# CHINA FORTUNE INVESTMENTS
# 中國幸福投資

## Annual Report 2017

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中國幸福投資(控股)有限公司
China Fortune Investments (Holding) Limited

CHINA FORTUNE INVESTMENTS (HOLDING) LIMITED
(Incorporated in the Cayman Islands with Limited Liability)
(Stock code: 8116)

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**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a high 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.**

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

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# CORPORATE PROFILE

## DIRECTORS

**Executive Directors**

Mr. Pan Xiaodong *(Chairman)*
Mr. Cheng Chun Tak
Mr. Stephen William Frostick
Mr. Xue Huixuan
Ms. Li Ka Ki (Appointed on 2 August 2017)
Mr. Liu Yunming (Appointed on 27 October 2017)
Mr. Zhang Jie (Resigned on 16 June 2017)
Mr. Chang Chun (Resigned on 16 June 2017)

**Non-executive Director**

Mr. Huang Shenglan

**Independent Non-executive Directors**

Mr. Lee Chi Hwa, Joshua
Mr. Xu Jingan
Mr. Chang Jun
Ms. Ching Wai Han

## AUTHORISED REPRESENTATIVES

Mr. Stephen William Frostick
Mr. Chow Kin Wing *CPA, ACS, ACIS*

## AUDIT COMMITTEE MEMBERS

Mr. Lee Chi Hwa, Joshua *(Chairman)*
Mr. Xu Jingan
Mr. Chang Jun

## NOMINATION COMMITTEE MEMBERS

Mr. Chang Jun *(Chairman)*
Mr. Xu Jingan
Mr. Lee Chi Hwa, Joshua

## REMUNERATION COMMITTEE MEMBERS

Mr. Lee Chi Hwa, Joshua *(Chairman)*
Mr. Chang Jun
Mr. Xu Jingan

## COMPLIANCE OFFICER

Mr. Stephen William Frostick

## COMPANY SECRETARY

Mr. Chow Kin Wing *CPA, ACS, ACIS*

## AUDITORS

HLM CPA Limited
Room 305, 3/F, Arion Commercial Centre,
2-12 Queen's Road West,
Hong Kong

## PRINCIPAL BANKER

Dah Sing Bank, Limited
Standard Chartered Bank (HK) Limited
Bank of China (Hong Kong) Limited

## LEGAL ADVISORS

***On Hong Kong Law:***

Tang Tso & Lau Solicitors

***On Cayman Islands Law:***

Conyers Dill & Pearman, Cayman

## REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681, George Town
Grand Cayman, KY1-1111
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS

Units 2601 & 2613, 26/F,
China Merchants Tower,
Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong

## SHARE REGISTRARS AND TRANSFER OFFICE

**Cayman Islands**

Royal Bank of Canada
Trust Company (Cayman) Limited
4th Floor, Royal Bank House,
24 Shedden Road, George Town
Grand Cayman KY1-1110,
Cayman Islands

**Hong Kong**

Tricor Abacus Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

## STOCK CODE

8116

## WEBSITE OF THE COMPANY

www.cfihk.com.hk

# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of China Fortune Investments (Holding) Limited (the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to report the Group's results for the year ended 31 December 2017.

In late 2017, the Group has completed the acquisition of Affluent Grand Limited and its subsidiaries ("Affluent Group") and the Group has formally entered into the market of Peer-to-Peer ("P2P") lending service business in the People's Republic of China ("PRC"). P2P lending business, being a new financing channel and with the assistance of the modern technology, has the potential to provide a more efficient financing solution than traditional bank financing. With its sustainable growth potential and great reputation in the PRC, I look forward Affluent Group will generate additional income and cash flow to our Group in 2018.

During 2017, Maxpark Enterprise Limited and its subsidiaries ("Maxpark Group") continues to maintain satisfactory results in the market of (i) retail sales and wholesales of wine products, cigars and tobacco; and (ii) retail and trading of golf products. I expect Maxpark Group to achieve the targeted results and look forward Maxpark Group to remain a stability result in the near future. Maxpark Group will continue to strengthen its existing retails and trading business by tapping into the trading of internationally renowned watch brands and luxury and prestigious jewelleries in Hong Kong in 2018, I think it is a great opportunity for the Group to further develop its trading business.

Looking forward in 2018, the Group will continue to strengthen the core competitiveness, exert greater efforts in the existing businesses, and effectively seek new business areas in the luxury market. The Board will also continue to seek suitable investment opportunities to diversify our existing business portfolio into new line of business with growth potential and to broaden our source of income.

I would like to take this opportunity to express my gratitude to the Board of Directors for their strategic guidance and the management and staff for their dedicated efforts and invaluable contributions in the past year. I also thank our shareholders, business partners and customers for their long-term support and trust.

**Pan Xiaodong**
*Chairman*

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

**Wine, Cigar and Golf products retail and trading business in Hong Kong**

Maxpark Enterprises Limited ("Maxpark") and its subsidiaries (collectively "Maxpark Group") engages in the retail and trading business of wine, cigar and golf products through 5 direct subsidiaries all of which are incorporated in Hong Kong, namely Queensway Wine International Limited, Queensway Wine (Hong Kong) Limited, Queensway Golf International Limited, Mass Fortune (Asia) Limited and Kasco (Hong Kong) Limited ("HK Subsidiaries"). Kasco (Hong Kong) Limited is a direct subsidiary of Maxpark and held as to 90.5% by Maxpark and 9.5% by an Independent Third Party.

**Wine and cigar business**

***I Products***

Maxpark Group sells a wide variety of wine products including red wine, white wine, champagne, whisky and other liquors and spirits, with particular focus on premium red wine produced from the leading wineries in France, namely Château Lafite Rothschild in Pauillac, Château Latour in Pauillac, Château Margaux in Margaux, Château Haut-Brion in Pessac-Léognan and Château Mouton Rothschild in Pauillac. The origin of the wine are mainly from France, the United States and Italy. Marpark Group also sells cigar and tobacco which are considered to be complementary to the needs of the customers for the wine products.

***II Suppliers***

Maxpark Group sources its wine products from both overseas and local wine distributors and merchants. Overseas suppliers include wine distributors and merchants for leading wineries in France, United Kingdom, United States, Italy, Chile and Australia. Maxpark Group obtains its supplies for cigar and tobacco products from local distributors.

***III Customers***

The customers for Maxpark Group's wine products include corporations engaging in entertainment, travel, restaurants and luxury products businesses and high net-worth individuals.

***IV Storage***

Maxpark Group's wine inventory are stored either at its retail shop or at external warehouses which are equipped with automatic air-conditioning system to control the humidity and temperature of the storage environment.

**Golf business**

***I Products***

Maxpark Group sells a wide range of golf related products including golf club, ball, shoes, glove, clothing and other accessories of various reputable brands from different countries.

*II* ***Suppliers***

Maxpark Group mainly sources its golf products from local distributors with the exception of "Kasco" brand products which are sourced directly from Kasco's Japan and Taiwan office. Maxpark Group is the sole distributor in Hong Kong of "Kasco" brand golf products. "Kasco" is a well-known Japanese golf brand with over 50 years' history. Maxpark Group will also source products from overseas suppliers according to customers' needs.

*III* ***Customers***

The customers for Maxpark Group's golf products include individual retail customers, local corporate customers such as banks and large corporations. Wholesale customers are mainly local golf clubs and golf retail shops.

**Wine, Cigar and Golf products retail stores**

Maxpark Group currently operates one shop for retail of wine products, cigar and tobacco and one shop for retail of golf products. The two shops are leased properties located next to each other at Shun Tak Centre, Sheung Wan, Hong Kong and occupy a total gross floor area of approximately 4,100 square feet.

**Money Lending Business in Hong Kong**

China Fortune Investments Finance Limited ("CFI Finance") is an indirect subsidiary of the Group, which was incorporated in November 2016 in Hong Kong. A money lender license was granted to CFI Finance in June 2017 in accordance with the Money Lenders Ordinance to carry on money lending business. CFI Finance provides customers with a wide range of loan products and services to meet their financial needs. CFI Finance provides secured loans to customers including individuals and corporations.

**P2P online credit platform in China**

On 28 April 2017, the Group agreed to acquire all of the issued share capital of Affluent Grand Limited ("Affluent") and its subsidiaries (collectively "Affluent Group") from the Vendors at the consideration of HK$380 million. Affluent engages in the P2P online lending services in the PRC through its indirect subsidiary 口貸網絡服務股份有限公司 ("OPCO"). The acquisition was smoothly completed on 28 November 2017.

OPCO provides matching services to borrowers and private lenders through the P2P online platform and its branches at Chengdu, Shenzhen, Beijing and Shanghai. As OPCO merely serves as an agent to match lenders and borrowers, OPCO do not lend any money and is not subject to any default risks on interest and principal payments by the borrowers. In the event of default by borrowers, OPCO will assist the lenders as agent to seek recovery through enforcement of security and/or legal procedures and/or debt collecting agents. OPCO may at its discretion consider acquiring the defaulted loans from the lenders where appropriate after having regard to factors such as whether the value of the pledged assets provide sufficient margin to cover the amount of such defaulted loans, the potential profit from the defaulted loans such as extra penalty interest and the financial resources of OPCO. All the loans are secured by landed properties located in the PRC.

The Group expects this segment to grow steadily and generate sustainable income in the coming future.

**Trading of internationally renowned watch brands and luxury and prestigious jewelleries in Hong Kong**

On 19 January 2018, the Group announced that the commencement of the trading of internationally renowned watch brands and luxury and prestigious jewelleries in Hong Kong with a view to strengthen the existing retail and trading business of the Group. The Group expects that the expansion will enable the Group to diversify its product category to enrich the Group's retail and trading business portfolio which will broaden the income streams of the Group. As the Group has just commenced this business, no income was generated from this business expansion for the year ended 31 December 2017.

The Group expects this business expansion to grow steadily and generate sustainable income in the coming future.

**Group's other business**

Apart from the above mentioned, the Group had no other significant acquisition or disposal of investments during the year ended 31 December 2017.

Furthermore, the Group continues to explore any other new potential investment opportunities to improve the Group's standard performance and returns to its shareholders.

## FINANCIAL REVIEW

**Revenue and gross profit**

For the year ended 31 December 2017, the consolidated revenue of the Group was approximately HK$223.6 million and HK$179.8 million in 2016. Gross profit in 2017 is approximately HK$72.7 million (2016: HK$56.0 million) and gross profit margin of approximately 33% (2016: 31%).

The revenue approximately HK$215.7 million was generated from the retail and wholesales of wine, cigar and golf products, approximately HK$7.8 million was generated from P2P online credit platform and HK$150,000 was generated from loan interest income.

**Other revenues**

The other revenues was approximately HK$4.9 million for the year ended 31 December 2017 (2016: HK$449,000). Other revenues mainly included waiver of accrued salaries and other financing service income.

**Selling and distribution expenses**

Selling and distribution expenses was approximately HK$7.4 million for the year ended 31 December 2017 (2016: HK$5.4 million). Selling and distribution expenses mainly included rental expenses, salaries and wages and building management fees.

### Administrative expenses

Administrative expenses was approximately HK$32.7 million for the year ended 31 December 2017 (2016: HK$27.3 million). Administrative expenses mainly included rental expenses, legal and professional fees, salaries and wages and amortisation of intangible assets.

### Finance costs

Finance costs decreased from approximately HK$37.9 million for the year ended 31 December 2016 to approximately HK$27.0 million for the year ended 31 December 2017. The finance costs were mainly consisted of imputed interest on convertible bond, interest on promissory note and interest on bank borrowings. The decrease of finance costs was mainly attributed to the outstanding number of convertible bonds were decreased in 2017 resulted in the decrease in the imputed interests on convertible bonds.

### Results of the Group's operations

Profit attributable to shareholders of the Company was approximately HK$2.5 million for the year ended 31 December 2017, compared with the loss approximately HK$114.5 million for the year ended 31 December 2016. The change was mainly attributed to the profit generated from the retail and wholesales of wine, cigar and golf products and P2P online credit platform.

### Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2017 (2016: Nil).

## LIQUIDITY AND FINANCIAL RESOURCES

The cash and cash equivalents as at 31 December 2016 and 2017 amounted to approximately HK$195.5 million and HK$226.2 million respectively. The major capital resources of the Group included cash generated from operating activities and the proceeds raised by the Group in Hong Kong and the PRC.

To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents considered adequate by its management to finance its operations and mitigate the effects of fluctuations in cash flow. The Group's management also monitors its net current assets/liabilities and the utilisation of borrowings to ensure efficient use of the available banking facilities and compliance with loan covenants.

## GEARING RATIO

As at 31 December 2017, the Group's gearing ratio (total liabilities by total assets) is approximately 53% (31 December 2016: approximately 61%). It is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

## CAPITAL STRUCTURE

In January 2014, the Group issued convertible bonds with principal amount of HK$312 million (the "CB I"). For the CB I, approximately HK$257.40 million was converted in previous years. As at 31 December 2017, principal amount of HK$54.60 million CB I was outstanding.

In January 2016, the Group issued convertible bonds with principal amount of HK$100 million (the "CB III") as consideration to acquire 100% equity interest in Maxpark Enterprises Limited. The CB III do not bear any interest. The effective interest rate of liability is 19.97% per annum. The maturity dates is on the fifth anniversary of the date of issue of the CB III. The CB III was fully converted during the year.

