basis.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Poon Yu Keung ("Mr. Poon"), aged 53, was appointed as an Executive Director in June 2013. Mr. Poon is currently an independent non-executive director of Renewable Energy Trade Board Corporation (formerly known as "China Technology Development Group Corporation"), a company whose shares were listed on NASDAQ stock exchange and has voluntarily delisted since February 2013. Mr. Poon was the financial controller and company secretary of Zhuhai Holdings Investment Group Limited (formerly known as Jiuzhou Development Company Limited) ("ZHIGL") for the period from April 1998 to December 2011. Prior to joining ZHIGL, he worked in an international public accounting firm and assumed the accounting and financial management positions in a number of China affiliated and multinational companies.

Mr. Poon graduated from The Hong Kong Polytechnic (now known as "The Hong Kong Polytechnic University") with a Professional Diploma in Accountancy and obtained an Executive Master Degree of Business Administration from The Chinese University of Hong Kong in 2004. He is a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Poon has over twenty years' experience in auditing, accounting and finance.

Mr. Hung Ching Fung ("Mr. Hung"), aged 34, was appointed as an Executive Director in August 2013. He graduated from Macquarie University in Australia with a Bachelor Degree in Commerce in 2006. Mr. Hung worked as an auditor in Deloitte Touche Tohmatsu and Grant Thornton from 2007 to 2010. He is a full member of CPA Australia.

Mr. Hung is currently an executive director of Jimei International Entertainment Group Limited (now known as "Starlight Culture Entertainment Group Limited"), a company whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1159). He was a non-executive director of Asa Resource Group Plc., whose shares are listed on the Alternative Investment Market of London Stock Exchange Plc. (AIM Stock Code: asa.l) from September 2015 to July 2017.

Mr. Ng Chung Yuen Frank ("Mr. Ng"), aged 65, was appointed as Executive Director of the Company in April 2017. He holds directorship in several subsidiaries of the Company. He is a member of each of the credit committee and the investment steering committee of the Company. Mr. Ng served as a board member of the 2nd Council of China Environmental Protection Foundation and has always attached importance to promote the cause of environmental protection in the PRC's development. He joined China Investment and Financing Group Limited, a company whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1226), as Vice President from November 2011 to February 2017. Mr. Ng has many years of experience in the management of listed companies in Hong Kong and has extensive contacts and business channels between Hong Kong and the PRC. He has served as executive director and president of China Asia Pacific Assets & Property Rights Exchange Limited since June 2015 and has a wealth of experience in mergers and acquisitions of assets and property rights.

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Wing Tung ("Mr. Chow"), aged 43, was appointed as an Independent Non-Executive Director in June 2013. He is the chairman of each of the audit committee, remuneration committee and nomination committee of the Company. Mr. Chow graduated from the University of Toronto with a Bachelor degree in Commerce in 1997. He is the financial controller of Synear Food Holdings Limited ("Synear") since April 2005. Synear and its subsidiaries engage in the manufacture and sales of quick freeze food products in the PRC and whose shares were listed on the main board of Singapore Exchange Securities Trading Limited ("Singapore Exchange") and has voluntarily delisted since December 2013.

Mr. Chow worked as an auditor in Deloitte Touche Tohmatsu from January 1998 to December 2003. From January 2004 to January 2005, Mr. Chow was the financial controller of China Paper Holdings Limited, a company engaged in the manufacture and sales of paper and paper chemical products in the PRC and whose shares are listed on the main board of Singapore Exchange. He is a member of the American Institute of Certified Public Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

He was an independent non-executive director of Jimei International Entertainment Group Limited (now known as "Starlight Culture Entertainment Group Limited"), whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1159), and Chuan Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1420) from November 2014 to May 2017 and from May 2016 to November 2017 respectively.

Mr. Ko Wai Lun Warren ("Mr. Ko"), aged 50, was appointed as an Independent Non-Executive Director in February 2014. He is a member of each of the audit committee, remuneration committee and nomination committee of the Company and the chairman of each of the credit committee and the investment steering committee of the Company. Mr. Ko was educated in England and Canada. He obtained his Bachelor of Science Degree from Simon Fraser University in Canada and Bachelor of Laws Degree from University of Leeds in England. He is currently a partner at the law firm, Robertsons and specializes in corporate finance work including initial public offerings, mergers and acquisitions, gaming and restructuring. Mr. Ko is a solicitor of The Supreme Court of Hong Kong Special Administrative Region and The Supreme Court of England and Wales.

Mr. Ko is an independent non-executive director of Roma Group Limited whose shares are listed on GEM (Stock Code: 8072). Mr. Ko was a non-executive director of Global Tech (Holdings) Limited (now known as "Guoan International Limited"), whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 143) and Singapore Exchange, from September 2003 to March 2016. Mr. Ko was an independent non-executive director of Li Heng Chemical Fibre Technologies Limited, whose shares were listed on the Singapore Exchange and were delisted since February 2017.

Mr. Yam Chiu Fan Joseph ("Mr. Yam"), aged 63, was appointed as an Independent Non-Executive Director in April 2017. He is a member of each of the audit committee, remuneration committee, nomination committee, credit committee and the investment steering committee of the Company. Mr. Yam has served the Hong Kong Police Force for over 32 years. He joined the Royal Hong Kong Police (currently known as the Hong Kong Police Force) as a probationary inspector in 1977. He was promoted to a senior inspector and a chief inspector in 1987 and November 1990, respectively. He was further promoted to a superintendent in June 2004. Mr. Yam has retired from the Hong Kong Police Force in December 2009 and subsequently joined Hong Yip Service Co. Ltd. as the head of security in June 2010. Mr. Yam also joined Prime Intelligence Solutions Group Limited as a director in November 2015. Prime Intelligence Solutions Group Limited is a solution provider of biometrics identification systems in Hong Kong, Macau and the PRC.

Mr. Yam has been an independent non-executive director of Sing On Holdings Limited, a company whose shares are listed on GEM (Stock code: 8352), since November 2016, and is responsible for providing independent judgment on its strategy, performance, resources and standard of conduct.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, changes in information of Directors are set out below:

Name of Directors	Details of Changes
Mr. Hung Ching Fung	Terminated as a non-executive director of Asa Resource Group Plc. whose shares are listed on the Alternative Investment Market of London Stock Exchange Plc. (AIM Stock Code: asa.l) in July 2017
Mr. Chow Wing Tung	Resigned as an independent non-executive director of each of Jimei International Entertainment Group Limited (now known as "Starlight Culture Entertainment Group Limited"), whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1159), and Chuan Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1420), on 31 May 2017 and 16 November 2017 respectively

Directors' Report

The Directors present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in Note 40 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 46 and 47 of this report and the financial position of the Group as at 31 December 2017 is set out in the consolidated statement of financial position on page 48 of this report.

The financial position of the Company as at 31 December 2017 is set out in Note 39 to the consolidated financial statements.

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

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2017 as required pursuant to Schedule 5 to the Companies Ordinance (Chapter 622 of the laws of Hong Kong) is set out in the section headed "Management's Discussion and Analysis" of this report. This discussion forms part of the Directors' Report.

ENVIRONMENTAL POLICIES AND COMPLIANCE WITH LAWS AND REGULATIONS

The environmental policies and compliance with relevant laws and regulations as required pursuant to Schedule 5 to the Companies Ordinance (Chapter 622 of the laws of Hong Kong) is set out in the section headed "Management's Discussion and Analysis" of this report, this discussion forms part of the Directors' Report.

A separate environmental, social and governance report is expected to be published on the website of the Stock Exchange and the Company no later than three months after the publication of this report.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Our staff is regarded as the most important resource of the Group. The Group ensures all staff are reasonably remunerated and also continues to improve, review and update regularly its policies on remuneration and benefits, training, occupational health and safety.

We fully understand that employees, customers and partners are the key to our sustainable and stable development. The Group maintains strong relationships with its employees, has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure our sustainable development of the Group on an ongoing and promptly basis through telephone calls, emails, messaging and calling applications and/or face-to-face meeting. The Group was able to retain its customers and suppliers during the year ended 31 December 2017 without complaints.

RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2017 are set out in the consolidated statement of changes in equity on page 49 and Note 39 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 ended 31 December 2017 are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2017 are set out in Note 28 to the consolidated financial statements.

ADVANCE TO ENTITY

Pursuant to Rule 17.15 of the GEM Listing Rules, a disclosure obligation arises where advance to an entity from the Company exceeds 8% of the total assets of the Company. As at 31 December 2017, the Company's total assets were approximately HK$100,202,000. Pursuant to Rule 17.22 of the GEM Listing Rules, details of the advances which remained outstanding as at 31 December 2017 were set out below.

Loan Agreement A

Date of Agreement:	25 September 2017
Lender:	Fortune Credit Limited, an indirect wholly-owned subsidiary of the Company
Borrower:	Customers A and B, each of them an individual and third party independent of the Company
Principal:	HK$10,500,000
Interest rate:	16% per annum
Term:	Three (3) years
Repayment:	Customers A and B shall pay the interest accrued on the loan on a monthly basis and shall repay the principal amount of the loan together with any outstanding interest accrued thereon on the due date of the loan
Collateral:	A second mortgage in respect of a property located in Hong Kong

Loan Agreement B

Date of Agreement:	30 September 2017
Lender:	Fortune Credit Limited, an indirect wholly-owned subsidiary of the Company
Borrower:	Customer C, an individual and third party independent of the Company
Principal:	HK$10,000,000
Interest rate:	16% per annum
Term:	Two (2) years
Repayment:	Customer C shall pay the interest accrued on the loan on a monthly basis and shall repay the principal amount of the loan together with any outstanding interest accrued thereon on the due date of the loan

Note: It is required under Rule 17.17(3) of the GEM Listing Rules to disclose the identities of the Customer A, Customer B and Customer C. As all of them were unwilling to disclose their identities to public and also for other commercial considerations, the Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 17.17(3) of the GEM Listing Rules to disclose the identities of the Customer A, Customer B and Customer C.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements, is set out on page 118 of this report. The summary does not form part of the consolidated financial statements for the year ended 31 December 2017.

DISTRIBUTABLE RESERVES

In accordance with the Companies Law of Cayman Islands, the Company has no reserves available for distribution to the owners of the Company as at 31 December 2017 (2016: Nil). The payment of dividends and distribution out of the share premium account is however subject to a solvency test of the Company and the provisions of the Articles of Association of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of the Cayman Islands or the Company's Articles of Association, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company did not redeem any of its listed securities during the year ended 31 December 2017. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the year ended 31 December 2017.

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date prior to the issue of this report, to the best knowledge of the Directors and based on the information publicly available to the Company, there is a sufficient public float as required by the GEM Listing Rules.

DONATIONS

During the year ended 31 December 2017, the Group did not make any charitable donations (2016: Nil).