In May 2016, the Group issued convertible bonds with principal amount of HK$10 million (the "CB V") for the Group's general working capital and repayment of other debts. The CB V do not bear any interest. The effective interest rate of liability is 20.66% per annum. The maturity dates is on the second anniversary of the date of issue of the CB V. The CB V was fully converted during the year.

In July 2016, the Group issued convertible bonds with principal amount of HK$90 million (the "CB VI") to raise funds for the Group's general working capital and repayment of other debts and payable. The CB VI do not bear any interest. The effective interest rate of liability is 20.24% per annum. The maturity dates is on the second anniversary of the date of issue of the CB VI. The CB VI was fully converted during the year.

In August 2016, the Group issued convertible bonds with principal amount of HK$25 million (the "CB VII") to raise funds for the repayment of convertible bonds. The CB VII do not bear any interest. The effective interest rate of liability is 15.61% per annum. The maturity dates is on the first anniversary of the date of issue of the CB VII. The CB VII was fully redeemed during the year.

In September 2016, the Group issued convertible bonds with principal amount of HK$35 million (the "CB VIII") to raise funds for the Group's general working capital and purchasing inventory. The CB VIII do not bear any interest. The effective interest rate of liability is 19.45% per annum. The maturity dates is on the first anniversary of the date of issue of the CB VIII. The CB VIII was fully redeemed during the year.

In September 2017, the Group issued convertible bonds with principal amount of HK$69 million (the "CB IX") as repayment of the convertible bonds aggregate outstanding amount of HK$69 million issued on 3 August 2016 and 24 August 2016 respectively. The CB IX do not bear any interest. The effective interest rate of liability is 19.66% per annum. The maturity dates is on the first anniversary of the date of issue of the CB IX. As at 31 December 2017, principal amount of HK$69 million CB IX was outstanding.

In November 2017, the Group issued convertible bonds with principal amount of HK$80 million (the "CB X") as part of the consideration for acquisition of Affluent Grand Limited. The CB X do not bear any interest. The effective interest rate of liability is 18.72% per annum. The maturity dates is on the fifth anniversary of the date of issue of the CB X. As at 31 December 2017, principal amount of HK$80 million CB X was outstanding.

For details, please refer to note 26 to the consolidated financial statements.

## CHARGE ON GROUP ASSETS

As at 31 December 2017, a property situated in PRC held by a subsidiary of the Group was pledged to secure bank borrowings of the Group. Save as disclosed above, no other Group's assets were charged or pledged to secure any loans or borrowings.

## FOREIGN EXCHANGE EXPOSURE

Since the Group's sales, purchases and loans were substantially denominated in either Renminbi or Hong Kong Dollar, the Directors of the Company consider that the potential foreign exchange exposure of the Group is limited.

## CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any material contingent liabilities.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group employed a workforce with head count of 134, of which 78 were employed in the PRC. Employee benefit expenses, including directors' emoluments, amounted to approximately HK$16 million. The Group's remuneration policy has been in line with the prevailing market practice including discretionary bonus and remunerates its employees based on their performance and contribution. Other benefits include contributions to retirement benefits scheme and medical insurance.

## ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed above, the Group had no other acquisitions or disposals of subsidiaries and affiliated companies for the year ended 31 December 2017.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed above, the Group did not have any future plans for material investments or capital assets as at 31 December 2017.

## SIGNIFICANT INVESTMENT

Save as disclosed above, the Group did not have any significant investment as at 31 December 2017.

# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

The Corporate Governance Code (the "CG") contained in Appendix 15 of the GEM Listing Rules was introduced on 1 January 2005. It sets out the principles of good corporate governance and the Company is required to comply with the code provisions of the CG. The Company is fully admitted that good corporate governance, as part of the Company's culture, can create values to the Group and our shareholders. The Board is committed to continue to enhance the standards of corporate governance within the Group and to ensure that the Group conducts its businesses in an honest and responsible manner. Except for disclosed in this report, the Group has adopted practices which meets the code provisions of the CG.

## SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of the Directors of the Company, all Directors have complied with the required standard of dealings and code of conduct regarding securities transactions by Directors as set out in the code of conduct for the year 2017.

## BOARD COMPOSITION

The Board of Directors ("Board") of the Company is entrusted with the overall responsibility for promoting the success of the Company by the direction and supervision of the Company's business and affairs and the ultimate responsibility for the day to day management of the Company which is delegated to the Chairman and the Executive Directors.

The Board comprises a total of 11 Directors, with 6 Executive Directors, namely Mr. Pan Xiaodong (Chairman), Mr. Cheng Chun Tak, Mr. Stephen William Frostick, Mr. Xue Huixuan, Mr. Liu Yunming and Ms. Li Ka Ki, 1 Non-executive Director, namely Mr. Huang Shenglan and 4 Independent Non-executive Directors, namely Mr. Chang Jun, Mr. Xu Jingan, Mr. Lee Chi Hwa Joshua and Ms. Ching Wai Han. One Independent Non-executive Director has appropriate professional qualifications, accounting and financial management expertise.

Code Provision A.2.1 provides that the roles of the Chairman and Chief Executive Officer ("CEO") should be separated and should not be performed by the same individual. As of 31 December 2017, the Company has not appointed a CEO, and the roles and functions of the CEO have been performed by all Executive Directors collectively.

The Group has in place internal control system to perform the check and balance function. In addition, the Board comprises 11 Directors, the balance of power and authority between the Board and management will not be compromised.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

The Company has arranged appropriate insurance cover in respect of the legal action against the Directors.

## TRAINING AND SUPPORT OF DIRECTORS

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have been updated on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. There is a procedure agreed by the Board to ensure Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

The Directors confirmed that they have complied with the Code Provision A.6.5 of the Code on Directors' training.

## DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed Director (if any) receives a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the Director's responsibilities under the statues and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. The Directors had attended training sessions on obligations, duties and responsibilities of directors conducted by the Company's Hong Kong legal advisers.

The Company from time to time will provide briefings to all Directors to develop and refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the trainings received by each of the Directors during the year is summarised as follows:

| **Name of Directors** | **Type of trainings** |
|---|---|
| Mr. Pan Xiaodong (Chairman) | A,B |
| Mr. Cheng Chun Tak | A,B |
| Mr. Stephen William Frostick | A,B |
| Mr. Xue Huixuan | A,B |
| Mr. Liu Yunming | A,B |
| Ms. Li Ka Ki | A,B |
| Mr. Huang Shenglan | A,B |
| Mr. Lee Chi Hwa, Joshua | A,B |
| Mr. Xu Jingan | A,B |
| Mr. Chang Jun | A,B |
| Ms. Ching Wai Han | A,B |
| Mr. Zhang Jie (Resigned on 16 June 2017) | A,B |
| Mr. Chang Chun (Resigned on 16 June 2017) | A,B |

A: attending training session/briefings/seminars/conferences/forums/workshops

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

## DIRECTORS' ATTENDANCE RECORD AT MEETINGS

The Board meets regularly over the Company's affairs and operations. Details of the attendance of each member of the Board at the meetings of the Board, its respective committees and the general meetings during the year ended 31 December 2017 are as follows:

| Name of Directors | Board Meeting Attended/ Eligible to attend | Audit Committee Meeting Attended/ Eligible to attend | Remuneration Committee Meeting Attended/ Eligible to attend | Nomination Committee Meeting Attended/ Eligible to attend | General Meeting Attended/ Eligible to attend |
|---|---|---|---|---|---|
| Number of meetings held during the financial year | 16 | 4 | 3 | 3 | 2 |
| **Executive Directors** | | | | | |
| Mr. Pan Xiaodong *(Chairman)* | 16/16 | N/A | N/A | N/A | 2/2 |
| Mr. Cheng Chun Tak | 13/16 | N/A | N/A | N/A | N/A |
| Mr. Stephen William Frostick | 13/16 | N/A | N/A | N/A | N/A |
| Mr. Xue Huixuan | N/A | N/A | N/A | N/A | N/A |
| Ms. Li Ka Ki (Appointed on 2 August 2017) | 4/4 | N/A | N/A | N/A | 1/1 |
| Mr. Liu Yunming (Appointed on 27 October 2017) | 1/1 | N/A | N/A | N/A | N/A |
| Mr. Chang Chun (Resigned on 16 June 2017) | 1/8 | N/A | N/A | N/A | N/A |
| Mr. Zhang Jie (Resigned on 16 June 2017) | N/A | N/A | N/A | N/A | N/A |
| **Non-executive Director** | | | | | |
| Mr. Huang Shenglan | 13/16 | N/A | N/A | N/A | N/A |
| **Independent Non-executive Directors** | | | | | |
| Mr. Lee Chi Hwa, Joshua | 16/16 | 4/4 | 3/3 | 3/3 | N/A |
| Mr. Xu Jingan | 16/16 | 4/4 | 3/3 | 3/3 | N/A |
| Mr. Chang Jun | 16/16 | 4/4 | 3/3 | 3/3 | N/A |
| Ms. Ching Wai Han | 16/16 | N/A | N/A | N/A | N/A |

All of the Independent Non-executive Directors were unable to attend the Company's annual general meeting held on 16 June 2017 and extraordinary general meetings held during the year due to other prior business engagements.

## NON-EXECUTIVE DIRECTORS

The Non-executive Directors are subject to retirement by rotation in accordance with the articles of association of the Company (the "Articles").

All the existing Non-executive Directors are appointed for an initial term of three years and the term of office shall continue after the expiration of the initial term until at least 1 month's prior written notice is given by the Director. The remuneration packages for Non-executive directors are determined by the Board of Directors. They are reimbursed for reasonable expenses incurred during the performance of their duties to the Company and are eligible to be granted share options under the Share Option Scheme.

## REMUNERATION OF DIRECTORS

A Remuneration Committee was formed on 30 October 2005 for, inter alia, the following purposes:–

(a) to make recommendations to the Board on policies and structure for remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(b) to determine the remuneration packages for Executive Directors and senior management and to make recommendations to the Board on the remuneration of Non-executive Directors.

The Remuneration Committee is made up of the Company's Independent Non-executive Directors, namely Mr. Chang Jun, Mr. Xu Jingan and Mr. Lee Chi Hwa Joshua. Mr. Lee Chi Hwa Joshua is the Chairman of the Remuneration Committee.

Meetings have been held in 2017 to review the remuneration packages of Executive Directors, which are nominal by market standards. The Directors' fees of the Company's Independent Non-executive Directors have not been changed during the year according to market levels. The Remuneration Committee held 3 meetings during the year to consider and approve (a) bonus payments to employees of the Group, (b) salary increases of senior management of the Group and (c) range of salary increase for employees of the Group.

The Remuneration Committee will meet and determine the emolument policy and long-term incentive schemes as well as the basis of determining the emolument payable to the Company's Directors in 2017.

## NOMINATION OF DIRECTORS

A Nomination Committee was formed on 31 October 2007 for, inter alia, the following purposes:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board;

(b) to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorship; and

(c) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee is made up of the Company's Independent Non-executive Directors, namely Mr. Chang Jun, Mr. Xu Jingan and Mr. Lee Chi Hwa Joshua. Mr. Chang Jun is the Chairman of the Nomination Committee. The Nomination Committee held 3 meetings during the year to review the structure, size and composition of the Company's Board of Directors. The Nomination Committee was satisfied with the existing composition of the Company's Board of Directors and recommended no change in the near term.

The Nomination Committee will meet and determine the nomination procedures and the process and criteria to select and recommend candidates for directorship in 2018.

## AUDITOR'S REMUNERATION

The remuneration in respect of audit provided by the auditors, HLM CPA Limited, to the Company for the year 2017 amounted to HK$950,000. Non-audit services amounted to HK$107,000 were provided by HLM CPA Limited during the year.

## AUDIT COMMITTEE

The Company's Audit Committee was formed on 13 July 2000 and is currently composed of three Independent Non-executive Directors of the Company, namely Mr. Lee Chi Hwa Joshua, Mr. Xu Jingan and Mr. Chang Jun. Mr. Lee Chi Hwa Joshua is the Chairman of the Audit Committee. The primary duties of the Audit Committee are (a) to review the Group's annual reports, financial statements, interim reports and quarterly reports, (b) to provide advice and comments thereon to the Board and (c) to review and supervise the financial reporting process and internal control procedures of the Group.

In 2017, the Audit Committee held 4 meetings. The Audit Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and its system of internal control and has made suggestions to improve them. The Audit Committee also carried out and discharged its duties set out in the CG. In the course of doing so, the Audit Committee has met the Company's management, qualified accountant and external auditors in 2017.

## CORPORATE GOVERNANCE FUNCTIONS OF THE BOARD

The Board is responsible for performing the corporate governance functions of the Group. The Board has reviewed this corporate governance report in discharge of its corporate governance functions, ensuring compliance with the GEM Listing Rules.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for the preparation of the consolidated financial statements, which give a true and fair view. The auditors are responsible for forming an independent opinion, based on the audit, on the consolidated financial statements prepared by the Directors and reporting the opinion solely to the shareholders of the Company.

## INTERNAL AUDIT AND RISK MANAGEMENT

### Internal Audit

The Board is responsible for ensuring sound and effective risk management and internal control systems to safeguard the shareholders' interests and the Company's assets.

The Group's has outsourced the internal control systems auditing function. The outsourced internal auditor reports directly to the Audit Committee and is responsible for conducting regular audits on the major activities of the Group.

The objective is to ensure that all important controls, including financial, operational compliance, and risk management functions are in place and functioning effectively.

During the year, the committee approved the annual internal audit plan. The plan includes a number of cyclical reviews of key operational functions to ensures that, while there is focus on areas deemed to be higher risk, all parts of the business will be covered over a three-year cycle.

The annual internal audit plan will be reviewed on a periodic basis to ensure that it is adapted as necessary to any changes in the Group's risk profile.

The Board has received a report from the outsourced internal auditor summarizing audits concluded in the year. The report summarized internal audit findings and any action to be taken by management as a result.

After each audit, the findings and recommendations for improvement will be communicated to the respective management for their responses and corrective actions.

The Committee has reviewed the findings and recommendations made by the outsourced internal auditor and have ensured that any issues arising from the audit are appropriately resolved by management in an efficient and timely manner.

It should be recognised that such an audit can provide reasonable but not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate those risks that may affect the Company in achieving its business objectives.

**Risk management**

The Board has ultimate responsibility for risk and the oversight of the risk management process within the business. Recognising that risk is inherent in all of the Group's business dealings, and in the markets and instruments in which the Group operates, it places a high priority on ensuring that there is a strong risk management culture embedded throughout the Group, and accountability at all levels within the business. Effective risk management and strong internal controls are integral to the Group's business model and are reflected in the risk management framework adopted within the business.

The Board has delegated authority to the Audit Committee to provide oversight and independent challenge to ensure that the Group established an effective risk management framework and internal control systems. The Board oversees the Company's management in the design, implementation and monitoring of the risk management and internal control systems and such systems can only provide reasonable but not absolute assurance against material misstatement or loss resulting from business activities.

The Audit Committee conducted its annual review of the adequacy and effectiveness of the Group's risk management and internal control arrangements in relation to the Group's strategy and risk profile for the financial year.

**Our risk management process**

The risk management contains the following processes, which are connected to setting up targets, identification of risks, risk prioritisation and assessment, risk owner appointment, review, handling, reporting, follow-up, monitoring and reacting to identified risks.

A corporate risk register is maintained in order to track and document the risks identified and provides a detailed outline of the corporate risks facing the Group at a given point in time. It provides a description of the risk, risk owner assigned for ensuring the risk is managed appropriately, highlights the status of each corporate risk as well as what actions are currently in place, or are being progressed to further reduce the likelihood and impact of the risk occurring.

## COMPANY SECRETARY

Mr. Chow Kin Wing ("Mr. Chow") is the Company Secretary of the Company ("Company Secretary"). He is responsible for distributing detailed documents to the Directors prior to the Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. And all Directors have access to the advice and services of the Company Secretary with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed. During the year, the Company fully complied with Rules 5.14 of the GEM Listing Rules.

Up to the date of this report, Mr. Chow has undertaken not less than 15 hours of relevant professional training.

## INVESTOR RELATIONS

The Company has disclosed all necessary information to the shareholders and established a range of communication channels between itself, its shareholders and investors which in compliance with the GEM Listing Rules. During the year under review, there is no change in the Company's constitutional documents.

## PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2012 Revision). However, shareholders are requested to follow article 58 of the Articles, general meetings shall be convened on the written requisition of any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

## PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

The provisions for a shareholder to propose a person for election as a Director of the Company are laid down in article 88 of the Articles. No person other than a Director retiring at the meeting shall, unless recommended by the Board for election, be eligible for election to as a Director at any general meeting unless a notice in writing of the intention to propose such person for election as a Director, signed by a shareholder (other than the person to be proposed for election as a Director) duly qualified to attend and vote at the meeting for which such notice is given, and a notice in writing signed by such person of his willingness to be elected shall have been lodged at the head office or at the Registration Office. The minimum length of the period during which such notices are given shall be at least seven days and the period for lodgement of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

## PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

Shareholders may send written enquiries to the Company, for the attention of Company Secretary, by mail to Units 2601 & 2613, 26/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

## 1. ABOUT THE REPORT

The Group are pleased to present our Environmental, Social and Governance ("ESG") Report ("ESG Report"). The report concerns environmental and social impacts, policies and initiatives of the Group to demonstrate our long-term commitment in ensuring that our activities, at all levels, are economically, socially and environmentally sustainable. Additional information in relation to the Group's corporate governance and financial performance can be referred to our Annual Report 2017.

The scope of this ESG Report covers the environmental and social performances of the principal operating activities of the Group which includes the retail sales and wholesales of wine products, cigars and tobacco; and retail and trading of golf products operated by its subsidiaries in Hong Kong spanning over the period from 1 January 2017 to 31 December 2017 ("FY2017").

The ESG Report is prepared according to the "Environmental, Social and Governance Reporting Guide" (the "ESG Reporting Guide") as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. With reference to the definition stated in the ESG Reporting Guide, the presentation of our ESG Report divides those aspects and key performance indicators ("KPI"), which are considered to be relevant and material to our Group's businesses and operations, into four subject areas: Environmental Protection, Employment and Labour Practices, Operating Practices and Community Contribution. A complete list of index in compliance with the ESG Reporting Guide is also available at the end of this Report for reference. This report has been complied with all the "comply or explain" provisions set out in the ESG Reporting Guide.

The Group is determined to become a responsible enterprise, and is committed to perfecting its business. At the same time, the Group has been actively improving the local community and taking part in community activities. In order to define what are relevant and material to our business with respect to sustainability, the key is to understand what issues that our stakeholders concerned most. We define our stakeholders as people who affect our business or who are affected by our business. Our stakeholders include the shareholders, employees, clients, suppliers, customers, environment and community. In our daily business, we actively exchange information with our stakeholders through our transparent platform while we are devoted to continuous improvement of our communication system. The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. We are also committed to maintaining a long-term partnership with our stakeholders and are actively engaged in addressing their concerns with timely follow-up actions. If you, as one of our stakeholders, have any questions about the content of the ESG Report or comments on the Group's sustainability issues, please contact us at info@cfihk.com.hk.

## 2. ENVIRONMENTAL PROTECTION

### 2.1. Corporate Environmental Policy

The Earth, our precious planet, is the most valuable asset for us. The Group endeavours to protect this planet and to build a sustainable future for our generations and their generations. Throughout our operation, the Group is committed to reducing carbon emission and conserving resources. We have started monitoring our carbon emission since 2013 with reference to the guidelines issued by Environmental Protection Department (EPD)/Electrical and Mechanical Services Department (EMSD), Greenhouse Gas (GHG) Protocol and ISO 14064 standard.

As a company that is principally engaged in the retail sales and wholesales of wine products, cigars and tobacco and retail and trading of golf products, the Group does not own any manufacturing operation at the moment. Nevertheless, the Group is committed to actively minimizing the impact on our environment and continues to address the environmental issues in relation to global warming, pollution, and biodiversity of the environment.

### 2.2. Energy Efficiency Management

The Group is aware that our major contribution to the greenhouse gas emission and energy footprints lies on the electricity consumption by our corporate offices. As such, we actively maintain a steady focus on reducing our energy consumption to manage our impact on the environment, being committed to observing the "Indoor Temperature Energy Saving Charter" and the "No Incandescent Light Bulbs ("ILB") Energy Saving Charter" introduced by the Environment Bureau of the Government of Hong Kong SAR.

During the reporting period, the Group developed a number of specific energy-saving initiatives and practices to reduce our greenhouse gas emission and to conserve energy usage throughout our operation, including:

- equipment, machines and electronic devices shall be turned off after office hours;
- indoor temperature is maintained at an optimal level for comfort;
- signages are put on at appropriate areas to raise the awareness of energy saving;
- encouraging employees to make the best use of the video conference facilities so as to avoid unnecessary travel arrangement;
- LED lighting system is recommended to set up widely in workplaces in order to save energy during the office hours; and
- telecommunication system is recommended to replace unnecessary travel arrangement wherever appropriate and possible;

### 2.3. Energy Use and Emissions

In accordance with the ESG Reporting Guide set out by the HKEX, our environmental performance of "Energy Use and Emissions" and "Resource Use" during the reporting period are tabulated as below.

**Table 1 – Energy Use and Emissions**

| | Unit | 2017 |
|---|---|---|
| Electricity | kWh | 17,143 |
| Unleaded petrol | L | 22,490 |
| Greenhouse gas emissions | $CO_2e$ (Kg) | 137,427 |
| Nitrogen Oxides (NOx) | g | 107,566 |
| Sulphur Oxides (SOx) | g | 331 |
| Particulate Matter (PM) | g | 10,307 |

### 2.4. Resources Conservation and Non-Hazardous Waste Management

In addition to energy saving initiatives, the Group places high importance on our waste management responsibilities. By actively promoting various environmental friendly measures, we encourage efficient use of resources, including paper, water and other raw materials, and endeavour to generate minimal non-hazardous waste throughout our operation.

As part of our environmental protection campaigns, all employees are encouraged to reduce paper usage by duplex printing, paper recycle and frequent use of electronic information systems for material sharing or internal administrative documents. We believe these initiatives reflect our commitment that we offer our clients the best quality of service with the least adverse impact on our planet.

**Table 2 – Resources Use**

| | Unit | 2017 |
|---|---|---|
| Paper | kg | 322 |

During the reporting period, the Group produced approximately 322kg of non-hazardous waste in total.

The Group considers environmental protection and preserving natural resources as an indispensable component of our sustainable and responsible business. Because of this, we not only established policies with respect to reducing impacts of operational activities on the environment in our Group, but also seek business partners who also share our commitments to preserve the environment and in compliance with the applicable environmental laws.

In the future, we will continue our commitment to environmental protection and strive to build a greener and healthier environment to fulfil our responsibilities as a member of the community we all live in.

## 3. EMPLOYMENT AND LABOUR PRACTICES

### 3.1. Employment

In our Group, people are at the heart of our Group. Through providing a desirable workplace, continuous training schemes and prospective career opportunities to make the most of each of our employee's potential, the Group has set itself in a good position to maintain a robust business performance and growth.

With an objective to uphold an open, fair, just and reasonable human resource policy, the Group recruits and promotes its staff based on virtues, skillsets and experience irrespective of gender, age, race, religion, political affiliation, national origin caste, and/or disability. During the reporting period, we continue to strictly follow the relevant laws and regulations and our employment policies, providing competitive remuneration package, including internal promotion opportunities and performance-based bonus, to recruit and retain our experienced employees. We also provide a formal complaints procedure for employees to express their opinions.

In Hong Kong, the Group also complies with the Labour Law of Hong Kong and relevant employment laws and regulations, including the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) by participating in the Mandatory Provident Fund retirement benefit scheme ("MPF Scheme") for our eligible employees, Minimum Wage Ordinance, Employment Ordinance (Chapter 57 of the Laws of Hong Kong) ("EO") and Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) ("ECO") by offering competitive wages, medical insurance, disability and invalidity coverage, maternity leave and other compensation to our employees.

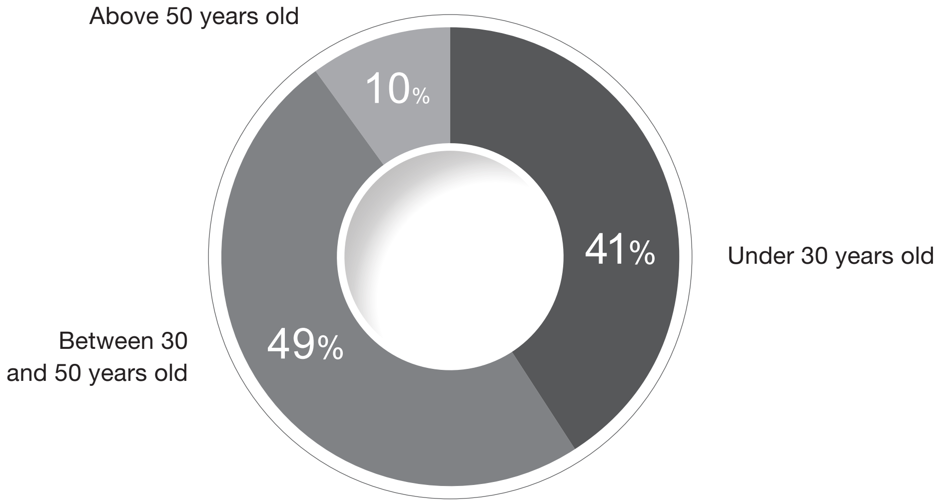
In the PRC, the Group participates in welfare schemes concerning pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance in accordance with the Social Insurance Law of the PRC, as well as housing provident fund contributions as prescribed by the Regulations on the Administration of Housing Fund.

In accordance with the ESG Reporting Guide set out by the Hong Kong Stock Exchange, details of the Group's workforce during the reporting period are tabulated as well as presented in charts below:

**Table 3 – Our Workforce**

| | **2017** |
|---|---|
| Total Number of Full-Time Employees | 134 |

Workforce by Age Group




**3.2. Health and Safety**

The health, happiness and wellbeing of our employees are always the first and primary mission throughout our operation. The Group has been attaching great importance to provide a workplace environment that fosters engagement, growth and long-term care. We are committed to protect them from potential occupational hazards and health and safety risks, and achieve zero tolerance of accidents and injuries.

Health and safety requirements are incorporated in the Group's policies for all employees to comply with. According to these policies, smoking and abuse of alcohol and drugs are prohibited in the workplace. The Group also maintain the risk management system including procedures of identification and prevention of risks and hazards in the working area and follow-up actions for accidents or personal injuries.