Directors' Report

DIRECTORS

The Directors during the year ended 31 December 2017 and up to the date of this report were as follows:

Executive Directors
Mr. Kwan Kin Chung *(Managing Director)*
(resigned on 31 May 2017)
Mr. Yu Huaguo
(resigned on 10 April 2017)
Mr. Poon Yu Keung
Mr. Hung Ching Fung
Mr. Tang Lap Chin Richard
(appointed on 28 March 2017 and passed away on 18 March 2018)
Mr. Ng Chung Yuen Frank
(appointed on 10 April 2017)

Non-executive Director
Mr. Leung Lap Yan
(resigned on 31 May 2017)

Independent Non-executive Directors
Mr. Chow Wing Tung
Mr. Ko Wai Lun Warren
Ms. Luk Huen Ling Claire
(appointed on 6 February 2017 and resigned on 21 April 2017)
Mr. Yam Chiu Fan Joseph
(appointed on 21 April 2017)

In accordance with Article 116 of the Company's Articles of Association, all Directors retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of Directors are set out on pages 25 to 27 of this report.

DIRECTORS' SERVICE CONTRACTS

None of Directors has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director and the Director's connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2017.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director.

The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group throughout the year.

RELATED PARTY TRANSACTION

Details of the related party transactions undertaken by the Group are set out in Note 32 to the consolidated financial statements. During the year ended 31 December 2017, there was not related party transactions which constituted connected transactions/continuing connected transactions under the GEM Listing Rules.

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

As at 31 December 2017, save for the interest of the Directors in share options as below, neither of the Directors nor the chief executive of the Company had interests and/or short positions in the shares of the Company ("Shares"), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

Share Option

As at 31 December 2017, there were a total of 3,400,000 outstanding share options of the Company granted to the Directors, details of which are summarised in the following table:

		Options to subscribe for shares of the Company							
Directors	Date of grant	Outstanding as at 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2017	Option exercise period	Exercise price per share	Approximate percentage of shareholding
Kwan Kin Chung *(Note 2)*	29/5/2007	4,000,000	–	–	(4,000,000)	**–**	29/5/2007 to 28/5/2017	HK$0.450	–
	21/9/2011	1,250,000	–	–	(1,250,000)	**–**	21/9/2011 to 20/9/2021	HK$0.172	
	10/1/2014	1,200,000	–	–	(1,200,000)	**–**	10/1/2014 to 9/1/2024	HK$0.147	
Yu Huaguo *(Note 3)*	10/1/2014	1,200,000	–	–	(1,200,000)	**–**	10/1/2014 to 9/1/2024	HK$0.147	
Poon Yu Keung	10/1/2014	1,200,000	–	–	–	**1,200,000**	10/1/2014 to 9/1/2024	HK$0.147	0.04%
Hung Ching Fung	10/1/2014	1,200,000	–	–	–	**1,200,000**	10/1/2014 to 9/1/2024	HK$0.147	0.04%
Leung Lap Yan *(Note 2)*	29/5/2007	2,000,000	–	–	(2,000,000)	**–**	29/5/2007 to 28/5/2017	HK$0.450	–
	21/9/2011	250,000	–	–	(250,000)	**–**	21/9/2011 to 20/9/2021	HK$0.172	
	10/1/2014	1,000,000	–	–	(1,000,000)	**–**	10/1/2014 to 9/1/2024	HK$0.147	
Chow Wing Tung	10/1/2014	1,000,000	–	–	–	**1,000,000**	10/1/2014 to 9/1/2024	HK$0.147	0.03%
Total		14,300,000	–	–	(10,900,000)	**3,400,000**			

Notes:

(1) The option exercise period is commenced from the date of grant for ten years. The options may be exercised at any time within the option period provided that the options have been vested. As at 31 December 2017, all options have been vested.

(2) Mr. Kwan Kin Chung and Mr. Leung Lap Yan resigned as an executive director of the Company and a non-executive director of the Company respectively with effect from 31 May 2017.

(3) Mr. Yu Huaguo resigned as an executive director of the Company with effect from 10 April 2017.

Save as disclosed above, none of the Directors or the chief executives of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31 December 2017.

SHARE OPTION SCHEMES

On 27 April 2007, a new share option scheme (the "New Share Option Scheme") was adopted by the shareholders of the Company and the share option scheme adopted by the Company on 30 April 2002 (the "Old Share Option Scheme") was terminated accordingly on the same date. No share option was outstanding under the Old Share Option Scheme. A summary of the New Share Option Scheme is as follows:

1. Purpose

The purpose of the New Share Option Scheme is to enable the Board to grant options to eligible participants as incentives and/or rewards in recognition or acknowledgement of the contributions that eligible participants have made and/or will make to the Group.

The New Share Option Scheme will provide the eligible participants with an opportunity to have a personal stake in the Company and the Directors believe this will motivate the eligible participants to utilise their performance and efficiency for the benefit of the Group and will attract and retain or otherwise maintain an on-going relationship with the eligible participants whose contributions are or will be beneficial to the long term growth of the Company.

2. Eligible participants

The eligible participants of the New Share Option Scheme may include:

(a) any director (whether executive, non-executive or independent non-executive director), employee (whether full time or part time employee), consultant, customer, supplier, agent, partner or advisers of or contractor to the Group or any Invested Entity;

(b) any discretionary trust whose discretionary objects include any director (whether executive, non-executive or independent non-executive director), employee (whether full time or part time employee), consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any Invested Entity; and

(c) any company beneficially owned by any director (whether executive, non-executive or independent non-executive director), employee (whether full time or part time employee), consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any Invested Entity.

3. Total number of shares available for issue

As of the date of this report, the total number of shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme was 240,490,000 Shares, representing about 8.09% of the shares in issue.

4. Maximum entitlement of each eligible participant

Unless approved by the shareholders of the Company, the total number of securities issued and to be issued upon exercise of the options granted to each eligible participant (including both exercised and outstanding options) in any 12 month period must not exceed 1% of the shares in issue. Where any further grant of options to an eligible participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such eligible participant (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of securities in issue, such further grant must be separately approved by the shareholders of the Company in general meeting with such eligible participant and his associates abstaining from voting. The Company must send a circular to the shareholders of the Company and the circular must disclose the identity of the eligible participant, the number and terms of the options to be granted (and options previously granted to such eligible participant).

5. Time of exercise of option

An option shall be exercisable at any time during an option period to be notified by the Board to each grantee, provided that no option shall be exercisable later than ten years after its date of grant.

6. Minimum period for which any option must be held

Unless otherwise determined by the Board at its sole discretion, there is no minimum period for which an option must be held before such an option can be exercised under the terms of the New Share Option Scheme.

7. Amount payable upon acceptance of option

HK$1.00 is payable by each eligible participant to the Company on acceptance of an offer of an option, which shall be paid on or before the last day by which the offer must be accepted.

8. Basis of determining the exercise price

The exercise price shall be at the discretion of the Board, but it must be at least the highest of: (a) the closing price of a share as stated in the daily quotations sheet of the Stock Exchange on the date of grant which must be a business day; and (b) the average of the closing prices of the shares as shown on the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

9. The remaining life of the New Share Option Scheme

The New Share Option Scheme shall commence on the date on which the New Share Option Scheme is approved by a resolution of shareholders of the Company at a general meeting of the Company and shall continue in force until and including the date immediately preceding the tenth anniversary of the date of commencement.

As at 31 December 2017, options to subscribe for up to an aggregate of 240,490,000 shares of HK$0.01 each had been granted by the Company under the New Share Option Scheme. Details of the share options which had been granted under the Share Option Scheme are as follows:

		Options to subscribe for shares of the Company						
Category of participants	Date of grant	Outstanding as at 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2017	Option exercise period	Exercise price per share
Directors	29/5/2007	6,000,000	–	–	(6,000,000)	–	29/5/2007 to 28/5/2017	HK$0.450
	21/9/2011	1,500,000	–	–	(1,500,000)	–	21/9/2011 to 20/9/2021	HK$0.172
	10/1/2014	6,800,000	–	–	(3,400,000)	**3,400,000**	10/1/2014 to 9/1/2024	HK$0.147
Employees other than the Directors	29/5/2007	2,000,000	–	–	(2,000,000)	–	29/5/2007 to 28/5/2017	HK$0.450
	21/9/2011	750,000	–	–	(750,000)	–	21/9/2011 to 20/9/2021	HK$0.172
	10/1/2014	1,000,000	–	–	(1,000,000)	–	10/1/2014 to 9/1/2024	HK$0.147
Consultants	29/5/2007	163,190,000	–	–	(163,190,000)	–	29/5/2007 to 28/5/2017	HK$0.450
	10/1/2014	237,090,000	–	–	–	**237,090,000**	10/1/2014 to 9/1/2024	HK$0.147
Total		418,330,000	–	–	(177,840,000)	**240,490,000**		

Notes:

1. The option exercise period is commenced from the date of grant for ten years. The options may be exercised at any time within the option period provided that the options have been vested. As at 31 December 2017, all options have been vested.

2. During the year ended 31 December 2017, a total of 177,840,000 options were lapsed while there were no options being exercised or cancelled.

Details of options granted to the Directors under the Share Option Scheme are set out in the sub-section headed "Long Positions in Underlying Shares of the Company" under the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".

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

As at 31 December 2017, according to the register of interests kept by the Company under Section 336 of the SFO and so far as was known to the Directors, the Directors are not aware of any other party (save for those disclosed above in respect of the Directors and chief executives) who had interests or short positions in the shares or underlying shares of the Company which were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year ended 31 December 2017 attributable to the Group's major suppliers and customers are as follows:

Purchases of goods	
– the largest supplier	39.5%
– five largest suppliers combined	99.3%
Sales of goods	
– the largest customer	13.4%
– five largest customers combined	28.0%
Interest Income from loan customers	
– the largest customer	13.7%
– five largest customers combined	53.4%
Provision of financial public relations services	
– the largest customer	21.3%
– five largest customers combined	61.8%

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

MANAGEMENT CONTRACTS

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

INTERESTS IN COMPETING BUSINESS

Mr. Chow Wing Tung, an independent non-executive Director, held share interests in Great Harvest Finance Limited which is principally engaged in the business of hire purchase car financing. Mr. Chow was therefore considered to have interests in businesses which compete or are like to compete with the businesses of the Group pursuant to the GEM Listing Rules.

As the businesses of the Company and the above entity are operated under separate management with no reliance (whether financial or business) on each other, the Group is able to operates its businesses independently of, and at arm's length from the competing entity.

Save as disclosed above, none of the Directors, the controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Annual confirmation of independence has been received from each of the independent non-executive Directors and the Company considers all existing independent non-executive Directors to be independent.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of the Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors for the year ended 31 December 2017.

EQUITY-LINKED AGREEMENTS

Saved as disclosed under the section headed "Share Option Schemes" above, no equity-linked agreements were entered into by the Group, or subsisted at the end of the year or at any time during the year ended 31 December 2017.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on pages 13 to 24 of this report.