From time to time, the Group conducts fire drills regularly and provides induction programs and safety training programs to new employees such that they can be familiar with our corporate policies in relation to health and safety matters as quickly as they can.

In support of our commitment to provide a safe and healthy work environment, we have also:

- provided clean and tidy rest area such as corridors and pantry;

- ensured sufficient ventilation and lighting system in the offices and workplaces;

- provided adjustable chairs and monitor screens for eye protection.

- Set up posters of proper working postures and lifting method accessible on the intranet and at appropriate locations in offices;

- developed health and safety policies including prohibition of smoking in workplace, abuse of alcohol and drugs, identification and prevention of risks and hazards in the working area, and emergency actions for accidents or personal injuries.

The Group is in compliance with the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), by ensuring that the employees are working in a safe environment in respect of health, hygiene, ventilation, gas safety, building structure and means of escape.

**Table 4 – Health and Safety**

| | **2017** |
|---|---|
| No. of work related fatalities | 0 |
| Rate of work related fatalities | 0.0% |
| No. of injuries at work | 0 |
| Lost days due to injury at work (more than 7 consecutive days) | 0 |

### 3.3. Development and Training

Considering that each of the position is of unique professional needs, the Group ensures that every new joiner receives proper orientation training and mentoring in order to help them adapt to the new working environment affirmatively. Training programs are committed by the Group to new joiners in different ways for specific skill development, in-house system, corporate culture, health and safety, business ethics, corruption prevention and highlights of staff handbook.

**Table 5 – Employee Training**

| | Unit | 2017 |
|---|---|---|
| Average hours of training received per employees | hours | 404 |
| **Average hours of training per employee by ranking** | | |
| Management Staff | hours | 240 |
| General Staff | hours | 164 |

Moreover, the Group is convinced that sense of belonging and morale of the employees are always the key drivers to the Group's healthy growth. The Group therefore seeks to create a distinct corporate culture that advocates team work and collaboration.

Regular and festival gatherings such as Mid-Autumn Festival and Chinese New Year dinners are organized during the reporting period to enhance the harmonious sprit of different levels of staff members throughout the Group. The Group believes that such a corporate culture will naturally achieve a synergistic result to facilitate employee retention and to improve productivity.

### 3.4. Labour Standards

Being fully aware that exploitation of child and forced labour violates human rights and international labour conventions, the Group does not employ any form of forced, bonded, slave or otherwise involuntary labor. Therefore, the Group strictly complies with the relevant laws and regulations in Hong Kong, including the Labour Law, the Protection of Minors and the Prohibition of Using Child Labour of the PRC and the Employment Ordinance of Hong Kong (Chapter 57 of the Laws of Hong Kong), as well as relevant legislations in the countries that we operate.

The Group does not receive any report of material violation of relevant legislations and regulations regarding prevention of child labour or forced labour during the reporting period.

## 4. OPERATING PRACTICES

The Group, as part of the responsibility of an accountable corporate citizen, is determined to disseminate the pursuit of sustainability into our core business. As a result, the Group has developed a series of management systems and procedures in alignment with the Corporate Governance required by HKEX. Furthermore, the Group encourages all business partners to incorporate those sustainability practices and policies into their operation thoroughly in order to work together in our pursuit of sustainable development.

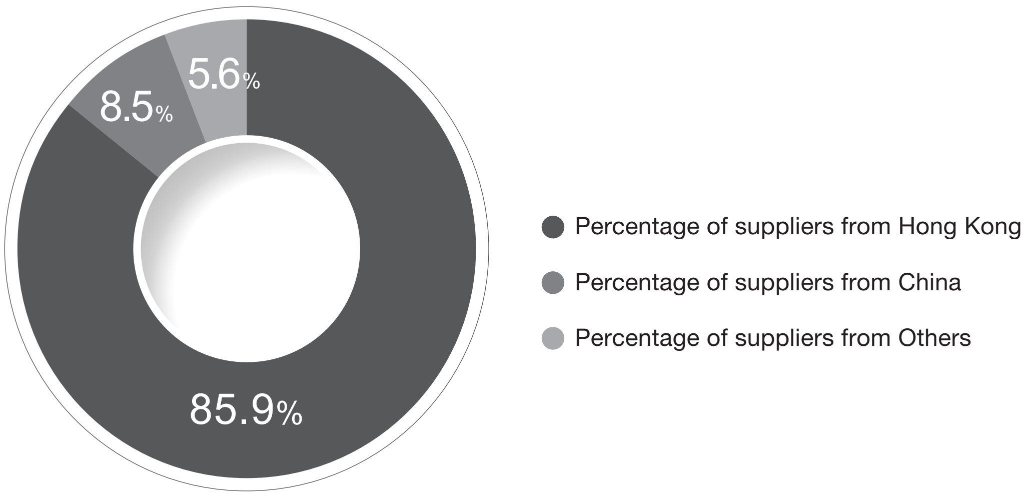
### 4.1. Supply Chain Management

To better manage our supply chain, we are committed to actively collaborating with our suppliers to reduce potential environmental risks and deliver the highest standards of products and services precisely and consistently. The Group has developed a good and stable suppliers and did not experience any major difficulty in obtaining adequate supplies or products to meet its requirements in the past.

As the core of our business, our supply chain management team not only considers commercial benefits during the tendering processes, but also assess their track records in relation to compliance with legal, ethical and social aspects such as use of child and forced labour, workplace health and safety, hours of work, compensation, benefits and wages, mitigation of environmental impacts, workplace and product safety, protocols against sexual and gender discrimination, protocols against harassment and abuse.

During the reporting period, number of suppliers by geographic region are presented in the chart below. We have developed a vendor and supplier selection mechanism in which we require our potential suppliers to comply with all the applicable laws and regulations and confirm their compliance with respect to safety, environment and social aspects. To maintain a good corporate control and governance, inspection and assessments may be conducted by the Group if deemed necessary. Also, the Group has developed a series of management procedures in alignment with the Corporate Governance required by the Hong Kong Stock Exchange.

**Suppliers by Geographic Region**



### 4.2. Product Responsibility

With an aim to maintain good quality of product and service, the Group ensures that the products we offer are safe and of quality upon delivery. In managing complaints and feedback from customers, a Claim Alert System was established to register and keep track of customer claims and complaints. Our Account Manager and suppliers will jointly investigate the reported cases and take follow-up actions to identify solutions and hence resulting in improvement of our operation. Feedback will additionally be provided to the customers in a timely manner.

**Table 6 – Product Recalls and Complaints**

| | **2017** |
|---|---|
| Percentage of sold/shipped products recalled due to safety and health reasons | Nil |
| Percentage of complaints received about the products related to health and safety issues | Nil |

### 4.3. Personal Data Policy

Throughout the operation, the Group unavoidably collects and holds personal information of customers. The Group undertakes to strictly comply with the requirements of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) to ensure that all personal data are securely kept in our customised “LOGON” system with access control. The Group also set out data privacy requirements in our corporate policies, under which customer data would be used exclusively for matters relating to the Group’s business operation. We are committed to ensuring all collected personal data kept will be free of unauthorized or accidental access, processing, erasure or other use.

### 4.4. Anti-Corruption

Insisting on the honesty, integrity and fairness in all aspects of our business, and upholding a high standard of business ethics and prohibition of any forms of bribery and corrupt practices, the Group has developed a series of policies of anti-fraud, anti-bribery, anti-extortion and anti-money laundering with reference to the Prevention of Bribery Ordinance (Chapter 201 of the laws of Hong Kong). These policies apply to all members of the Group, and we also encourage all of our business partners to observe those principles of the policies.

The Group conducts regularly systematic fraud risk assessments and continues to monitor the effectiveness and deficiencies of its risk control and mitigation through collaboration with external parties. During the reporting period, we comply with the corporate policy of anti-corruption and no cases of anti-corruption have been concluded.

## 5. COMMUNITY CONTRIBUTION

The Group draws talent in the society and provides supply chain management services in the fashion and accessories industry. The Group is committed to contributing to the society through community involvement. As a part of the community that we cherish, the Group have put our best effort in helping the local communities and people in needs in the society and contributing to the well-being of a community through employee volunteering, garment recycle programs and social enterprise supports. We have partnered with a number of NGOs on community outreach programs.

The Company joined WWF – Hong Kong as silver member in October 2017. The Company had participated into a WWF program named "Eco Guided Visit – Mangrove Boardwalk Birdwatching and Photography" on 24 March 2018.

In the coming future, the Group will continue to attach great importance to community services and will encourage our staff members to be actively engaged in voluntary services and join hands together to disseminate the spirit of services in the community where we all depend on.

## EXECUTIVE DIRECTORS

**Mr. Pan Xiaodong**, aged 49, is the Chariman of the Company. He obtained his EMBA from Dongbei University of Finance & Economics in 2010. Mr. Pan served as the Chairman of Dalian Rongtai Real Estate Limited（大連融泰房地產有限公司）and Dalian Yangguang Investment Management Limited（大連陽光投資管理有限公司）. He is currently the Chairman of Dalian Suniverse Group Co., Limited（大連陽光寰宇有限公司）. Mr. Pan has over 20 years of experience in business administration and over 10 years of experience in risk management and fund management.

**Mr. Cheng Chun Tak**, aged 56, was graduated from Xidian University (formerly known as Xi Bei Institute of Telecommunications Engineering（西北電訊工程學院）) in 1983 and obtained a Master Degree in Engineering (Computer Science) from the Institute of Microelectronics of Shanxi（陝西微電子學研究所）in 1986. Mr. Cheng has been worked as the General Manager of Proxim Wireless Corporation (OTCQX: PRXM) from 2002 to 2004. Mr. Cheng is mainly responsible for the sales and after-sales services of that Company in the Greater China region, being Hong Kong, Mainland China, Macau and Taiwan. Mr. Cheng has extensive experience in the sales and customer services of communication industry in which he has over 25 years of experience in sales and customer services.

**Mr. Xue Huixuan**, aged 50, is a holder of Bachelor's Degree of Beijing University of Civil Engineering and Architecture. He was an engineer of the Design Management Department of Sinopec International Petroleum Engineering Company, and took up duties in EDS department of Maison Worley Parsons E&C Company Limited in Beijing as a professional person-in-charge and a project manager. Mr. Xue has been engaged in engineering design, technology introduction, international cooperation, investment and financing as well as guarantee operations for a number of years. He has extensive experience in project management, technology management, financial management and actual operation.

**Mr. Stephen William Frostick**, aged 68, he obtained a Juris Doctorate at Old College School of Law, Nevada, United States in 1984, a Master of Public Administration and a Bachelor of Science in Business Administration at the University of Nevada, Las Vegas, United States in 1976 and 1974 respectively. Mr. Frostick has over 40 years of experience in leading capacities in the State Government of Nevada, United States, large corporations and international consulting organisations. Mr. Frostick is well experienced in strategic planning, operational management and organisational development and has about 40 years of senior management experience. He joined the Group in 2007.

**Mr. Liu Yunming**, aged 46, was graduated from Dongbei University of Finance & Economics of Accounting in 1994-1999. Mr. Liu was a general manager of an accounting firm in China. He is currently the chief executive officer of Dalian Suniverse Group Co., Limited（大連陽光寰宇有限公司）. Mr. Liu has over 15 years of senior management experience. He joined the Group on 27 October 2017.

**Ms. Li Ka Ki**, aged 31, who holds a Bachelor Science degree in English Business Management from Jinan University and a certificate in professional secretarial and management training. Ms. Li has over 8 years' experience in the field of public relation. She was appointed as executive Director of the Group on 2 August 2017.

## NON-EXECUTIVE DIRECTOR

**Mr. Huang Shenglan**, aged 67, holds a diploma in Arts from Huazhong Normal University, a master degree in International Economics from Huadong Normal University and a certificate in International Economic Law from Xiamen University. He also took the Advanced Management Programme from the Business School of Harvard University, USA. Mr. Huang was an Executive Director and the Deputy Governor of China Everbright Bank, Head Office. He is currently the Non-executive Director of Burwill Holdings Limited (stock code: 0024) and the Independent Non-executive Director of China LotSynergy Holdings Limited (stock code: 1371). All Companies are listed in Hong Kong Stock Exchange. Apart from the above, he did not hold any directorship in other listed companies in Hong Kong or overseas in the last three years.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Lee Chi Hwa, Joshua**, aged 45, is a fellow member of the Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Public Accountants. Mr. Lee has extensive experience in the fields of auditing, accounting and finance. Mr. Lee currently serves as an Independent Non-executive Director of Code Agriculture (Holdings) Limited (stock code: 8153) and Cornerstone Financial Holdings Limited (stock code: 8112), all of which are listed on the Growth Enterprise Market of the Stock Exchange, and Hao Tian Development Group Limited (stock code: 474), Hao Tian International Construction Investment Group Limited (stock code: 1341) and Fujian Nuoqi Co., Ltd. (stock code: 1353), all of which are listed on Main Board of the Stock Exchange; and an Executive Director and Company Secretary of China Healthcare Enterprise Group Limited (stock code: 1143), which is listed on Main Board of the Stock Exchange. Mr. Lee joined the group in 2007.