AUDIT COMMITTEE

The Audit Committee, with written terms of reference in compliance with Code Provision C.3.3, comprises three independent non-executive Directors as at the date of this report, namely Mr. Chow Wing Tung, Mr. Ko Wai Lun Warren and Mr. Yam Chiu Fan Joseph. Mr. Chow Wing Tung is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process and internal control procedures. The Group's audited annual results has been reviewed by the Audit Committee together with management, which was of the opinion that the preparation of such results were complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

AUDITOR

The consolidated financial statements for the year ended 31 December 2017 have been audited by Asian Alliance (HK) CPA Limited, who will retire and being eligible at the forthcoming annual general meeting.

On behalf of the Board

Ng Chung Yuen Frank
Executive Director

Hong Kong, 22 March 2018

Independent Auditor's Report

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

TO THE MEMBERS OF
CLOUD INVESTMENT HOLDINGS LIMITED

(FORMERLY KNOWN AS CHINA BIO CASSAVA HOLDINGS LIMITED)
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Cloud Investment Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 117, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. 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.

Impairment assessment of loan and interest receivables

The Group has been engaged in provision of financial services in Hong Kong. As disclosed in Note 22 to the consolidated financial statements, as at 31 December 2017, the Group had outstanding loan receivables and interest receivables, net of accumulated impairment losses, of approximately HK$88,800,000 and HK$2,330,000 respectively.

For the year ended 31 December 2017, no impairment loss had been recognised on loan and interest receivables.

The impairment assessment of the loan receivables and interest receivables requires significant judgement from the management of the Company, in particular, it needs to take into account a number of factors, e.g., the financial position of the borrowers, the fair value of collaterals, if any, etc. Accordingly, we have identified the management's impairment assessment of the Group's loan and interest receivables as a key audit matter.

How our audit addressed the key audit matter

Our major audit procedures to address this key audit matter included:

➢ We discussed with the management of the Company the procedures it would take before it advanced loans to customers.

➢ Further, we discussed with the management of the Company its impairment policy (i.e. when and how impairment was determined) and assessed whether sufficient impairment losses recognised, taking into account the specific facts and circumstances provided to us.

➢ Specifically, with regards to loan and interest receivables as at 31 December 2017 that had been past due, we had discussed with the management of the Company a number of factors, including the financial position of the borrowers and guarantors, the fair value of collaterals, if any, as well as subsequent settlements.

➢ We challenged the management of the Company the sufficiency of impairment loss and appropriateness of recognition of interest income based on the specific facts and circumstances.

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

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

➢ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

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

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

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

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

Asian Alliance (HK) CPA Limited
Certified Public Accountants (Practising)
Lam Chik Tong
Practising Certificate Number: P05612

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

22 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	**2017** **HK$'000**	2016 HK$'000 (Restated)
Continuing operations			
Revenue	5	**13,203**	7,004
Cost of revenue		**(1,206)**	(86)
Gross profit		**11,997**	6,918
Other income, gains and losses	6	**912**	47
Gain on disposal of interests in associates	18	**588**	–
Reversal of impairment losses recognised in respect of loan and interest receivables	22	**–**	520
Impairment losses recognised in respect of loan and interest receivables	22	**–**	(1,463)
Share of loss of associates	18	**(288)**	–
Loss on disposal of available-for-sale investments	17	**(781)**	–
Selling and distribution expenses		**(1,524)**	(1,116)
Research and development expenses		**(1,529)**	(1,478)
General and administrative expenses		**(10,792)**	(10,537)
Loss before tax		**(1,417)**	(7,109)
Income tax (expenses) credit	7	**(308)**	20
Loss for the year from continuing operations	10	**(1,725)**	(7,089)
Discontinued operation			
Loss for the year from discontinued operation	8	**(47)**	(28)
Loss for the year		**(1,772)**	(7,117)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
Other comprehensive income (expense), net of income tax			
Items that may be reclassified subsequently to profit and loss:			
Exchange differences arising on translation of foreign operations		85	(64)
Total comprehensive expense for the year		(1,687)	(7,181)
Loss per share	12		
From continuing and discontinued operations			
– Basic (HK cents)		(0.06)	(0.29)
– Diluted (HK cents)		N/A	N/A
From continuing operations			
– Basic (HK cents)		(0.06)	(0.29)
– Diluted (HK cents)		N/A	N/A

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	514	95
Loan and interest receivables – non-current portion	22	20,500	1,815
Intangible assets	14	–	–
Goodwill	16	609	609
		21,623	2,519
CURRENT ASSETS			
Inventories	19	38	40
Financial assets at fair value through profit or loss	20	102	102
Trade and other receivables	21	3,091	8,224
Loan and interest receivables – current portion	22	70,630	12,708
Tax recoverable		–	319
Held-to-maturity investments	23	–	556
Bank balances and cash	24	4,718	5,753
		78,579	27,702
CURRENT LIABILITIES			
Other payables	25	2,646	2,560
Amounts due to directors	26	–	3,116
Tax payable		308	–
		2,954	5,676
NET CURRENT ASSETS		75,625	22,026
TOTAL ASSETS LESS CURRENT LIABILITIES		97,248	24,545
NON-CURRENT LIABILITIES			
Borrowings	27	26,500	–
NET ASSETS		70,748	24,545
CAPITAL AND RESERVES			
Share capital	28	29,722	24,822
Reserves		41,026	(277)
TOTAL EQUITY		70,748	24,545

The consolidated financial statements on pages 46 to 117 were approved and authorised for issue by the board of directors on 22 March 2018 and are signed on its behalf by:

Ng Chung Yuen Frank
Director

Poon Yu Keung
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000 *(Note 30)*	Capital redemption reserve HK$'000	Warrant reserve HK$'000 *(Note 29)*	Reorganisation reserve HK$'000 *(Note)*	Foreign currency translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2016	24,822	163,243	65,784	37	6,952	3,000	(237)	(231,875)	31,726
Loss for the year	–	–	–	–	–	–	–	(7,117)	(7,117)
Other comprehensive expense for the year, net of income tax	–	–	–	–	–	–	(64)	–	(64)
Total comprehensive expense for the year	–	–	–	–	–	–	(64)	(7,117)	(7,181)
Lapse of warrants *(Note 29)*	–	–	–	–	(6,952)	–	–	6,952	–
Lapse of share options *(Note 30)*	–	–	(19,114)	–	–	–	–	19,114	–
At 31 December 2016 and at 1 January 2017	24,822	163,243	46,670	37	–	3,000	(301)	(212,926)	24,545
Loss for the year	–	–	–	–	–	–	–	(1,772)	(1,772)
Other comprehensive income for the year, net of income tax	–	–	–	–	–	–	85	–	85
Total comprehensive income (expense) for the year	–	–	–	–	–	–	85	(1,772)	(1,687)
Issue of ordinary shares upon placings *(Note 28)*	4,900	44,100	–	–	–	–	–	–	49,000
Transactions cost attributable to issue of ordinary shares upon placings *(Note 28)*	–	(1,110)	–	–	–	–	–	–	(1,110)
Lapse of share options *(Note 30)*	–	–	(29,864)	–	–	–	–	29,864	–
At 31 December 2017	**29,722**	**206,233**	**16,806**	**37**	**–**	**3,000**	**(216)**	**(184,834)**	**70,748**

Note: The amount represented the reserve arising from group reorganisation of the Company during the year ended 31 December 2000.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000 (Restated)
OPERATING ACTIVITIES		
Loss before tax		
– from continuing operations	**(1,417)**	(7,109)
– from discontinued operation	**(47)**	(28)
Adjustments for:		
Interest income	**(3)**	(4)
Interest income from held-to-maturity investments	**(20)**	–
Finance costs	**269**	–
Written-off of property, plant and equipment	**6**	139
Written-back of accrued expenses and other payables	**(759)**	(17)
Depreciation of property, plant and equipment	**84**	70
Reversal of impairment losses recognised in respect of loan and interest receivables	**–**	(520)
Reversal of write-down of inventories	**–**	(3)
Impairment losses recognised in respect of loan and interest receivables	**–**	1,463
Loss on disposals of available-for-sale investments	**781**	–
Dividends from available-for-sale investments	**(13)**	–
(Reversal of provision) provision for long service payment and annual leave, net	**(80)**	119
Share of loss of associates	**288**	–
Gain on disposal of interests in associates	**(588)**	–
Written-off of obsolete inventories	**3**	1
Operating cash flows before movements in working capital	**(1,496)**	(5,889)
(Increase) decrease in inventories	**(1)**	23
Decrease (increase) in trade and other receivables	**5,133**	(7,112)
(Increase) decrease in loan and interest receivables	**(76,607)**	4,160
Increase in other payables	**736**	284
(Decrease) increase in amounts due to directors	**(3,116)**	875
Cash used in operations	**(75,351)**	(7,659)
Income tax refund (paid)	**319**	(899)
NET CASH USED IN OPERATING ACTIVITIES	**(75,032)**	(8,558)

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000 (Restated)
INVESTING ACTIVITIES		
Dividends received from available-for-sale investments	13	–
Interest received from held-to-maturity investments	20	–
Interest received	3	4
Purchases of available-for-sale investments	(9,418)	–
Proceeds from disposal of available-for-sale investments	8,637	–
Repayment of promissory note arising on acquisition of associates	(7,500)	–
Proceeds from disposal of interests in associates	7,800	–
Purchases of property, plant and equipment	(509)	(28)
Decrease (increase) in held-to-maturity investments	556	(556)
NET CASH USED IN INVESTING ACTIVITIES	(398)	(580)
FINANCING ACTIVITIES		
Proceeds from issue of shares upon placings	49,000	–
Transaction cost attributable to issue of ordinary shares upon placings	(1,110)	–
Interest paid	(80)	–
Borrowings raised	26,500	–
NET CASH FROM FINANCING ACTIVITIES	74,310	–
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,120)	(9,138)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	5,753	14,955
Effect of foreign exchange rate changes	85	(64)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	4,718	5,753

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1. GENERAL

Cloud Investment Holdings Limited (formerly known as China Bio Cassava Holdings Limited) (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pursuant to the special resolution passed at the extraordinary general meeting of the Company on 22 September 2017, the Company's name has been changed from "China Bio Cassava Holdings Limited 中國生物資源控股有限公司" to "Cloud Investment Holdings Limited 雲信投資控股有限公司".

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

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

The Company acts as an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in sales and licensing of the software and embedded systems and provision of IT services, provision of financing services and provision of financial public relations services.

The principal activities of the subsidiaries of the Company are set out in Note 40 to the consolidated financial statements.

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

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

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

Amendments to HKAS 7 "Disclosure Initiative"

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

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

A reconciliation between the opening and closing balances of these items is provided in Note 38 to the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 37 to the consolidated financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

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

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 January 2021.

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

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

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

HKFRS 9 Financial Instruments

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

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

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

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

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

Classification and measurement

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

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

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

HKFRS 9 Financial Instruments (Continued)

Classification and measurement *(Continued)*

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

Impairment

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

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

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

HKFRS 15 Revenue from Contracts with Customers (Continued)

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

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

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

HKFRS 16 Leases

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

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

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

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

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

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

HKFRS 16 Leases *(Continued)*

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of approximately HK$1,708,000 as disclosed in Note 31 to the consolidated financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more.