**Mr. Xu Jingan**, aged 76, was graduated from Shanghai Fudan University with a Bachelor in Journalism in 1964. Mr. Xu previously served as the Vice Chairman of Shenzhen Stock Exchange. He has more than 30 years' experience in Finance and Economics in PRC. Mr. Xu is currently an Independent Director of 安信基金管理 (ESSENCE FUND Co. Limited) and 深圳怡亞通供應鏈股份有限公司 (Eternal Asia Supply Chain Management Limited). He joined the Group in 2015.

**Mr. Chang Jun**, aged 49, is currently a partner of Messrs, Allbright Law Office-Shenzhen and has been a Chartered lawyer of Chinese Ministry of Law since 2000. Mr. Chang received his Bachelor of Laws degree from Southwest University of Polities & Law, Chongqing and master degree in Economic & Commercial Law in People's University of China, Beijing. Mr. Chang has more than 20 years' experience in Chinese legal profession and extensive experience in legal advisory to public and multinational enterprise in PRC. He joined the Group in 2007.

**Ms. Ching Wai Han**, aged 42, she obtained a Master of Commerce in International Business at the University of New South Wales in 2001 and a Bachelor of Social Science at the Chinese University of Hong Kong in 1999. Ms. Ching has extensive experience in the field of public relation over 15 years. She joined the Group in 2012.

## SENIOR MANAGEMENT

### Company Secretary and Chief Financial Officer

**Mr. Chow Kin Wing**, aged 36, is the Company Secretary and Chief Financial Officer of the Company, who holds a Bachelor degree in Accounting and Finance from the Queensland University of Technology, Australia. He is an associate member of Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He has more than 12 years of experience in financial management, auditing and accounting in an international accounting firm and a listed company in Hong Kong.

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

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 40 to the consolidated financial statements.

## SEGMENT INFORMATION

An analysis of the Group's operating segment information is set out in note 5 to the consolidated financial statements.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 and the state of the affairs of the Group at that date are set out in the consolidated financial statements on pages 51 to 130.

The Directors do not recommend the payment of a dividend for the year.

## PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2017 are set out in note 40 to the consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

## RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 55 and note 41(b) to the consolidated financial statements respectively.

## DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company has no reserves available for distribution to shareholders (2016: Nil) in accordance with the Companies Law of the Cayman Islands and the Company's Articles of Association.

## CONVERTIBLE BONDS

Details of movements in the convertible bonds of the Group during the year are set out in note 26 to the consolidated financial statements.

## DONATION

Charitable and other donations made by the Group during the year amounted to HK$35,000 (2016: Nil).

## BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2017 is set out in the sections headed "Management Discussion And Analysis" on pages 4 to 9 of this annual report.

The business review also includes:

(a) a discussion on the Group's environmental policies and performance; and the Group's compliance with the relevant laws and regulations that have a significant impact on the Group; and

(b) an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends.

## SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

## FUND RAISING ACTIVITIES OF THE COMPANY UNDER GENERAL MANDATE

With respect to the issue of convertible bonds announced on 18 August 2017, the net proceeds of approximately HK$69 million was used as to set off against the convertible bonds aggregate outstanding amount of HK$69 million issued on 3 August 2016 and 24 August 2016 respectively.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 131 of this annual report.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

**Purchases**

| | | |
|---|---|---|
| – | the largest supplier | 27% |
| – | five largest suppliers combined | 48% |

**Sales**

| | | |
|---|---|---|
| – | the largest customer | 12% |
| – | five largest customers combined | 37% |

To the best of the Directors' knowledge, none of the Directors, their associates or any shareholder who owns more than 5% of the Company's share capital had an interest in any of the major customers or suppliers above.

## DIRECTORS

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

Mr. Pan Xiaodong *(Chairman)*
Mr. Cheng Chun Tak
Mr. Stephen William Frostick
Mr. Xue Huixuan
Ms. Li Ka Ki (Appointed on 2 August 2017)
Mr. Liu Yunming (Appointed on 27 October 2017)
Mr. Zhang Jie (Resigned on 16 June 2017)
Mr. Chang Chun (Resigned on 16 June 2017)
Mr. Huang Shenglan#
Mr. Lee Chi Hwa, Joshua*
Mr. Xu Jingan*
Mr. Chang Jun*
Ms. Ching Wai Han*

\# *Non-executive Director*
* *Independent Non-executive Director*

One-third of the Directors shall retire at the forthcoming annual general meeting in accordance with Article 87 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

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

As at 31 December 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) 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 were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

**Long positions in the ordinary shares of HK$0.005 each of the Company**

| Name of the Shareholders | Type of interest | Number of shares | Number of underlying shares | Approximate percentage of issued share capital |
|---|---|---|---|---|
| Mr. Xue Huixuan *(Note)* | Beneficial | – | 22,285,714 | 0.74% |

*Note:* Mr. Xue Huixuan, an Executive Director of the Company has interest in the Company.

**Long Positions in the underlying shares**

Save as disclosed above, as at 31 December 2017, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) 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 were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for an initial term of three years and will continue thereafter until the contract is terminated by either party giving to the other party not less than one calendar months' notice in writing.

As at 31 December 2017, none of the Directors who are proposed for re-election at the forthcoming annual general meeting 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 CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which any Directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the Independent Non-executive Directors are independent.

## EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is set up by the Remuneration Committee and is based on their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures" above and the "Share option scheme" below, at no time during the year have rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their spouse or children under 18 years of age to acquire such rights in any other body corporate.

## SHARE OPTION

The Company adopted a new share option scheme on 16 June 2017 ("the Scheme"), which became effective for a period of 10 years commencing on 16 June 2017. Under the Scheme, the Directors of the Company may at their discretion grant options to any eligible person to subscribe for the shares of the Company ("Share") at the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. The offer of a grant of option shall remain open for acceptance within 28 days from the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of the option. The exercise period of the option must not be more than 10 years from the date of grant of the option.

The Company operates the Scheme for the purpose of advancing the interests of the Company and its shareholders by enabling the Company to grant options to attract, retain and reward any eligible persons which include any director of the Group, any employee of the Group, any consultant, adviser, agent, supplier, customer, business partner or shareholder of the Group for their contribution or potential contribution to the Group.

The total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes in force from time to time must not in aggregate exceed 30% of the Shares in issue from time to time.

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of the passing of the relevant resolution adoption the Scheme.

As at 31 December 2017, no share options were outstanding.

## SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 31 December 2017, the following persons (other than the Directors and the chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

**Long positions in the ordinary shares of HK$0.005 each of the Company**

| Name of the Shareholders | Type of interest | Number of shares | Number of underlying shares | Total Number of shares and underlying shares | Approximate percentage of issued share capital |
|---|---|---|---|---|---|
| Shiny Valour Limited *(Note 1)* | Beneficial | 152,000,000 | – | 152,000,000 | 5.01% |
| Radiant Thrive Enterprises Limited *(Note 2)* | Beneficial | 201,470,398 | – | 201,470,398 | 6.65% |
| Rock Action Investments Co., Ltd. *(Note 3)* | Beneficial | – | 216,165,413 | 216,165,413 | 7.13% |
| Wang Tak Investment Limited *(Note 3)* | Beneficial | – | 302,631,579 | 302,631,579 | 9.98% |
| Tai Quan Enterprises Limited *(Note 4)* | Beneficial | – | 242,424,242 | 242,424,242 | 8.00% |
| Extreme Rich Corporate Development Limited *(Note 5)* | Beneficial | – | 242,424,242 | 242,424,242 | 8.00% |

*Notes:*

1. Shiny Valour Limited is wholly owned by Yao Yi Yi who is deemed to be interested in the shares.

2. Radiant Thrive Enterprises Limited is wholly owned by Zhang Cheng Cheng who is deemed to be interested in the shares.

3. Rock Action Investments Co., Ltd. and Wang Tak Investment Limited are wholly owned by Zou Lian Di who is deemed to be interested in the shares.

4. Tai Quan Enterprises Limited is wholly owned by Zhao Xin who is deemed to be interested in the shares.

5. Extreme Rich Corporate Development Limited is wholly owned by Ren Wei who is deemed to be interested in the shares.

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any other person (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

## MANAGEMENT CONTRACTS

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

## CONNECTED TRANSACTIONS

During the year ended 31 December 2017, the Company has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of GEM Listing Rules.

Significant related party transactions entered by the Group during the year, which do not constitute connected transactions under GEM Listing Rules, are disclosed in note 33 to the consolidated financial statements.

## COMPETING INTERESTS

The Directors are not aware of, as at 31 December 2017 any business or interest of each Director, controlling shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

## PURCHASE, SALE OR REDEMPTION OF SHARES

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

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands.