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

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

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

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policies above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in subsidiaries

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

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

Investments in associates *(Continued)*

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

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

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

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

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

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

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

Revenue recognition

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

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

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Revenue from rendering of IT development services, other than sales of goods and maintenance services, is recognised as revenue by reference to the percentage of completion, as further explained in accounting policy "Construction contracts" below, or when the services have been rendered.

Maintenance service income is recognised on a straight line basis over the term of the maintenance service contract.

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

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

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

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

Leasing

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

The Group as lessee

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

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

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using rate of exchange prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

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

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

Retirement benefit costs and termination benefits

Payments to the Mandatory Provident Fund Scheme ("MPF") are recognised as an expense when employees have rendered service entitling them to the contributions.

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

Short-term employee benefits

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

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

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

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

Share-based payment arrangements *(Continued)*

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

Share options granted to consultants

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

Taxation

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

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

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

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

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

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

Taxation *(Continued)*

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

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

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

Property, plant and equipment

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

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

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

Intangible assets *(Continued)*

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

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

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

Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less estimated costs of completion and cost necessary to make the sale.

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

Provisions

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

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

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

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

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

Financial assets

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

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

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

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

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading; or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

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

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL *(Continued)*

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other gains and losses.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that are quoted in an active market and that the Group has the positive intention and ability to hold to maturity.

The Group designated the financial product issued by bank as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL. The Group designated listed equity investments as AFS financial assets on initial recognition of those items. Equity and debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

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

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

Impairment of financial assets

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

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

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

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

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

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

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

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Effective interest method

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

Financial liabilities at amortised cost

Financial liabilities including other payables, amounts due to directors and borrowings are subsequently measured at amortised cost, using the effective interest method.

Warrants

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments are equity instruments. Otherwise, they would be classified as derivate financial instruments, which will be recognised at fair values at the end of each reporting period.

Derecognition

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

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

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

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Derecognition *(Continued)*

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Revenue recognition

Revenue from sales of software license is recognised upon delivering of software license to customers, including end-users, resellers and distributors, at which end-users are able to use the software license by downloading from online platform, and the resellers and distributors purchased the packaged software for resales to end-users. All the goods sold to customers (including resellers and distributors) are not eligible for any refund or exchange, and the monies received from the customers are non-refundable, including resellers and distributors, according to the Group's policies.

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

Critical judgements in applying accounting policies *(Continued)*

Revenue recognition (Continued)

The Directors considered whether it was appropriate to recognise the revenue from these transactions of approximately HKS$3,378,000 (2016: HK$3,753,000) for the year ended 31 December 2017, in line with the Group's general policy of recognising revenue when goods are delivered, or whether it was more appropriate to defer revenue recognition until there are no post-delivery obligation retained by the Group.

In making the judgement, as to when revenue from the sales of software license should be recognised, the Directors considered the detailed criteria for the recognition of revenue relating to the sale of goods set out in HKAS 18 Revenue and, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the goods at the time of delivery. The Directors are satisfied that the significant risks and rewards have been transferred at the time of delivery of the software license to customers, and the Group does not retain continuing managerial involvements to the degree usually associated with ownership, nor has effective control over the goods sold after the delivery is made to customers.

Key sources of estimation uncertainty

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

i. Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation are disclosed in Note16 to the consolidated financial statements.

ii. Impairment allowances on trade and other receivables

In determining individual impairment allowances, the Group periodically reviews its trade and other receivables to assess whether impairment allowances exist. In determining whether impairment allowances should be recorded in the consolidated statement of profit or loss, management takes into account the customers' financial situation, credit history and subsequent settlements.

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

Key sources of estimation uncertainty *(Continued)*

iii. Impairment allowances on loan and interest receivables

A considerable amount of management judgment is required in assessing the ultimate realisation of loan and interest receivables, including the customers' creditworthiness, and the past collection history of each loan. When there is an objective evidence of impairment loss, the Group estimates future cash flows expected to be received. The amount of the impairment is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted using the original effective interest rate. In the event the present value of the expected actual future cash flows is less than the carrying amount of the loan and interest receivables, an impairment loss may arise.

As at 31 December 2017, the carrying amounts of the Group's loan and interest receivables were approximately HK$91,130,000 (2016: HK$14,523,000). During the year ended 31 December 2017, the Group did not recognised any impairment losses in respect of the Group's loan and interest receivables (2016: recognised impairment loss of approximately HK$1,463,000) in the profit or loss.

5. REVENUE AND SEGMENT INFORMATION

i. Revenue

An analysis of the Group's revenue by major products and services for the year from continuing operations is as follows:

	2017 HK$'000	2016 HK$'000
Sales and licensing of software and embedded systems through packaged software	**1,869**	2,231
Sales and licensing of software and embedded systems through online platform	**1,509**	1,522
IT platform development and maintenance service income	**973**	–
Interest income	**5,442**	3,251
Financial public relations services income	**3,410**	–
	13,203	7,004

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

ii. Segment information

Information reported to the board of directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided. This is also the basis upon which the Group is organised and specifically focuses on the Group's operating divisions. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

During the year ended 31 December 2017, "Provision of financial public relations services" became a new operating activity of the Group and it is separately assessed by the CODM. Therefore, it is reported as a new reportable and operating segment.

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

(a) Sales and licensing of software and embedded systems and provision of IT services

(b) Provision of financing services

(c) Provision of financial public relations services

An operating segment regarding the development of biotech renewable energy was discontinued in the current year. The segment information reported on the next pages does not include any amounts for this discontinued operation, which is described in more detail in Note 8 to the consolidated financial statements.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

ii. Segment information *(Continued)*

a. *Segment revenue and results*

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segments:

	Sales and licensing of software and embedded systems and provision of IT services		Provision of financing services		Provision of financial public relations services		Total	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000 (Restated)
Revenue								
External sales	4,351	3,753	5,442	3,251	3,410	–	13,203	7,004
Result								
Segment results	1,087	(646)	3,363	87	2,096	–	6,546	(559)
Unallocated incomes							769	21
Unallocated expenses							(8,732)	(6,571)
Loss before tax							(1,417)	(7,109)

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

ii. Segment information *(Continued)*

a. *Segment revenue and results* *(Continued)*

The accounting policies of the above operating segments are the same as the Group's accounting policies described in Note 3 to the consolidated financial statements. Segment results represented the profit earned by (loss from) each segment without allocation of certain administration costs, directors' emoluments, interest income, certain sundry income, certain reversal of provision of long service payment and annual leave, net, dividends from available-for-sale investments, interest income from held-to-maturity investments, gain on disposal of interests in associates, share of loss of associates and loss on disposal of available-for-sale investments. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

There were no inter-segment sales during the years ended 31 December 2017 and 31 December 2016.

b. *Segment assets and liabilities*

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

	Sales and licensing of software and embedded systems and provision of IT services		Provision of financing services		Provision of financial public relations services		Total	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000 (Restated)
Segment assets	**3,220**	2,867	**92,005**	24,307	**3,248**	–	**98,473**	27,174
Assets relating to discontinued operation							**–**	262
Unallocated assets							**1,729**	2,785
Consolidated assets							**100,202**	30,221
Segment liabilities	**941**	1,602	**26,962**	229	**278**	–	**28,181**	1,831
Liabilities relating to discontinued operation							**–**	410
Unallocated liabilities							**1,273**	3,435
Consolidated liabilities							**29,454**	5,676

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

ii. Segment information *(Continued)*

b. *Segment assets and liabilities* *(Continued)*

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

- All assets are allocated to operating segments other than certain property, plant and equipment, certain other receivables, certain bank balances and cash, financial assets at fair value through profit or loss and held-to-maturity investments.
- All liabilities are allocated to operating segments other than certain other payables and amount due to directors.

c. *Other segment information*

Continuing operations

	Sales and licensing of software and embedded systems and provision of IT services		Provision of financing services		Provision of financial public relations services		Unallocated		Consolidated	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Amounts included in the measurement of segment profit or loss or segment assets:										
Depreciation of property, plant and equipment	**8**	9	**9**	6	**32**	–	**35**	55	**84**	70
Additions of property, plant and equipment	**–**	10	**35**	9	**474**	–	**–**	9	**509**	28
Written-off of property, plant and equipment	**–**	–	**–**	–	**4**	–	**2**	139	**6**	139
Reversal of write-down of inventories	**–**	(3)	**–**	–	**–**	–	**–**	–	**–**	(3)
Reversal of impairment losses recognised in respect of loan and interest receivables	**–**	–	**–**	(520)	**–**	–	**–**	–	**–**	(520)
Impairment losses recognised in respect of loan and interest receivables	**–**	–	**–**	1,463	**–**	–	**–**	–	**–**	1,463
Written-back of accrued expenses and other payables	**(759)**	–	**–**	–	**–**	–	**–**	(17)	**(759)**	(17)
Written-off of obsolete inventories	**3**	1	**–**	–	**–**	–	**–**	–	**3**	1
Finance costs	**–**	–	**269**	–	**–**	–	**–**	–	**269**	–
Sundry income	**(2)**	(26)	**–**	–	**–**	–	**(35)**	–	**(37)**	(26)
(Reversal of provision) provision for long service payments and annual leave, net	**30**	–	**–**	–	**–**	–	**(110)**	–	**(80)**	–

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

ii. Segment information *(Continued)*

c. *Other segment information* *(Continued)*

Continuing operations *(Continued)*

	Sales and licensing of software and embedded systems and provision of IT services		Provision of financing services		Provision of financial public relations services		Unallocated		Consolidated	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Amount regulatory provided to the CODM but not included in the measure of segment profit or loss or segment assets:										
Acquisition of interests in associates	–	–	–	–	–	–	7,500	–	7,500	–
Share of loss of associates	–	–	–	–	–	–	288	–	288	–
Gain on disposal of interests in associates	–	–	–	–	–	–	(588)	–	(588)	–
Loss on disposal of available-for-sale investments	–	–	–	–	–	–	781	–	781	–
Dividends from available-for-sale investments	–	–	–	–	–	–	(13)	–	(13)	–
Interest income from held-to-maturity investments	–	–	–	–	–	–	(20)	–	(20)	–
Interest income	–	–	–	–	–	–	(3)	(4)	(3)	(4)

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

ii. Segment information *(Continued)*

d. Geographical information

For the years ended 31 December 2016 and 31 December 2017, all of the Group's revenue and non-current assets are derived from customers and operations based in Hong Kong, and accordingly, no further analysis of the Group's geographical information is disclosed.

e. Information about major customers

None of the customers contributing over 10% of the total revenue of the Group for the years ended 31 December 2017 and 31 December 2016.

6. OTHER INCOME, GAINS AND LOSSES

	2017 **HK$'000**	2016 HK$'000
Continuing operations		
Interest income	**3**	4
Written-back of accrued expenses and other payables	**759**	17
Reversal of provision for long service payment and annual leave, net	**80**	–
Interest income from held-to-maturity investments	**20**	–
Dividends from available-for-sale investments	**13**	–
Sundry income	**37**	26
	912	47

7. INCOME TAX EXPENSES (CREDIT)

	2017 HK$'000	2016 HK$'000
Continuing operations		
Hong Kong Profits Tax		
– Current year	308	–
– Over-provision in prior year	–	(20)
	308	(20)

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for both years. For the year ended 31 December 2016, no provision for taxation in Hong Kong has been made as certain group entities did not generate any assessable profits arising in Hong Kong and assessable profits of certain group entities were wholly absorbed by tax losses brought forward.

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

No profits taxes have been provided for the subsidiaries which are operating outside Hong Kong as these subsidiaries have not generated any assessable profits in the respective jurisdictions for both years.

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

	2017 HK$'000	2016 HK$'000 (Restated)
Loss before tax (from continuing operations)	(1,417)	(7,109)
Tax calculated at the rate applicable to the tax jurisdiction concerned	(242)	(1,175)
Tax effect of expenses not deductible for tax purpose	826	1,187
Tax effect of income not taxable for tax purpose	(241)	(90)
Tax effect of tax losses not recognised	144	183
Utilisation of tax losses previously not recognised	(179)	(105)
Over-provision in prior year	–	(20)
Income tax expenses (credit) for the year	308	(20)

8. DISCONTINUED OPERATION

Cessation of development of biotech renewable energy

During the year ended 31 December 2017, the Group ceased the development of biotech renewable energy business in order to focus the Group's resources in its remaining business.

The loss for the year from the discontinued development of biotech renewable energy operation is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the development of biotech renewable energy as a discontinued operation.

	2017 HK$'000	2016 HK$'000
Other gains and losses	–	1
General and administrative expenses	(47)	(29)
Loss before tax	(47)	(28)
Income tax expenses	–	–
Loss for the year from discontinued operation	(47)	(28)

Cash flows from discontinued operation:

	2017 HK$'000	2016 HK$'000
Net cash outflows from operating activities	(27)	(29)
Net cash (outflows) inflows from financing activities	(23)	27
Net cash outflows	(50)	(2)

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

i. Directors' and chief executives' emoluments

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

	Fees HK$'000	Salaries, bonuses and allowances HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2017				
Executive directors				
Mr. Kwan Kin Chung *(Note (a))*	150	30	–	180
Mr. Yu Huaguo *(Note (b))*	–	495	6	501
Mr. Hung Ching Fung	–	520	18	538
Mr. Poon Yu Keung	–	542	18	560
Mr. Ng Chung Yuen Frank *(Note (c))*	–	485	3	488
Mr. Tang Lap Chin Richard *(Note (d))*	–	506	–	506
	150	2,578	45	2,773
Non-executive director				
Mr. Leung Lap Yan *(Note (e))*	50	25	–	75
Independent non-executive directors				
Mr. Ko Wai Lun Warren	130	–	–	130
Ms. Luk Huen Ling Claire *(Note (f))*	25	–	–	25
Mr. Chow Wing Tung	130	–	–	130
Mr. Yam Chiu Fan Joseph *(Note (g))*	93	–	–	93
	378	–	–	378
Total	578	2,603	45	3,226

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

i. Directors' and chief executives' emoluments *(Continued)*

	Fees HK$'000	Salaries, bonuses and allowances HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2016				
Executive directors				
Mr. Kwan Kin Chung *(Note (a))*	360	–	–	360
Mr. Yu Huaguo *(Note (b))*	–	1,800	18	1,818
Mr. Poon Yu Keung	–	500	18	518
Mr. Hung Ching Fung	–	480	18	498
	360	2,780	54	3,194
Non-executive director				
Mr. Leung Lap Yan *(Note (e))*	120	180	–	300
Independent non-executive directors				
Mr. Ko Wai Lun Warren	120	–	–	120
Mr. Tse On Kin *(Note (h))*	103	–	–	103
Mr. Chow Wing Tung	120	–	–	120
	343	–	–	343
Total	823	2,960	54	3,837

Notes:

(a) Mr. Kwan Kin Chung was resigned as executive director of the Company on 31 May 2017.

(b) Mr. Yu Huaguo was resigned as executive director of the Company on 10 April 2017.

(c) Mr. Ng Chung Yuen Frank was appointed as executive director of the Company on 10 April 2017.

(d) Mr. Tang Lap Chin Richard was appointed as executive director of the Company on 28 March 2017.

(e) Mr. Leung Lap Yan was resigned as non-executive director of the Company on 31 May 2017.

(f) Ms. Luk Huen Ling Claire was appointed as independent non-executive director of the Company on 6 February 2017 and resigned on 21 April 2017.

(g) Mr. Yam Chiu Fan Joseph was appointed as independent non-executive director of the Company on 21 April 2017.

(h) Mr. Tse On Kin was resigned as independent non-executive director of the Company on 9 November 2016.

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

i. Directors' and chief executives' emoluments *(Continued)*

During the years ended 31 December 2017 and 31 December 2016, no emoluments were paid by the Group to the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

None of the Directors has waived or agreed to waive any emoluments during the years ended 31 December 2017 and 31 December 2016.

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

The non-executive director's emoluments shown above were for their services as directors of the Company and the Group.

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

Apart from the Directors, the Group has not classified any other person as chief executives during the year ended 31 December 2017 and 31 December 2016.

ii. Five highest paid employees

The five highest paid employees of the Group during the year included three (2016: three) Directors, details of whose emoluments are included in the disclosures in Note 9(i) above.

Details of the remunerations for the year of the remaining two (2016: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017	2016
	HK$'000	HK$'000
Salaries, bonuses and allowances	**1,268**	944
Retirement benefit scheme contributions	**38**	35
	1,306	979

During the years ended 31 December 2017 and 31 December 2016, the emoluments paid to two individuals of the five highest emoluments were within HK$1,000,000.

During the years ended 31 December 2017 and 31 December 2016, no emoluments were paid by the Group to any of the five highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office.

10. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

Loss for the year from continuing operations has been arrived at after charging (crediting):

	2017 HK$'000	2016 HK$'000 (Restated)
Staff costs (including directors' emoluments *(Note 9(i))*		
– Salaries and other benefits	**7,424**	8,613
– Discretionary bonuses	**305**	29
– Retirement benefit scheme contributions	**231**	261
– (Reversal of provision) provision for long service payments and annual leaves, net	**(80)**	119
	7,880	9,022
Cost of inventories recognised as expenses *(Note)*	**78**	86
Finance cost recognised as cost of revenue	**269**	–
Auditor's remuneration		
– Audit services	**462**	382
– Non-audit services	**160**	–
Depreciation of property, plant and equipment	**84**	70
Written-off of property, plant and equipment	**6**	139
Legal and professional fees	**1,952**	345
Minimum lease payments paid under operating leases	**1,816**	1,630

Note: During the year ended 31 December 2017, the cost of inventories recognised as expenses included reversal of write-down of inventories of approximately HK$ Nil (2016: HK$3,000) and written-off of obsolete inventories of approximately HK$3,000 (2016: HK$1,000).

11. DIVIDENDS

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

12. LOSS PER SHARE

From continuing operations

The calculation of the basic loss per share is based on the following data:

	2017 HK$'000	2016 HK$'000
Loss for the year for the purpose of basic loss per share	(1,772)	(7,117)
Less: Loss for the year from discontinued operation	47	28
Loss for the year for the purpose of basic loss per share from continuing operations	(1,725)	(7,089)

Number of shares

	2017 '000	2016 '000
Weighted average number of ordinary shares for the purposes of basic loss per share	2,769,712	2,482,150

From continuing and discontinued operations

The calculation of the basic loss per share from continuing and discontinued operations is based on the following data:

	2017 HK$'000	2016 HK$'000
Loss for the year for the purpose of basic loss per share	(1,772)	(7,117)

The denominators used are the same as those detailed above for basic loss per share.

From discontinued operation

Basic loss per share for the discontinued operation is HK0.002 cents (2016: HK0.001 cents) per share, based on the loss for the year from the discontinued operation of approximately HK$47,000 (2016: HK$28,000) and the denominators detailed above for basic loss per share.

Diluted loss per share for the years ended 31 December 2017 and 31 December 2016 are not presented because the exercise of the outstanding share options would have anti-dilutive effect on the basic loss per share.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 January 2016	381	530	338	127	1,376
Additions	–	28	–	–	28
Written-off	(254)	(74)	–	–	(328)
At 31 December 2016 and 1 January 2017	127	484	338	127	1,076
Additions	429	80	–	–	509
Written-off	–	(25)	–	–	(25)
At 31 December 2017	**556**	**539**	**338**	**127**	**1,560**
ACCUMULATED DEPRECIATION					
At 1 January 2016	252	383	338	127	1,100
Provided for the year	17	53	–	–	70
Eliminated on written-off	(144)	(45)	–	–	(189)
At 31 December 2016 and 1 January 2017	125	391	338	127	981
Provided for the year	31	53	–	–	84
Eliminated on written-off	–	(19)	–	–	(19)
At 31 December 2017	**156**	**425**	**338**	**127**	**1,046**
CARRYING AMOUNTS					
At 31 December 2017	**400**	**114**	**–**	**–**	**514**
At 31 December 2016	2	93	–	–	95

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

Leasehold improvements	18%–20%
Furniture, fixtures and office equipment	18%–20%
Machinery	10%–20%
Motor vehicles	18%–20%

14. INTANGIBLE ASSETS

	Technical know-how HK$'000
COST	
At 1 January 2016 and 31 December 2016	2,000
Written-off	(2,000)
At 31 December 2017	**–**
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 January 2016 and 31 December 2016	2,000
Written-off	(2,000)
At 31 December 2017	**–**
CARRYING AMOUNTS	
At 31 December 2017	**–**
At 31 December 2016	–

The amount represented technical know-how related to a production line of Bio-Cassava Energy System which was fully impaired in the consolidated statement of profit or loss and other comprehensive income in prior years. The Group decided to write-off the above intangible asset due to the cessation of development of biotech renewable energy as detailed in Note 8 to the consolidated financial statements.

15. DEFERRED TAX ASSET

As at 31 December 2017, the Group has unused tax losses arising from the Group's subsidiaries of approximately HK$5,290,000 (2016: HK$5,550,000) that are available for offsetting against future profits.

No deferred tax assets have been recognised as these subsidiaries have been loss making for several years and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Tax losses may be carried forwards indefinitely except for those tax losses amounted to approximately HK$182,000 (2016: HK$83,000) that could be carried forward for five years to offset against future foreseeable profits in accordance with the PRC laws and regulations.

16. GOODWILL

	HK$'000
COST AND CARRYING AMOUNTS	
At 1 January 2016, 31 December 2016 and **31 December 2017**	**609**

For the purpose of impairment testing, goodwill has been allocated to a cash-generating unit (the "CGU"), Fortune Credit Limited ("Fortune Credit"). Fortune Credit, an indirect wholly owned subsidiary of the Company, is a private limited liability company incorporated in Hong Kong which is principally engaged in the provision of financing services and other related business in Hong Kong.

At 31 December 2017 and 31 December 2016, the Directors determined that the CGU containing the goodwill had not suffered any impairment.