## SUFFICIENCY OF PUBLIC FLOAT

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

## AUDITORS

HLM CPA Limited retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board

**Pan Xiaodong**
*Chairman*

Hong Kong, 28 March 2018

恒健會計師行有限公司
**HLM CPA LIMITED**
**Certified Public Accountants**

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**TO THE MEMBERS OF CHINA FORTUNE INVESTMENTS (HOLDING) LIMITED**
*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of China Fortune Investments (Holding) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 130, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, 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 reporting period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of inventories** | |
| We identified the valuation of inventories as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of judgement by the management associated with determining the net realisable value (“NRV”).<br><br>As disclosed in note 3 to the consolidated financial statements, NRV represents the latest selling prices for inventories less all costs necessary to make the sale. As disclosed in note 17 to the consolidated financial statements, the management’s estimation of the NRV was primarily based on the latest selling prices and current market conditions. The management carried out the inventory review at the end of the reporting period and concluded that there was no impairment allowance required for inventories at 31 December 2017 and the carrying value of inventories was approximately HK$68,002,000 as at 31 December 2017. | Our audit procedures in relation to assessing the appropriateness of the carrying value of the inventories included:<br><br>– testing the operating effectiveness of controls associated with the existence and condition of inventories;<br><br>– obtaining an understanding of how the management estimated the NRVs of inventories and evaluating the historical accuracy of the management’s estimations;<br><br>– discussing with management and assessing the basis of the management’s estimations of subsequent selling price, costs to be incurred to completion and costs necessary to make the sale;<br><br>– assessing management’s process for researching the current market conditions in wine, cigar and golf industries to identify any potential adverse impact on the selling price and the carrying value of the Group’s inventories; and<br><br>– verifying the value of a sample of inventories to confirm that the inventories were held at the lower of cost and NRV.<br><br>Based on our procedures described, we found the estimations of management in relation to impairment assessment of inventories were supportable by available evidence. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment assessment of goodwill in relation to Peer-to-Peer ("P2P") business** | |
| We identified the impairment assessment goodwill as a key audit matter due to the significant judgements involved in the management's impairment assessment process.<br><br>As disclosed in notes 15 to the consolidated financial statements, the carrying amount of goodwill in relation to P2P business is HK$161,961,000 as at 31 December 2017. As set out in note 3 to the consolidated financial statements, in deciding whether goodwill was impaired or not requires the determination of the recoverable amount which requires estimation of the value-in-use of the cash generating unit ("CGU P2P") on which the goodwill was allocated.<br><br>In determing the value-in-use of the CGU P2P, key assumptions used by the management included the discount rate, budgeted sales and gross margin, and taking into account the CGU P2P's past performance, management's expectation for the market developments and the future three years' financial forecast approved by management. The management of the Company determined that there was no impairment on the carrying amount of goodwill allocated to the CGU P2P as at 31 December 2017. | Our procedures in relation to the impairment assessment of goodwill included:<br><br>– understanding how management performed the impairment assessment including the estimation of future cash flows and key assumptions used;<br><br>– evaluating the appropriateness of the key assumptions used in the discounted cash flow calculation, including the discount rate, budgeted sales and gross margin through assessing the CGU P2P's past performance, management's expectation for the market developments and the future three years' financial forecast approved by the management;<br><br>– assessing the reasonableness of the discount rate applied in determining the value in use by benchmarking against market data;<br><br>– evaluating the potential impact of value-in-use based on the reasonably possible change of the key assumptions used; and<br><br>– evaluating the accuracy of the cash flows forecast by comparing historical cash flows forecast with the actual results in the current year and understanding the causes of any significant variances.<br><br>We found that the key assumptions made by the management in relation to the value-in-use calculations to be reasonable based on available evidence. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment assessment of goodwill in relation to wine and golf ("W&G") business** | |
| We identified the impairment assessment of goodwill as a key audit matter due to the significant judgements involved in the management's impairment assessment process.<br><br>As disclosed in notes 15 to the consolidated financial statements, the carrying amount of goodwill in relation to W&G business is HK$98,626,000 respectively as at 31 December 2017. As set out in note 3 to the consolidated financial statements, in deciding whether goodwill was impaired or not requires the determination of the recoverable amount which requires estimation of the value-in-use of the cash generating unit ("CGU W&G") on which the goodwill that was allocated.<br><br>In estimating the value-in-use of the CGU W&G, key assumptions used by the management included the discount rate, budgeted sales and gross margin taking into account the CGU W&G's past performance, management's expectation for the market developments and the future three years' financial forecast approved by management. The management of the Company determined that there was no impairment on the carrying amount of goodwill allocated to the CGU W&G as at 31 December 2017. | Our procedures in relation to the impairment assessment of goodwill included:<br><br>– understanding how management performed the impairment assessment including the estimation of future cash flows and key assumptions used;<br><br>– evaluating the appropriateness of the key assumptions used in the discounted cash flow calculation, including the discount rate, budgeted sales and gross margin through assessing the CGU W&G's past performance, management's expectation for the market developments and the future three years' financial forecast approved by the management;<br><br>– assessing the reasonableness of the discount rate applied in determining the value in use by benchmarking against market data;<br><br>– evaluating the potential impact of value-in-use based on the reasonably possible change of the key assumptions used; and<br><br>– evaluating the accuracy of the cash flows forecast by comparing historical cash flows forecast with the actual results in the current year and understanding the causes of any significant variances.<br><br>We found that the key assumptions made by the management in relation to the value-in-use calculations to be reasonable based on available evidence. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment assessment of customer relationship included in other intangible assets** | |
| The other intangible asset relates to value attributed to customer relationship identified in the acquisition of wine and cigar, and golf product business. It is stated at amortised cost and management reviews the carrying value for impairment at the end of the reporting period.<br><br>The Group has customer relationship with carrying value of approximately HK$8,769,000 as at 31 December 2017.<br><br>Management concluded that there was no impairment in respect of the customer relationship included in other intangible asset at the end of the reporting period. This assessment was based on a value-in-use model calculation that required significant management judgement with respect to the discount rate and the underlying cash flows, in particular future revenue growth. | Our audit procedures in relation to management's impairment assessment on customer relationship included:<br><br>– assessing the valuation methodology used;<br><br>– evaluating the reasonableness of key assumptions used based on our knowledge of the business and industry, including a comparison of the underlying customer retention rate assumptions to historical customer retention rate;<br><br>– reconciling input data to supporting evidence, such as latest financial forecasts approved by the management and considering the reasonableness of these forecasts and the customer database provided by management;<br><br>– identifying and testing of the control over the accuracy and completeness of the historical customer retention data;<br><br>– examining the amortisation and impairment methodology to check it is in accordance with HKFRSs requirements; and<br><br>– testing the mathematical accuracy of the underlying value-in-use calculations.<br><br>We found that the key assumptions made by the management in relation to the value-in-use calculations to be reasonable based on available evidence. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment assessment of other receivables in relation to P2P business included in other receivables, deposits and prepayments** | |
| The impairment of other receivables in relation to P2P business was estimated by the management through the application of judgement and use of subjective assumptions. Provisions are made for impairment loss when the Group considered that she will not be able to collect all amount due.<br><br>The other receivables in relation to P2P business amounted to approximately HK$45,980,000 at 31 December 2017. Management estimated the level of expected impairment loss with reference to observed historical repayment pattern and collateral against certain receivables held. Due to the significance of the other receivables in relation to P2P business (representing 5.4% of total assets) and the corresponding uncertainty inherent in such an estimate, we considered this as key audit matter. | Our procedures in relation to the impairment assessment of other receivables in relation to P2P business included:<br><br>– testing controls on a sample basis over the approval, recording and monitoring of loan and interest receivables, assessing the appropriateness of the judgements and assumptions used for the impairment and testing the loan and interest receivables ageing analysis;<br><br>– evaluating the information used to determine the expected impairment loss by considering subsequent cash collection performance, comparing the value of realisable collaterals based on available information provided by the management;<br><br>– testing the settlements of loan and interest receivables subsequent to the end of reporting period by, on a sample basis, checking to the bank receipts records; and<br><br>– assessing the reasonableness of the assessment of the recoverability of loan and interest receivable determined by management with reference to the creditworthiness and past collection history of the borrowers and the Group's current and expected future business relationship with the borrowers.<br><br>We found that the estimation and judgement made by management in respect of the recoverability of the other receivables in relation to P2P business included in other receivables, deposits and prepayments were supportable by credible evidence. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment assessment of trade and other receivables** | |
| We have identified the impairment on trade and other receivables as a key audit matter because of its significance to the consolidated financial statements and the policy and assessment for making such impairment involves significant degree of management's judgement. | Our audit procedures in relation to management's impairment assessment of trade and other receivables included:<br><br>– testing the Group's credit control procedures, in particular the credit assessment and credit terms;<br><br>– challenging the information used to determine the expected impairment loss by considering subsequent each collection performance and comparing the value of realisable collaterals based on available information provided by the management; and<br><br>– challenging reasonableness of the method and assumptions and critical judgement used by the management by assessing the reliability of the management's past estimates of bad debt provisions and taking into account the receivables at the year end and cash received after year end, as well as the creditworthiness of each debtor.<br><br>We found that the estimation and judgement made by management in respect of the recoverability of trade and other receivables were supportable by credible evidence. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Business combination** | |
| The Group completed the acquisition of the Affluent Group during the year. The acquisition constituted a business combination for accounting purpose. The initial accounting for acquisitions requires the Group to identify the assets acquired and liabilities assumed and measured their fair values.<br><br>Further, the consideration for business combination includes contingent consideration payable measured at fair value on initial recognition.<br><br>The fair values of the contingent consideration payable amounting to approximately HK$42,530,000 on acquisition date was estimated by the management with reference to valuation performed by an independent valuer. The valuations of contingent consideration payable involved significant assumptions and basis adopted by the independent valuer including discount rate.<br><br>We considered this matter to be a key audit matter because of the significant impact of the acquisition on the consolidated financial statements, and the judgement involved in estimating the value of the assets acquired and liabilities assumed. | Our audit procedures in relation to business combination and fair value of contingent consideration payable included:<br><br>– assessing the independence and competency of the independent valuer appointed by the Group to calculate the fair values of the assets and liabilities and contingent consideration payable;<br><br>– assessing the accuracy and relevance of the input data provided by management to the independent valuer by challenging and corroborating the market data and information from similar transactions from independent source and the process for identifying other intangible asset;<br><br>– assessing the identification of fair value of assets and liabilities of the Affluent Group acquired including any fair value adjustments;<br><br>– testing the purchase price allocations in which we especially focused on the valuation of the other intangible asset of the Affluent Group;<br><br>– assessing the robustness of cash flow forecasts to changes in assumptions, including expected revenue sales growth rate, value of other contributory assets and discount rates, used in the model to assess the appropriateness of the value of acquired other intangible asset, goodwill and contingent consideration payable recognised at the acquisition date; |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Business combination** (continued) | – challenging the reasonableness of key assumptions based on our knowledge of business and industry;<br><br>– assessing the methodologies and the appropriateness of the key assumptions used in the profit forecast model including future growth rates and discount rates and discussing these variables with the management of the Affluent Group and the Group;<br><br>– reviewing the documentation relating to the acquisition to ensure the consideration paid, goodwill, other intangible asset and contingent consideration payable have been recognised in accordance with relevant accounting standards;<br><br>– examining the accounting entries for the business combination prepared by the management and determining whether they were in accordance with HKFRS 3 (Revised) "Business Combination"; and<br><br>– assessing the adequacy of the disclosures about the business combination in accordance with HKFRS 3 (Revised).<br><br>Based on available evidence, we found management's assumptions used in relation to the valuations of other intangible asset and contingent consideration payable on acquisition date to be reasonable. The initial recognition of goodwill were in accordance with the HKFRS 3 (revised). |

## OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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 content of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit concluded 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.

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.

**HLM CPA Limited**
*Certified Public Accountants*
**Chan Lap Chi**
*Practising Certificate number: P04084*
Hong Kong,
28 March 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2017*

| | Notes | **2017** **HK$'000** | 2016 HK$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 6 | **223,615** | 179,791 |
| Cost of sales | | **(150,925)** | (123,778) |
| Gross profit | | **72,690** | 56,013 |
| Other income and gains | 6 | **4,884** | 449 |
| Selling and distribution expenses | | **(7,393)** | (5,356) |
| Administrative expenses | | **(32,741)** | (27,296) |
| Loss on redemption of convertible bonds | | **–** | (1,439) |
| Change in fair value of contingent consideration payables | 29 | **(280)** | 3,725 |
| Profit from continuing operations | | **37,160** | 26,096 |
| Finance costs | 7 | **(26,984)** | (37,883) |
| Profit (loss) before tax | | **10,176** | (11,787) |
| Income tax expense | 8 | **(7,831)** | (7,246) |
| Profit (loss) for the year from continuing operations | 9 | **2,345** | (19,033) |
| **Discontinued operation** | | | |
| Loss for the year from discontinued operation | 10 | **–** | (95,455) |
| Profit (loss) for the year | | **2,345** | (114,488) |
| Profit (loss) for the year attributable to: | | | |
| Owners of the Company | | **2,461** | (114,476) |
| Non-controlling interests | | **(116)** | (12) |
| | | **2,345** | (114,488) |
| **Earnings (loss) per share** | 13 | | |
| Basic and diluted | | | |
| – For continuing and discontinued operations | | **HK0.09 cents** | HK(4.78) cents |
| – For continuing operations | | **HK0.09 cents** | HK(0.79) cents |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2017*

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| **Profit (loss) for the year** | **2,345** | (114,488) |
| **Other comprehensive income** | | |
| *Items that may be subsequently reclassified to profit or loss:* | | |
| Exchange differences on translation of foreign operations | **705** | – |
| Release of foreign currency translation reserve upon disposal of subsidiaries | **–** | 19,401 |
| Other comprehensive income for the year, net of tax | **705** | 19,401 |
| **Total comprehensive income (expense) for the year** | **3,050** | (95,087) |
| **Total comprehensive income (expense) attributable to:** | | |
| Owners of the Company | **3,166** | (95,075) |
| Non-controlling interests | **(116)** | (12) |
| **Total comprehensive income (expense) for the year** | **3,050** | (95,087) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2017*

| | Notes | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **45,379** | 4,411 |
| Goodwill | 15 | **260,587** | 98,626 |
| Other intangible assets | 16 | **49,816** | 11,613 |
| Deposits and prepayments | 19 | **1,067** | 2,228 |
| | | **356,849** | 116,878 |
| **Current assets** | | | |
| Inventories | 17 | **68,002** | 117,957 |
| Trade receivables | 18 | **100,057** | 13,991 |
| Loan and interest receivables | 20 | **10,150** | – |
| Other receivables, deposits and prepayments | 19 | **87,693** | 38,990 |
| Refundable deposits for acquisition of investments | | **–** | 41,380 |
| Cash and cash equivalents | 21 | **226,150** | 195,530 |
| | | **492,052** | 407,848 |
| **Current liabilities** | | | |
| Trade payables | 22 | **873** | 1,333 |
| Accruals, other payables and deposits received | 23 | **97,387** | 14,957 |
| Secured bank borrowings | 24 | **662** | – |
| Amounts due to directors | 25 | **5,834** | 7,219 |
| Tax payable | | **7,863** | 2,883 |
| Convertible bonds | 26 | **70,401** | 61,856 |
| Contingent consideration payable | 29 | **49,564** | – |
| | | **232,584** | 88,248 |
| **Net current assets** | | **259,468** | 319,600 |
| **Total assets less current liabilities** | | **616,317** | 436,478 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2017*

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Other payable | 23 | **559** | – |
| Secured bank borrowings | 24 | **4,501** | – |
| Convertible bonds | 26 | **88,912** | 178,553 |
| Promissory notes payable | 27 | **72,449** | – |
| Deferred tax liabilities | 28 | **10,943** | 2,296 |
| Contingent consideration payable | 29 | **42,775** | 49,529 |
| | | **220,139** | 230,378 |
| **Net assets** | | **396,178** | 206,100 |
| **Capital and reserves** | | | |
| Issued capital | 30 | **15,156** | 11,965 |
| Reserves | | **380,652** | 193,649 |
| Equity attributable to owners of the Company | | **395,808** | 205,614 |
| Non-controlling interests | | **370** | 486 |
| **Total equity** | | **396,178** | 206,100 |

**Mr. Pan Xiaodong**
*Director*

**Mr. Cheng Chun Tak**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2017*

| | Attributable to the owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital<br>*HK$'000* | Share premium account<br>*HK$'000* | Merger reserve<br>*HK$'000*<br>*(Note (i))* | Statutory surplus reserve<br>*HK$'000*<br>*(Note (ii))* | Convertible bonds equity reserve<br>*HK$'000* | Foreign currency translation reserve<br>*HK$'000* | Accumulated losses<br>*HK$'000* | Total<br>*HK$'000* | Non-controlling interests<br>*HK$'000* | Total<br>*HK$'000* |
| At 1 January 2017 | 11,965 | 1,773,338 | (46,815) | – | 88,804 | – | (1,621,678) | 205,614 | 486 | 206,100 |
| Profit (loss) for the year | – | – | – | – | – | – | 2,461 | 2,461 | (116) | 2,345 |
| Other comprehensive income for the year: | | | | | | | | | | |
| Exchange differences on translation of foreign operations | – | – | – | – | – | 705 | – | 705 | – | 705 |
| Total comprehensive income (expense) for the year | – | – | – | – | – | 705 | 2,461 | 3,166 | (116) | 3,050 |
| Issue of shares upon conversion of convertible bonds | 3,191 | 221,943 | – | – | (85,175) | – | – | 139,959 | – | 139,959 |
| Issue of convertible bonds | – | – | – | – | 47,069 | – | – | 47,069 | – | 47,069 |
| Derecognitiion of convertible bonds equity reserve at maturity | – | – | – | – | (1,431) | – | 1,431 | – | – | – |
| Transfer to statutory surplus reserve | – | – | – | 207 | – | – | (207) | – | – | – |
| **At 31 December 2017** | 15,156 | 1,995,281 | (46,815) | 207 | 49,267 | 705 | (1,617,993) | 395,808 | 370 | 396,178 |
| At 1 January 2016 | 11,965 | 1,773,338 | (46,815) | 2,817 | 23,294 | (19,401) | (1,531,309) | 213,889 | – | 213,889 |
| Loss for the year | – | – | – | – | – | – | (114,476) | (114,476) | (12) | (114,488) |
| Other comprehensive income for the year: | | | | | | | | | | |
| Release of foreign currency translation reserve upon disposal of subsidiaries | – | – | – | – | – | 19,401 | – | 19,401 | – | 19,401 |
| Total comprehensive expense for the year | – | – | – | – | – | 19,401 | (114,476) | (95,075) | (12) | (95,087) |
| Disposal of subsidiaries | – | – | – | (2,817) | – | – | 2,817 | – | – | – |
| Acquisition of subsidiaries | – | – | – | – | – | – | – | – | 498 | 498 |
| Issue of convertible bonds | – | – | – | – | 86,800 | – | – | 86,800 | – | 86,800 |
| Eliminated upon redemption of convertible bonds | – | – | – | – | (21,290) | – | 21,290 | – | – | – |
| At 31 December 2016 | 11,965 | 1,773,338 | (46,815) | – | 88,804 | – | (1,621,678) | 205,614 | 486 | 206,100 |

Notes:

(i) The Group's merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to a reorganisation in prior years.

(ii) In accordance with the relevant PRC regulations, the subsidiaries which are established in the PRC are required to transfer 10% of their profits after tax, as determined under the PRC accounting regulations, to the statutory surplus reserve, until the balance of the reserve reaches 50% of their respective registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory surplus reserve may be used to offset against accumulated losses of the respective subsidiaries.

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 December 2017*

| | Notes | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit (loss) before tax | | **10,176** | (99,692) |
| Adjustments for: | | | |
| Interest income | | **(929)** | (2) |
| Finance costs | | **26,984** | 46,581 |
| Impairment loss on inventories | | **–** | 8,562 |
| Impairment loss on other receivables | | **–** | 8,600 |
| Allowance for doubtful debts | | **882** | – |
| Written off of property, plant and equipment | | **406** | 843 |
| Loss on disposal of subsidiaries | 35 | **–** | 102,700 |
| Loss on redemption of convertible bonds | | **–** | 1,439 |
| Fair value loss (gain) on contingent consideration payables | 29 | **280** | (3,725) |
| Depreciation of property, plant and equipment | 14 | **1,280** | 5,080 |
| Amortisation of other intangible assets | 16 | **2,844** | 2,607 |
| Operating cash flows before movements in working capital | | **41,923** | 72,993 |
| Decrease (increase) in inventories | | **49,955** | (14,514) |
| Increase in trade receivables | | **(82,615)** | (36,833) |
| Decrease (increase) in other receivables, deposits and prepayments | | **40,334** | (105,069) |
| (Decrease) increase in trade payables | | **(460)** | 88,152 |
| Increase in loan receivables | | **(10,000)** | – |
| (Decrease) increase in accruals, other payables and deposits received | | **(11,383)** | 2,518 |
| Cash generated from operations | | **27,754** | 7,247 |
| Interest paid | | **(28)** | (3,483) |
| Interest element of finance lease rental payments | | **–** | (8) |
| Overseas taxes paid | | **–** | (1,075) |
| Hong Kong Profits Tax paid | | **(9,867)** | (8,374) |
| Net cash flows generated from (used in) operating activities | | **17,859** | (5,693) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 December 2017*

| | Notes | **2017**<br>***HK$'000*** | 2016<br>*HK$'000* |
|---|---|---|---|
| **INVESTING ACTIVITIES** | | | |
| Interest received | | **66** | 2 |
| Net cash outflow from acquisition of subsidiaries | 34 | **(27,557)** | (41,404) |
| Net cash inflow from disposal of subsidiaries | 35 | **–** | 239,828 |
| Purchase of property, plant and equipment | 14 | **(290)** | (3,870) |
| Refund (payment) of refundable deposits for acquisition of investments | | **41,380** | (41,380) |
| Repayment of promissory note receivable | | **–** | 17,600 |
| Net cash flows generated from investing activities | | **13,599** | 170,776 |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from issue of convertible bonds | | **69,000** | 182,500 |
| Redemption of convertible bonds | | **(69,000)** | (145,000) |
| Capital element of finance lease rental payments | | **–** | (504) |
| Drawdown of bank borrowings | | **–** | 85,112 |
| Repayment of bank borrowings | | **(53)** | (87,800) |
| (Decrease) increase in amounts due to directors | | **(1,385)** | 1,106 |
| Net cash flows (used in) generated from financing activities | | **(1,438)** | 35,414 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | **30,020** | 200,497 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | **195,530** | 9,268 |
| Effect of foreign exchange rate changes, net | | **600** | (14,235) |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | **226,150** | 195,530 |

## 1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 13 October 1999 under the Companies Law of the Cayman Islands and its shares are listed on the GEM of the Stock Exchange of Hong Kong Limited ("Stock Exchange").

The registered office address of the Company is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, George Town, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 2601 & 2613, 26/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

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

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

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

**Amendment 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 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 Cycle |

The application of the these 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)

**New and amendments to HKFRSs in issue but not yet effective**

Up to the date of issue of these consolidated financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been early adopted in these consolidated financial statements.

| | |
|---|---|
| HKFRS 9 | Financial Instruments[1] |
| HKFRS 15 | Revenue from Contracts with Customers[1] |
| HKFRS 16 | Leases[2] |
| HKFRS 17 | Insurance Contracts[5] |
| 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 & HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKFRS 15 | Clarifications to HKFRS 15[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2014 – 2016 Cycle[4] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015 – 2017 Cycle[2] |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures[2] |
| Amendments to HKAS 40 | Investment Property[1] |
| HK(IFRIC) – Int 22 | Foreign Currency Transactions and Advance Consideration[1] |
| HK(IFRIC) – Int 23 | Uncertainty over Income Tax Treatments[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 2017 or 1 January 2018, as appropriate
5 Effective for annual periods beginning on or after 1 January 2021

Except as described below, the directors of the Company considered that the application of these new and amendments to HKFRSs and Interpretations are unlikely to have a material impact on the Group's financial position and performance as well as the consolidated financial statements disclosures in the future.

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

**New and amendments to HKFRSs in issue but not yet effective** (continued)

**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, the Standard introduces a 5-step approach to revenue recognition:

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

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

The directors of the Company will assess the impact of application of HKFRS 15. For the moment, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs an assessment.

**HKFRS 16 "Leases"**

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

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

**New and amendments to HKFRSs in issue but not yet effective** (continued)

**HKFRS 16 "Leases"** (continued)

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

As set out in note 32 to the consolidated financial statements, total operating lease commitments of the Group with terms more than 12 months as at 31 December 2017 amounting to approximately HK$2,205,000. It is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

The Group will need to perform a more detailed assessment in order to assess to what extent the operating lease commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Other than the above, the directors of the Company anticipate that the application of other new and amendments to HKFRSs and interpretations will have no material impact on the results and the financial position of the Company.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, leasing transactions that are within the scope of HKAS 17, and measurements that some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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

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

The principal accounting policies are set out below.

**Basic of consolidation**

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Basic of consolidation** (continued)

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

– the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

– potential voting rights held by the Group, other vote holders or other parties;

– rights arising from other contractual arrangements; and

– any additional facts and circumstances that indicate the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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 the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control or 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 this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Business combinations**

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

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

– deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements which are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree which are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* which are measured in accordance with that standard.

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Business combinations** (continued)

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

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

**Investments in subsidiaries**

Investment in subsidiaries presented in the statement of financial position of the Company included in note 41 to the consolidated financial statements are stated at cost less any identified impairment loss.

**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 policy above) less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Goodwill** (continued)

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 an 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 of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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.

**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 from the sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

– the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

– the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

– the amount of revenue can be measured reliably;

– it is probable that the economic benefits associated with the transaction will flow to the Group; and

– the cost incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. 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.

Consultancy service income from peer-to-peer ("P2P") loan facilitation services is recognised when the services are provided.

**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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Leasing** (continued)

***The Group as lessee***

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

**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 exchange prevailing on the dates of the transactions. At the end of each 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 on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

On the disposal of a foreign operation, (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Borrowing costs**

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

**Retirement benefit costs**

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

***Pension schemes and other retirement benefits***

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

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Share-based payments**

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transaction").

The cost of equity-settled transaction is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where nonvesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**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. Taxable profit differs from 'profit (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 and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary differences 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. 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 realised, based on tax rates (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 reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

**Property, plant and equipment**

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

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

| | |
|---|---|
| Land and buildings | 40 years |
| Leasehold improvements | 33% to 50% |
| Furniture, fixture and equipment | 20% |
| Computer equipment | 33% |
| Motor vehicles | 10% to 33% |

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortistion and any accumulated impairment losses. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment of tangible and intangible assets other than goodwill below).

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

**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 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 assets, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whatever there is an indication that they may be impaired.

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 for which the estimates of future cash flows have not been adjusted.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Impairment of tangible and intangible assets other than goodwill** (continued)

If the recoverable amount of an assets (or a cash-generating unit) is estimated to be less than is carrying amount, the carrying amount of the assets (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

**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).

**Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposit, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

For the purpose of the consolidated statement of the financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Related parties**

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments**

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

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 and financial liabilities at fair value through profit or loss ("FVTPL")) 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 FVTPL are recognised immediately in profit or loss.

***Financial assets***

The Group's financial assets are 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.

*Effective interest method*

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

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

*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 receivables, financial assets included in other receivables, deposits and prepayments, loan and interest receivables, refundable deposits for acquisition of investments and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss of financial assets below).

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments** (continued)

***Financial assets** (continued)*

*Impairment of financial assets*

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

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.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. 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 as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments** (continued)

***Financial assets*** *(continued)*

*Impairment of financial assets (continued)*

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.

***Financial liabilities and equity instruments***

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

*Equity instruments*

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

*Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 37 to the consolidated financial statements.

*Convertible bonds*

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

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments** (continued)

***Financial liabilities and equity instruments*** *(continued)*

*Convertible bonds (continued)*

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

*Financial liabilities*

Financial liabilities (including trade payables, financial liabilities included in accurals, other payables and deposits received, amounts due to directors and secured bank borrowings) are subsequently measure at amortised cost using the effective interest method.

Interest expense is recognised on an effective interest basis.

*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.

*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.

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

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

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recongnised amounts and there is an intention to settle on net basis, or to realise the assets and settle the liabilities simultaneously.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINITY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company 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 following 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.

**Key sources of estimation uncertainty**

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

***Impairment of goodwill***

The Group determined whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2017 was approximately HK$260,587,000 (2016: approximately HK$98,626,000). Further details are given in note 15 to the consolidated financial statements.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINITY (continued)

**Key sources of estimation uncertainty** (continued)

***Impairment of tangible and intangible assets (other than goodwill)***

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Tangible and intangible assets (other than goodwill) are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

***Impairment allowance for trade and other receivables and deposits***

The Group makes impairment allowance for trade and other receivables and deposits based on an assessment of the recoverability of trade and other receivables and deposits. Allowances are applied to trade and other receivables and deposits where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying values of trade and other receivables and deposits and impairment allowance for trade and other receivables and deposits in the year in which such estimate has been changed.

***Net realisation value of inventories***

Net realisation value of inventories is based on estimated selling prices less any estimation costs necessary to make the sale. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group will reassess the estimation at the end of each reporting period.

***Impairment of loan and interest receivables***

The Group establishes, through charges against the consolidated statement of profit or loss, impairment allowances in respect of estimated incurred loss in loan and interest receivables. The allowances consist of individual impairment allowances. The overall impairment allowances represent the aggregate amount by which the management considers necessary to write-down its loan portfolio in order to state it in the consolidated statement of financial position at its estimated net recoverable value.

In determining individual impairment allowances, management considers objective evidence of impairment. When loan receivable is impaired, an individual impairment allowance is assessed by a discounted cash flow method, measured as difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

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

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

## 5. OPERATING SEGMENT INFORMATION

The Group's operating segments are determined based on information reported to the chief operating decision maker of the Group (the executive directors of the Company who are also directors of all operating subsidiaries) (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on profit (loss), which is a measure of adjusted profit (loss) before tax. Segment performance is evaluated based on reportable segments.

The Group's operating and reportable segments include (i) sales of wine and cigar; (ii) sales of golf products, (iii) provision of consultancy services on P2P loan facilitation services and (iv) provision of money lending service.

### (a) Segment revenue and results

***For the year ended 31 December 2017***

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

| | Wine and cigar | Golf products | P2P loan facilitation services | Money lending | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| REVENUE | | | | | |
| External sales | 193,591 | 22,065 | 7,809 | 150 | 223,615 |
| Inter-segment sales | – | – | – | – | – |
| Segment revenue | 193,591 | 22,065 | 7,809 | 150 | 223,615 |
| RESULTS | | | | | |
| Segment profits | 47,717 | 990 | 2,815 | 96 | 51,618 |
| Finance costs | | | | | (26,984) |
| Unallocated corporate income | | | | | 4,884 |
| Unallocated corporate expenses | | | | | (19,062) |
| Change in fair value of contingent consideration payables | | | | | (280) |
| Profit before tax from continuing operations | | | | | 10,176 |

## 5. OPERATING SEGMENT INFORMATION (continued)

### (a) Segment revenue and results (continued)

***For the year ended 31 December 2016***

| | Wine and cigar *HK$'000* | Golf products *HK$'000* | Elimination *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| REVENUE | | | | |
| External sales | 159,971 | 19,820 | – | 179,791 |
| Inter-segment sales* | 100,000 | 3,999 | (103,999) | – |
| Segment revenue | 259,971 | 23,819 | (103,999) | 179,791 |
| RESULTS | | | | |
| Segment profits | 142,272 | 1,583 | (100,468) | 43,387 |
| Finance costs | | | | (37,883) |
| Unallocated corporate income | | | | 434 |
| Unallocated corporate expenses | | | | (20,011) |
| Change in fair value of contingent consideration payable | | | | 3,725 |
| Loss on redemption of convertible bonds | | | | (1,439) |
| Loss before tax from continuing operations | | | | (11,787) |

* Inter-segment sales are charged at cost.