The basis of the recoverable amount of the above CGU and the major underlying assumptions are summarised below:

- The recoverable amount of the CGU has been determined based on value in use calculation.

- That calculation uses cash flow projections based on financial budgets approved by management covering a 3-years period and discount rate of 12.98% (2016: 10.59%) at 31 December 2017. The cash flows beyond the 3-years period are extrapolated using a steady growth rate of 3% (2016: 3%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

- Other key assumption for the value in use calculation relate to the estimation of cash inflows/outflows which included budgeted interest income and net interest margin, such estimation is based on the CGU's past performance and management's expectations for the market development. The Directors consider that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU to exceed the corresponding recoverable amount.

17. AVAILABLE-FOR-SALE INVESTMENTS

The available-for-sale investments carried at fair value represent investments in equity securities listed in Hong Kong. The Group had acquired a portfolio of listed equity securities of approximately HK$9,418,000 at cost during the year ended 31 December 2017 for long term investment purpose.

Subsequently, during the year ended 31 December 2017, the Group disposed all of the listed equity securities and a loss on disposal of approximately HK$781,000 has been recognised in profit or loss for the year.

18. INTERESTS IN ASSOCIATES

On 11 April 2017, the Company entered into a sale and purchase agreement (the "Acquisition Agreement") with an independent third party (the "Vendor") pursuant to which the Vendor had conditionally agreed to sell and the Company has conditionally agreed to purchase 15,000 ordinary shares of US$1 each in Master Ace Group Corporation ("Master Ace"), representing 30% of the entire equity interest of Master Ace ("Sale Shares") at a consideration of HK$7,500,000, which was satisfied by way of issue a promissory note pursuant to the Acquisition Agreement in favour of the Vendor in the principal sum of HK$7,500,000 issued by the Company on 26 April 2017 and repaid full on 17 May 2017. Upon completion of this transaction, the Company held a 30% equity interest in Master Ace and exercised significant influence over Mater Ace, and therefore Master Ace and its subsidiaries are classified as associates of the Company. Details of each of the Group's associates upon completion were as follow:

Name of entities	Country of Incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Master Ace *(Note 1)*	British Virgin Islands	British Virgin Islands	30%	–	30%	–	Investment holding
Quasar Asset Management Limited *(Note 2)*	Hong Kong	Hong Kong	–	30%	–	30%	Advising on securities and assets management
Quasar Securities Co., Limited *(Note 2)*	Hong Kong	Hong Kong	–	30%	–	30%	Securities trading

Notes:

(1) The Company exercised significant influence over Master Ace because the Company appointed one out of three directors on the board of directors of Master Ace.

(2) It is a wholly-owned subsidiary of Master Ace.

On 28 September 2017, the Company entered into a sale and purchase agreement ("the Disposal Agreement") with the Vendor pursuant to which the Company agreed to sell and the Vendor agreed to acquire the Sales Shares at a consideration of HK$7,800,000. Upon completion on 19 October 2017, the Company disposed of the 30% equity interest in Master Ace and Master Ace and its subsidiaries have been ceased to be the associates of the Company. A gain on disposal of interests in associates of approximately HK$588,000 was recognised in the profit or loss.

18. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of Master Ace

Summarised financial information in respect of the Group's associates are set out below. The summarised financial information below represents amounts shown in Master Ace's consolidated financial statements prepared in accordance with HKFRSs.

	From 26 April 2017 to 19 October 2017 HK$'000
Revenue	2,260
Loss and total comprehensive expense for the period	(960)
Dividend received from associates during the period	–

19. INVENTORIES

	2017 HK$'000	2016 HK$'000
Merchandise	18	25
Finished goods	20	15
Net realisable value of inventories	38	40

During the year ended 31 December 2016, as the net realisable value of some finished goods which had been write-down in prior year, has been increased, a reversal of write-down of finished goods amounting to approximately HK$3,000 has been recognised due to change in market environment and included in cost of inventories for the year ended 31 December 2016.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$'000	2016 HK$'000
Financial assets at fair value through profit and loss – Listed equity securities in Hong Kong	102	102

The trading of the listed equity securities has been suspended since 16 August 2013 and therefore the carrying value of the listed equity securities of approximately HK$102,000 (2016: HK$102,000) was determined based on the closing bid price available on the Stock Exchange on 16 August 2013.

21. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables *(Note a)*	2,388	161
Prepayments	214	66
Deposits	418	452
Other receivables *(Note b)*	71	7,545
	703	8,063
Total trade and other receivables	3,091	8,224

Notes:

(a) Trade receivables at the end of the reporting period comprised amounts receivable from the sales of goods and provision of services. No interest is charged on the trade receivables.

Before accepting any new customer, the Group gathers and assesses the credit information of the potential customer in considering the customer's quality and determining the credit limits for that customer.

The Group generally allows an average credit period of 0–30 days to its customers. The aging analysis of the Group's trade receivables presented based on invoice date as at the end of the reporting period is as follows:

	2017 HK$'000	2016 HK$'000
0–30 days	1,129	139
31–90 days	974	20
91–180 days	285	1
Over 180 days	–	1
	2,388	161

21. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

(a) *(Continued)*

Aging of trade receivables which are past due but not impaired are as follows:

	2017 HK$'000	2016 HK$'000
0–30 days	**1,003**	75
31–90 days	**206**	19
91–180 days	**79**	1
Over 180 days	**–**	–
	1,288	95

The Group did not provide any allowance on the past due receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the Group's credit assessment on its customers. The Group does not hold any collateral over these balances.

(b) Included in other receivables as at 31 December 2016 was an amount of HK$7,500,000 held in escrow account of the lawyer for the purpose of provision of a loan to a potential borrower. Subsequently, the transaction was cancelled and the amount was fully refunded to the Group on 13 January 2017.

22. LOAN AND INTEREST RECEIVABLES

	2017 HK$'000	2016 HK$'000
Mortgage loans (secured)	**40,854**	16,352
Less: Allowances	**(1,829)**	(1,829)
	39,025	14,523
Personal loans (unsecured)	**52,105**	–
Loan and interest receivables (including interest receivables of HK$2,330,000 (2016: HK$572,000))	**91,130**	14,523
Analysed for reporting purposes as:		
Non-current assets	**20,500**	1,815
Current assets	**70,630**	12,708
	91,130	14,523

22. LOAN AND INTEREST RECEIVABLES *(Continued)*

Particulars of significant individual loan receivable are as follows:

	Maturity date	Collateral	Effective interest rate	Carrying amount 31 December 2017 HK$'000	Carrying amount 31 December 2016 HK$'000
HK$10,000,000 fixed-rate loan receivable	29 September 2019	Unsecured	16%	**10,000**	–
HK$10,500,000 fixed-rate loan receivable	24 September 2020	Real estate	16%	**10,500**	–
				20,500	–

As at 31 December 2017, the unsecured loan receivables from customers bore fixed interest rates ranging from 1.25% to 1.92% per month (2016: Nil) and were repayable according to the terms of the loan agreements. Included in the gross balances are loans of approximately HK$52,105,000 (2016: Nil) which are secured by personal guarantee.

The second mortgage loan receivables bore fixed interest rates ranging from 1.25% to 2.33% per month (2016: 1.5% to 2.5%) and were repayable according to the terms of the loan agreements. Included in the gross balances are loans of approximately HK$40,854,000 (2016: HK$16,352,000) which are secured by real estates in Hong Kong.

Included in the loan and interest receivables with gross amount of approximately HK$1,829,000 which are past due. The Directors considered that the recoverability of the loan receivables was uncertain and additional impairment loss on such receivables of approximately HK$1,463,000 was made during the year ended 31 December 2016 after taking into account the value of the collateral.

22. LOAN AND INTEREST RECEIVABLES *(Continued)*

All loan and interest receivables are denominated in HK$. The maturity profile of these loan receivables from customers (including interest receivables), net of impairment losses recognised, at the end of reporting period, analysed by the remaining periods to their contracted maturity, is as follows:

	2017 HK$'000	2016 HK$'000
Within 3 months	22,381	7,172
In more than 3 months but not more than 1 year	48,249	5,536
In more than 1 year but not more than 3 years	20,500	1,815
	91,130	14,523

The loan receivables from customers have been reviewed by the management of the Company to assess impairment allowances which are based on the evaluation of collectability, aging analysis of accounts and on management's judgment, including the current creditworthiness and the past collection statistics of individually significant accounts or a portfolio of accounts on a collective basis.

The movements of allowance for impairment during the years are as follows:

	2017 HK$'000	2016 HK$'000
As at 1 January	1,829	886
Reversal during the year	–	(520)
Impairment losses recognised during the year	–	1,463
As at 31 December	1,829	1,829

During the year ended 31 December 2017, no impairment loss (2016: impairment loss on a loan receivable from a customer (including interest receivables) of approximately HK$1,463,000) was recognised in the consolidated statement of profit or loss and other comprehensive income after proper review by the management of the Company, based on the latest available information about the loan customer and the underlying collateral held.

23. HELD-TO-MATURITY INVESTMENTS

As at 31 December 2016, held-to-maturity investments at amortised cost represented an investment in a financial product issued by a bank carried a fixed interest rate of 2.5% per annum for a period of 30 days and it was denominated in Renminbi ("RMB"). The investments were redeemed during the year ended 31 December 2017.

The maturity profile of held-to-maturity investments as at 31 December 2016 is as follows:

	HK$'000
With a residual maturity of:	
three months or less	556

24. BANK BALANCES AND CASH

As at 31 December 2017, the Group's bank balances carry interest at market rates ranged from 0.001% to 0.3% (2016: 0.001% to 0.3%) per annum.

Included in cash and bank balances are the following amounts denominated in a currency other than functional currency of the entities:

	2017 **HK$'000**	2016 HK$'000
RMB	**1,208**	562

Included in bank balances and cash of the Group are approximately HK$1,202,000 (2016: approximately HK$559,000) of bank balances denominated in RMB which is not a freely convertible currency in the international market. The remittance of RMB out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

Other than bank balances and cash denominated in HK$ and RMB, the bank balance and cash denominated in other currencies are not significant.

25. OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Other payables	**650**	1,025
Accrued expenses	**1,974**	1,535
Temporary receipt	**22**	–
	2,646	2,560

26. AMOUNTS DUE TO DIRECTORS

The amounts were unsecured, interest free and repayable on demand.

27. BORROWINGS

	2017 HK$'000	2016 HK$'000
Secured:		
Other loans	**26,500**	–
Carrying amount repayable:		
More than one year but not exceeding two years, and amount shown under non-current liabilities	**26,500**	–

Note:

The Group's borrowings are loans borrowed by a wholly-owned subsidiary of the Company. The Company has provided corporate guarantee for the borrowings.

The Group's borrowings are all denominated in HK$. The loans bear interest at fixed rate of 8% per annum. The balance of loans amounted to HK$23,500,000 and HK$3,000,000 are repayable on 20 September 2019 and 4 December 2019 respectively.

28. SHARE CAPITAL

	Number of shares	Amount
	'000	HK$'000
Share with par value of HK$0.01 each		
Authorised:		
At 1 January 2016, and 31 December 2016 and **31 December 2017**	50,000,000	500,000
Issued and fully paid:		
At 1 January and 31 December 2016	2,482,150	24,822
Issue of ordinary shares upon placing *(Note (a))*	240,000	2,400
Issue of ordinary shares upon placing *(Note (b))*	250,000	2,500
At 31 December 2017	**2,972,150**	**29,722**

Notes:

(a) On 12 April 2017, the Company entered into a placing agreement (the "First Placing Agreement") with Pacific Foundation Securities Limited (the "First Placing Agent"). Pursuant to the First Placing Agreement, the First Placing Agent has conditionally agreed to place, on a best effort basis, up to an aggregate of 240,000,000 placing shares (the "First Placing") to not less than six placees, who and whose ultimate beneficial owners are independent third parties, at a price of HK$0.1 per placing share. The First Placing was completed on 17 May 2017 where 240,000,000 placing shares have been placed to not less than six placees pursuant to the terms and conditions of the First Placing Agreement. The net proceeds from the First Placing were approximately HK$23,638,000. The Company used the net proceeds from the First Placing for general working capital of the Group and repayment of the promissory note issued by the Company in relation to the acquisition of interests in associates.

(b) On 1 June 2017, the Company entered into the another placing agreement (the "Second Placing Agreement") with Gransing Securities Co., Limited (the "Second Placing Agent"). The Second Placing Agent has conditionally agreed to place, on a best endeavor basis, up to an aggregate of 250,000,000 placing shares (the "Second Placing") to placee(s), who and whose ultimate beneficial owners are independent third parties, at a price of HK$0.1 per placing share. The Second Placing was completed on 15 June 2017 where 250,000,000 placing shares have been placed to not less than six placees pursuant to the terms and conditions of the Second Placing Agreement. The net proceeds from the Second Placing were approximately HK$24,252,000. The Company used the net proceeds from the Second Placing for general working capital of the Group and provision of financing services business.

(c) All shares issued during the years ended 31 December 2017 and 31 December 2016 ranked pari passu in all respects with all shares then in issue.

29. WARRANTS

On 9 May 2014, the Company entered into the warrant subscription agreements with certain warrant subscribers and pursuant to which, the Company issued a total of 496,180,000 warrants at the warrant issue price of HK$0.015 per warrant, with net proceeds of approximately HK$6,952,000 (net of issue expenses) which was credited to the warrant reserve for the year ended 31 December 2014. The Company intended that the net proceeds from the full exercise of the warrants of approximately HK$79.4 million (before the issue expenses) will be applied as general working capital of the Group. The warrants entitle the subscribers to subscribe for the new ordinary shares of the Company at the warrant subscription price of initially HK$0.16 per new share (subject to adjustments in accordance with the terms of the warrants) for a period of two years commencing from the date of issue of warrants.

The movements of the warrants during the year ended 31 December 2016 are as follows:

			Number of warrants				
Date of grant	Exercise price	Exercise period	Outstanding as at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2016
	HK$						
22 May 2014	0.16	22/5/2014 to 21/5/2016	496,180,000	–	–	(496,180,000)	–

The warrants were lapsed during the year ended 31 December 2016.

30. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

Pursuant to the Company's Share Option Scheme (the "Share Option Scheme") adopted on 27 April 2007, options may be granted to any directors, employees, consultants, customers, suppliers, agents, partners or advisers of or contractor to the Group (the "Eligible participants") or any entity in which any member of the Group holds any interest; any discretionary trust whose discretionary objects include any Eligible participants; and a company beneficially owned by any Eligible participants; and those person or company whom or which the board has resolved is qualified to be an eligible participant must remain eligible during the period when any option granted to him or it remains outstanding.

The share options vest upon the commencement of the exercise period, which is determined by the Directors at the date of grant.

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options.

30. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity-settled share option scheme of the Company *(Continued)*

The movements of the options during both years are as follows:

				Number of share options				
Name or category of participant	Date of grant	Exercise price HK$	Exercise period	Outstanding as at 1 January	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December
Year ended 31 December 2017								
Directors								
Mr. Kwan Kin Chung	29/5/2007	0.4500	29/5/2007 to 28/5/2017	4,000,000	–	–	(4,000,000)	–
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	1,250,000	–	–	(1,250,000)	–
	10/1/2014	0.1470	10/1/2014 to 9/1/2024	1,200,000	–	–	(1,200,000)	–
Mr. Leung Lap Yan	29/5/2007	0.4500	29/5/2007 to 28/5/2017	2,000,000	–	–	(2,000,000)	–
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	250,000	–	–	(250,000)	–
	10/1/2014	0.1470	10/1/2014 to 9/1/2024	1,000,000	–	–	(1,000,000)	–
Mr. Poon Yu Keung	10/1/2014	0.1470	10/1/2014 to 9/1/2024	1,200,000	–	–	–	1,200,000
Mr. Yu Huaguo	10/1/2014	0.1470	10/1/2014 to 9/1/2024	1,200,000	–	–	(1,200,000)	–
Mr. Hung Ching Fung	10/1/2014	0.1470	10/1/2014 to 9/1/2024	1,200,000	–	–	–	1,200,000
Mr. Chow Wing Tung	10/1/2014	0.1470	10/1/2014 to 9/1/2024	1,000,000	–	–	–	1,000,000
Sub-total				14,300,000	–	–	(10,900,000)	3,400,000
Employees	29/5/2007	0.4500	29/5/2007 to 28/5/2017	2,000,000	–	–	(2,000,000)	–
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	750,000	–	–	(750,000)	–
	10/1/2014	0.1470	10/1/2014 to 9/1/2024	1,000,000	–	–	(1,000,000)	–
Others								
Consultants	29/5/2007	0.4500	29/5/2007 to 28/5/2017	163,190,000	–	–	(163,190,000)	–
	10/1/2014	0.1470	10/1/2014 to 9/1/2024	237,090,000	–	–	–	237,090,000
Sub-total				404,030,000		–	(166,940,000)	237,090,000
Total				418,330,000	–	–	(177,840,000)	240,490,000
Weighted average exercise price (HK$)				HK$0.2711				HK$0.1470
Weighted average remaining contractual life (Years)								6.0 years

30. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity-settled share option scheme of the Company: *(Continued)*

The movements of the options during both years are as follows: *(Continued)*

				Number of share options				
Name or category of participant	**Date of grant**	**Exercise price** HK$	**Exercise period**	**Outstanding as at 1 January**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding as at 31 December**
Year ended 31 December 2016								
Directors								
Mr. Kwan Kin Chung	29/5/2007	0.4500	29/5/2007 to 28/5/2017	4,000,000	–	–	–	4,000,000
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	1,250,000	–	–	–	1,250,000
	10/1/2014	0.1470	10/1/2014 to 9/1/2024	1,200,000	–	–	–	1,200,000
Mr. Leung Lap Yan	29/5/2007	0.4500	29/5/2007 to 28/5/2017	2,000,000	–	–	–	2,000,000
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	250,000	–	–	–	250,000
	10/1/2014	0.1470	10/1/2014 to 9/1/2024	1,000,000	–	–	–	1,000,000
Mr. Poon Yu Keung	10/1/2014	0.1470	10/1/2014 to 9/1/2024	1,200,000	–	–	–	1,200,000
Mr. Yu Huaguo	10/1/2014	0.1470	10/1/2014 to 9/1/2024	1,200,000	–	–	–	1,200,000
Mr. Hung Ching Fung	10/1/2014	0.1470	10/1/2014 to 9/1/2024	1,200,000	–	–	–	1,200,000
Mr. Chow Wing Tung	10/1/2014	0.1470	10/1/2014 to 9/1/2024	1,000,000	–	–	–	1,000,000
Sub-total				14,300,000	–	–	–	14,300,000
Employees	29/5/2007	0.4500	29/5/2007 to 28/5/2017	3,000,000	–	–	(1,000,000)	2,000,000
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	1,375,000	–	–	(625,000)	750,000
	10/1/2014	0.1470	10/1/2014 to 9/1/2024	2,000,000	–	–	(1,000,000)	1,000,000
Others								
Consultants	29/5/2007	0.4500	29/5/2007 to 28/5/2017	163,190,000	–	–	–	163,190,000
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	186,625,000	–	–	(186,625,000)	–
	10/1/2014	0.1470	10/1/2014 to 9/1/2024	237,090,000	–	–	–	237,090,000
Sub-total				593,280,000	–	–	(189,250,000)	404,030,000
Total				607,580,000	–	–	(189,250,000)	418,330,000
Weighted average exercise price (HK$)				HK$0.2407				HK$0.2711
Weighted average remaining contractual life (Years)								4.3 years

30. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity-settled share option scheme of the Company *(Continued)*

During the year ended 31 December 2017, the Group transferred the share options reserve of approximately HK$29,864,000 (2016: HK$19,114,000) to accumulated loss upon the lapse of 177,840,000 (2016: 189,250,000) share options. No share options had been exercised during the years ended 31 December 2017 and 31 December 2016.

During the year ended 31 December 2017 and 31 December 2016, there was no share option granted to the directors and employees of the Company and to the consultants.

At the end of the reporting period, the Company had 240,490,000 (2016: 418,330,000) share options outstanding under the Share Option Scheme. Upon the exercise in full of the remaining share options, the Company will issue 240,490,000 additional ordinary shares (2016: 418,330,000) of the Company.

31. OPERATING LEASES

The Group as lessee

	2017 HK$'000	2016 HK$'000
Minimum lease payments paid under operating leases during the year		
– Office equipment	18	36
– Office premises	1,798	1,594
	1,816	1,630

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	1,259	1,308
In the second to the fifth years, inclusive	449	346
	1,708	1,654

Operating lease payments represent rentals payable by the Group for the Group's office equipment and office premises. Leases are negotiated for lease terms ranging from one to three years (2016: one to three years) at inception, with an option to renew the lease at the expiry date or at dates mutually agreed between the Group and the landlord.

32. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

During the year ended 31 December 2017, the Group had remuneration paid to the Directors and other members of key management of the Group as follows:

	2017 HK$'000	2016 HK$'000
Salaries, bonuses and allowances	**4,449**	4,771
Retirement benefit scheme contributions	**83**	89
	4,532	4,860

The remuneration of the key management personnel is determined with reference to the performance of individuals and market trends.

33. RETIREMENT BENEFIT SCHEMES

The employees of the Group in the PRC are members of government-managed retirement benefit schemes operated by the PRC government. The Group is required to contribute a specified percentage of its payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions under the schemes.

The Group operates MPF for all qualifying Hong Kong employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group and its Hong Kong employees each make monthly contributions to the scheme at 5% of the employees' income with the maximum contribution by each of the Group and the employees limited to HK$1,500.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during the years ended 31 December 2017 and 2016 are disclosed in Note 10 to the consolidated financial statements.

34. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in Note 27 to the consolidated financial statements, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated losses.

The Directors review the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through new share issues as well as issue of new debt.

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Financial assets at FVTPL	102	102
Held-to-maturity investments	–	556
Loans and receivables		
– Trade and other receivables	2,877	8,158
– Loan and interest receivables	91,130	14,523
– Bank balances and cash	4,718	5,753
	98,827	29,092
Financial liabilities		
Financial liabilities at amortised cost:		
– Other payables	2,624	2,560
– Amounts due to directors	–	3,116
– Borrowings	26,500	–
	29,124	5,676

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments including financial assets at FVTPL, held-to-maturity investments, trade and other receivables, loan and interest receivables, bank balances and cash, trade and other payables, amounts due to directors and borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Foreign currency risk

The Group collects most of its revenue in HK$ and incurs most of its expenditures as well as capital expenditures in HK$.

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

Market risk *(Continued)*

Foreign currency risk (Continued)

As at 31 December 2017 and 31 December 2016, certain financial assets of the Group are denominated in RMB, which expose the Company to foreign currency risk. The carrying amounts of the Group's RMB denominated monetary assets at the end of the reporting period are as follows:

	Assets	
	2017	2016
	HK$'000	HK$'000
RMB	**1,208**	1,132

The Group currently does not use any derivative contracts to hedge against its exposure to foreign currency risk. However, the Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

Sensitivity analysis

The Group is mainly exposed to the foreign currency risk from RMB.

The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in HK$ against the relevant foreign currency. A 5% (2016: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2016: 5%) change in foreign currency rates.

A positive number below indicate a decrease/increase in post-tax loss/profit when the HK$ weaken 5% (2016: 5%) against the relevant currency. For a 5% (2016: 5%) strengthening of HK$ against the relevant currency, there would be an equal and opposite impact on the loss.

	RMB impact	
	2017	2016
	HK$'000	HK$'000
Decrease in post-tax loss	**61**	57

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

Market risk *(Continued)*

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank balances with floating interest rates which expose the Group to cash flow interest rate risk. The future variations in interest rates will not have a significant impact on the results of the Group, as the Group's variable rates for bank balances are all short term in nature and at the prevailing market interest rates. Loan and interest receivables and borrowings at fixed rate exposes the Group to fair value interest rate risk.

The Group currently does not have an interest rate hedging policy. However, the Directors monitor interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Directors considered the Group's exposure to interest rate risk is not material. Hence, no interest rate sensitively analysis is presented.

Credit risk

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfill its obligation with the results that the Group thereby suffers financial loss. The carrying amounts of trade and other receivables, loans and interest receivables and bank balances and cash represent the Group's maximum exposure to credit risk in relation to financial assets. The carrying amounts of these financial assets presented in the consolidated statement of financial position are net of impairment losses, if any.

The Group expects that there is no significant credit risk associated with cash at bank since all the Group's bank balances and cash are deposited with major and creditworthy banks located in Hong Kong and the PRC.

The Directors consider that the Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers.

The Group is exposed to credit risk attributable to loan and interest receivables from customers. Management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis. In respect of loan and interest receivables from customers, individual credit evaluations are performed on all customers. These evaluations focus on the customer's financial background and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Loan and interest receivables from customers are due as at the due date of corresponding loan agreement.

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

Credit risk *(Continued)*

As at 31 December 2017, 43% (2016: 100%) of the loan and interest receivables from customers are secured by real estates situated in Hong Kong. The Group closely monitors the ownership and value of the collaterals throughout the loan period. Further, as at 31 December 2017, 12% (2016: 18%) of the total gross loan and interest receivables from customers was due from the Group's largest customer. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

In order to minimise the credit risk, the Directors have delegated a team responsible for determination of monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Directors review the recoverability of each trade and loan and interest receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Liquidity risk

Ultimate responsibility for liquidity risk rests with the Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and continuously monitoring forecast and actual cash flows.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has 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 table includes both interest and principal cash flows.

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

Liquidity tables

	Weighted average interest rate %	Repayable on demand or within 1 year HK$'000	1–2 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
2017					
Other payables	N/A	2,624	–	2,624	2,624
Borrowings	8.00	2,120	28,080	30,200	26,500
		4,659	28,080	32,739	29,039

	Weighted average interest rate %	Repayable on demand or within 1 year HK$'000	1–2 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
2016					
Other payables	N/A	2,560	–	2,560	2,560
Amount due to directors	N/A	3,116	–	3,116	3,116
		5,676	–	5,676	5,676

37. FAIR VALUE MEASUREMENTS OF THE FINANICAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

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

Financial assets	Fair value as at 31 December 2017 HK$'000	31 December 2016 HK$'000	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs
Listed equity securities classified as financial assets at fair value through profit or loss in the consolidated statement of financial position	**Asset - approximately 102**	Asset - approximately 102	Level 1	Quoted bid prices in an active market	N/A

There were no transfers between Level 1, 2 and 3 during the year ended 31 December 2017 (2016: N/A).

	Fair value hierarchy 31 December 2017 Level 1 HK$'000	31 December 2016 Level 1 HK$'000
Financial asset		
Financial assets at fair value through profit or loss	**102**	102

Except as detailed in the above table, the Directors consider that carrying amounts of financial assets and financial liabilities recognised in consolidated financial statements approximate their fair values.

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were, or future cashflows will be classified in the Group's consolidated statement of cash flows from financing activities.

	Interest payable HK$'000	**Borrowings** HK$'000	**Total** HK$'000
At 1 January 2017	–	–	–
Changes from cash flows:			
Proceeds from interest-bearing borrowings	–	26,500	26,500
Payment of interest	(80)	–	(80)
	(80)	26,500	26,420
Non-cash changes			
Interest expenses	269	–	269
At 31 December 2017	**189**	**26,500**	**26,689**

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		–	7
Investments in subsidiaries		2,500	2,500
		2,500	2,507
CURRENT ASSETS			
Other receivables		165	77
Amounts due from subsidiaries	(i)	41,259	5
Bank balances and cash		141	441
		41,565	523
CURRENT LIABILITIES			
Other payables		766	603
Amounts due to directors	(i)	–	2,816
Amounts due to subsidiaries	(i)	14,029	13,959
		14,795	17,378
NET CURRENT ASSETS (LIABILITIES)		26,770	(16,855)
NET ASSETS (LIABILITIES)		29,270	(14,348)
CAPITAL AND RESERVES			
Share capital		29,722	24,822
Reserves	(ii)	(452)	(39,170)
TOTAL EQUITY (DEFICIENCY)		29,270	(14,348)

The Company's statement of financial position was approved and authorised for issue by the board of directors on 22 March 2018 and are signed on its behalf by:

Ng Chung Yuen Frank
Director

Poon Yu Keung
Director

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Notes:

i. Amounts due from (to) subsidiaries/directors

The amounts are unsecured, interest free and are repayable on demand.

ii. Movement in the Company's reserves

	Share premium HK$'000	Share options reserve HK$'000 *(Note 30)*	Warrant reserve HK$'000 *(Note 29)*	Reorganisation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2016	163,243	65,784	6,952	2,501	(276,614)	(38,134)
Loss and total comprehensive expense for the year	–	–	–	–	(1,036)	(1,036)
Lapsed of warrants *(Note 29)*	–	–	(6,952)	–	6,952	–
Lapsed of share options *(Note 30)*	–	(19,114)	–	–	19,114	–
At 31 December 2016	163,243	46,670	–	2,501	(251,584)	(39,170)
Loss and total comprehensive expense for the year	–	–	–	–	(4,272)	(4,272)
Issue of ordinary shares upon placings *(Note 28)*	44,100	–	–	–	–	44,100
Transactions cost attributable to issue of ordinary shares upon placings *(Note 28)*	(1,110)	–	–	–	–	(1,110)
Lapsed of share options *(Note 30)*	–	(29,864)	–	–	29,864	–
At 31 December 2017	**206,233**	**16,806**	**–**	**2,501**	**(225,992)**	**(452)**

40. PARTICULARS OF SUBSIDIARIES OF COMPANY

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of subsidiaries	Place of incorporation/ registration	Class of shares held	Paid up issued/ registered capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the Company		Principal activities
				2017	2016	2017	2016	
Direct subsidiaries								
Q9 Technology (BVI) Limited	British Virgin Islands ("BVI")	Ordinary	US$100	100%	100%	100%	100%	Investment holding
Q9-Tech Energy Development Limited	Hong Kong	Ordinary	HK$100	100%	100%	100%	100%	Investment holding
Q9-Tech Energy Development Limited	BVI	Ordinary	US$100	100%	100%	100%	100%	Investment holding
Indirect subsidiaries								
Qcode Chinese Computer Limited	Hong Kong	Ordinary	HK$600,000	100%	100%	100%	100%	Holding patents
Q9 Technology Company Limited	Hong Kong	Ordinary	HK$1	100%	100%	100%	100%	Provision of institution and corporate services
Q9 Technology (Retail) Company Limited	Hong Kong	Ordinary	HK$1	100%	100%	100%	100%	Sales and licensing of computer software
Q9 Technology (OEM) Company Limited	Hong Kong	Ordinary	HK$1	100%	100%	100%	100%	Development and licensing of computer software
九方快碼科技（深圳）有限公司 Q9 Technology (Shenzhen) Limited*	PRC	Registered	HK$2,000,000	100%	100%	100%	100%	Development, sales and licensing of computer software

40. PARTICULARS OF SUBSIDIARIES OF COMPANY *(Continued)*

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below: *(Continued)*

Name of subsidiaries	Place of incorporation/ registration	Class of shares held	Paid up issued/ registered capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the Company		Principal activities
				2017	2016	2017	2016	
New Q9-Tech Equipment Trading Limited	Macau	Registered	MOP$25,000	100%	100%	100%	100%	Inactive
China Bio Cassava Group Limited	Hong Kong	Ordinary	HK$100	100%	100%	100%	100%	Inactive
Cloud Communications Limited (formerly known as Garrix International Company Limited and China Bio Cassava Development Limited)	Hong Kong	Ordinary	HK$1,500,000	100%	100%	100%	100%	Provision of financial public relations services
Cloud Technology Solutions Limited (formerly known as Growlong Company Limited)	Hong Kong	Ordinary	HK$10,000	100%	100%	100%	100%	Provision of IT services
Fortune Credit	Hong Kong	Ordinary	HK$5,000,000	100%	100%	100%	100%	Provision of financing services
珠海橫琴中投商務服務有限公司 ("珠海橫琴")	PRC	Registered	RMB1,000,000	100%	100%	100%	100%	Inactive

* *For identification purpose only*

None of the subsidiaries had any debt securities outstanding as at the end of the year or at any time during the year.

Financial Summary

FINANCIAL RESULTS

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)			
RESULTS					
Loss before tax	**(1,417)**	(7,109)	(6,574)	(25,664)	(8,884)

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Property, plant and equipment	**514**	95	276	392	502
Goodwill	**609**	609	609	609	609
Others assets	**99,079**	29,517	35,856	42,200	41,810
Total liabilities	**(29,454)**	(5,676)	(5,015)	(4,252)	(2,587)
Total equity	**70,748**	24,545	31,726	38,949	40,334