Excluded from the segment report is the segment on diamond and jewellery business which was disposed of during last year and the result of which is set out in note 10.

## 5. OPERATING SEGMENT INFORMATION (continued)

### (b) Segment assets and liabilities

***For the year ended 31 December 2017***

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

**Segment assets**

| | Wine and cigar *HK$'000* | Golf products *HK$'000* | P2P loan facilitation services *HK$'000* | Money lending *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Segment assets | 165,156 | 11,510 | 92,079 | 10,150 | 278,895 |
| Cash and cash equivalents | | | | | 226,150 |
| Unallocated corporate assets | | | | | 343,856 |
| Consolidated assets | | | | | 848,901 |

**Segment liabilities**

| | Wine and cigar *HK$'000* | Golf products *HK$'000* | P2P loan facilitation services *HK$'000* | Money lending *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| **LIABILITIES** | | | | | |
| Segment liabilities | 2,890 | 1,830 | 95,164 | 4 | 99,888 |
| Unallocated corporate liabilities | | | | | 352,835 |
| Consolidated liabilities | | | | | 452,723 |

## 5. OPERATING SEGMENT INFORMATION (continued)

### (b) Segment assets and liabilities (continued)

***For the year ended 31 December 2016***

**Segment assets**

| | Wine and cigar HK$'000 | Golf products HK$'000 | Total HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Segment assets | 341,790 | 16,874 | 358,664 |
| Cash and cash equivalents | | | 10,053 |
| Unallocated corporate assets | | | 156,009 |
| Consolidated assets | | | 524,726 |

**Segment liabilities**

| | Wine and cigar HK$'000 | Golf products HK$'000 | Total HK$'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| Segment liabilities | 5,008 | 1,738 | 6,746 |
| Unallocated corporate liabilities | | | 311,880 |
| Consolidated liabilities | | | 318,626 |

## 5. OPERATING SEGMENT INFORMATION (continued)

### (c) Other segment information

***For the year ended 31 December 2017***

| | Wine and cigar HK$'000 | Golf products HK$'000 | P2P loan facilitation services HK$'000 | Money lending HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Addition to non-current assets | 185 | 15 | – | – | 90 | 290 |
| Amortisation of other intangible assets | – | – | – | – | 2,884 | 2,884 |
| Depreciation of property, plant and equipment | 522 | 2 | 125 | – | 631 | 1,280 |

***For the year ended 31 December 2016***

| | Wine and cigar HK$'000 | Golf products HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Addition to non-current assets | 1,196 | 629 | 2,045 | 3,870 |
| Amortisation of other intangible assets | – | – | 2,607 | 2,607 |
| Depreciation of property, plant and equipment | 303 | 222 | 440 | 965 |

### (d) Geographical information

The Group's operations are located in Hong Kong and the Mainland China.

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

| | Revenue from external customers | | Non-current assets* | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong | **215,806** | 179,791 | **3,110** | 4,411 |
| Mainland China | **7,809** | – | **42,269** | – |
| | **223,615** | 179,791 | **45,379** | 4,411 |

* Non-current assets excluded goodwill, other intangible assets and deposits and prepayments.

### (e) Information about major customers

Revenue from continuing operations of approximately HK$27,360,000, representing 12% of the Group's total revenue, was derived from sales to the largest customer of the wine and cigar segment for the year ended 31 December 2017.

The revenues from continuing operations from the Group's largest customer amounted to less than 10% of the Group's total revenue for the year ended 31 December 2016.

## 6. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue, other income and gains for the year from continuing operations is as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations:** | | |
| **Revenue** | | |
| Sale of goods | **215,656** | 179,791 |
| Interest income | **150** | – |
| Consultancy service income | **7,809** | – |
| | **223,615** | 179,791 |
| **Other income and gains, net** | | |
| Other financing service income | **872** | – |
| Bank interest income | **66** | 2 |
| Compensation income | **489** | – |
| Interest income | **713** | – |
| Waiver of accrued salaries | **2,642** | 434 |
| Sundry income | **102** | 13 |
| | **4,884** | 449 |

## 7. FINANCE COSTS

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank borrowings | **28** | – |
| Interest on a finance lease | **–** | 8 |
| Interest on convertible bonds (note 26) | **25,932** | 37,873 |
| Interest on promissory notes payable (note 27) | **1,024** | – |
| Others | **–** | 2 |
| | **26,984** | 37,883 |

## 8. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the year (2016: 16.5%).

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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations:** | | |
| Current tax | | |
| Hong Kong Profits Tax | **8,318** | 7,296 |
| PRC Enterprise Income Tax | **1,100** | – |
| | **9,418** | 7,296 |
| Deferred taxation *(note 28)* | **(1,587)** | (50) |
| | **7,831** | 7,246 |

Tax charges for the year can be reconciled to the profit (loss) before tax from continuing operations per the consolidated statement of profit or loss as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit (loss) before tax from continuing operations | **10,176** | (11,787) |
| Tax at the applicable statutory income tax rates | **1,981** | (1,944) |
| Income not subject to tax | **(517)** | – |
| Expenses not deductible for tax | **6,941** | 9,327 |
| Under (over)-provision of taxation in prior years | **1** | (77) |
| Tax concession | **(113)** | (60) |
| Others | **(462)** | – |
| Tax charges for the year (from continuing operations) | **7,831** | 7,246 |

## 9. PROFIT (LOSS) FOR THE YEAR

The Group's profit (loss) for the year from continuing operations has been arrived at after charging the following items:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Employee benefit expenses | | |
| (excluding directors' and chief executive's remuneration – *note 11*): | | |
| Wages and salaries | **13,140** | 8,450 |
| Retirement benefits scheme contribution | **541** | 402 |
| | **13,681** | 8,852 |
| Cost of inventories sold | **150,925** | 123,651 |
| Auditors' remuneration | | |
| – audit services | **950** | 900 |
| – non-audit services | **107** | 1,232 |
| Depreciation of property, plant and equipment | **1,280** | 965 |
| Amortisation of other intangible assets | **2,844** | 2,607 |
| Lease payments under operating leases in respect of land and buildings | **7,840** | 5,334 |
| Loss on redemption of convertible bonds | **–** | 1,439 |
| Write-off of property, plant and equipment | **406** | – |
| Allowance for doubtful debts | **882** | – |

## 10. DISCONTINUED OPERATION

On 19 August 2016, the Group entered into a sales and purchase agreement with an independent third party for the disposal of the Group's entire equity interest in Million Zone Holdings Limited ("Million Zone") and its subsidiaries (collectively, the "Million Zone Group"), which were engaged in the sale of diamond and jewellery operation in Mainland China. The disposal of the Million Zone Group was completed on 30 December 2016.

The results of Million Zone Group and the loss for the year from discontinued operation are presented below.

| | 2016<br>*HK$'000* |
|---|---|
| Revenue | 132,865 |
| Cost of sales | (82,009) |
| Gross profit | 50,856 |
| Other income and gains | 1 |
| Selling and distribution expenses | (11,336) |
| Administrative expenses | (7,428) |
| Other expenses | (8,600) |
| Finance costs | (8,698) |
| Profit before tax | 14,795 |
| Income tax expense | (7,550) |
| Profit for the period | 7,245 |
| Loss on disposal of subsidiaries *(note 35)* | (102,700) |
| Loss for the period from discontinued operation | (95,455) |

## 10. DISCONTINUED OPERATION (continued)

Loss for the year from discontinued operation includes the followings:

| | 2016 |
|---|---|
| | *HK$'000* |
| Cost of inventories sold | 82,009 |
| Auditor's remuneration | – |
| Depreciation of property, plant and equipment | 4,115 |
| Employee benefit expenses: | |
| Wages and salaries | 4,477 |
| Retirement benefits scheme contribution | 504 |
| | 4,981 |
| Lease payments under operating leases in respect of land and buildings | 3,112 |
| Write off of property, plant and equipment | 843 |
| Impairment loss on inventories | 8,562 |
| Impairment loss on other receivables | 8,600 |

**Cash flows used in discontinued operation**

| | 2016 |
|---|---|
| | *HK$'000* |
| Net cash flows generated from operating activities | 22,052 |
| Net cash flows used in investing activities | (354) |
| Net cash flows used in financing activities | (14,118) |
| Effect of foreign exchange rate changes | (7,830) |
| Net cash outflow used in discontinued operation | (250) |

There was no discontinued operation for the year ended 31 December 2017.

## 11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATIONS

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

### (a) Directors' and chief executive's emoluments

| | | Other emoluments | | Total |
|---|---|---|---|---|
| | Fees | Salaries, allowances and benefits in kind | Retirement benefits scheme contribution | |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **2017** | | | | |
| **Executive directors:** | | | | |
| Pan Xiaodong *(note a)* | **1,800** | **–** | **–** | **1,800** |
| Cheng Chun Tak | **600** | **–** | **–** | **600** |
| Chang Chun *(note d)* | **–** | **–** | **–** | **–** |
| Zhang Jie *(note e)* | **–** | **–** | **–** | **–** |
| Stephen William Frostick | **120** | **–** | **–** | **120** |
| Xue Hui Xuan | **–** | **–** | **–** | **–** |
| Li Ka Ki *(note f)* | **50** | **124** | **8** | **182** |
| Liu Yunming *(note g)* | **60** | **–** | **–** | **60** |
| **Non-executive director:** | | | | |
| Huang Shenglan | **120** | **–** | **–** | **120** |
| **Independent non-executive directors:** | | | | |
| Chang Jun | **60** | **–** | **–** | **60** |
| Lee Chi Hwa Joshua | **60** | **–** | **–** | **60** |
| Ching Wai Han | **60** | **–** | **–** | **60** |
| Xu Jingan | **60** | **–** | **–** | **60** |
| | **2,990** | **124** | **8** | **3,122** |

## 11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATIONS (continued)

### (a) Directors' and chief executive's emoluments (continued)

| | | Other emoluments | | Total |
|---|---|---|---|---|
| | Fees | Salaries, allowances and benefits in kind | Retirement benefits scheme contributions | |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| 2016 | | | | |
| **Executive directors:** | | | | |
| Pan Xiaodong *(note a)* | 1,050 | – | – | 1,050 |
| Cheng Chun Tak | 950 | – | – | 950 |
| Chang Chun *(note d)* | 600 | – | – | 600 |
| Zhang Jie *(note e)* | 600 | – | – | 600 |
| He Ling *(note c)* | 250 | – | – | 250 |
| Stephen William Frostick | 120 | – | – | 120 |
| Wan Zihong *(note b)* | 400 | – | – | 400 |
| Xue Hui Xuan | 950 | – | – | 950 |
| **Non-executive director:** | | | | |
| Huang Shenglan | 120 | – | – | 120 |
| **Independent non-executive directors:** | | | | |
| Chang Jun | 60 | – | – | 60 |
| Lee Chi Hwa Joshua | 60 | – | – | 60 |
| Ching Wai Han | 60 | – | – | 60 |
| Xu Jingan | 60 | – | – | 60 |
| | 5,280 | – | – | 5,280 |

*Note:*

(a) Appointed on 20 May 2016.

(b) Resigned on 17 August 2016.

(c) Resigned on 24 June 2016.

(d) Resigned on 16 June 2017.

(e) Resigned on 16 June 2017.

(f) Appointed on 2 August 2017.

(g) Appointed on 27 October 2017.

## 11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATIONS (continued)

**(a) Directors' and chief executive's emoluments** (continued)

The emolument for one executive director shown above was mainly for her services in connection with the management of the affairs of the Company and the Group.

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

During the year, Mr. Xue Hui Xuan, Mr. Chang Chun and Mr. Zhang Jie had waived their current year's remuneration.

Except for above, there was no other arrangement under which a director or a chief executive had waived or agreed to waive any remuneration during the year.

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors, nor any are payable (2016: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2016: Nil). There are no loans, quasi-loans and other dealing arrangements in favour of the directors, their controlled body corporates and connected entities (2016: Nil).

No directors of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2016: Nil).

**(b) Employees' remunerations**

The five highest paid individuals of the Group for the year ended 31 December 2017 included two directors (2016: four directors) of the Company, whose remunerations are disclosed above. The remaining three (2016: one) are employees of the Group, details of whose remuneration is as follows:

| | **2017**<br>***HK$'000*** | 2016<br>*HK$'000* |
|---|---|---|
| Salaries, allowances and benefits in kind | **1,696** | 717 |
| Retirement benefits scheme contribution | **54** | 18 |
| | **1,750** | 735 |

## 11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATIONS (continued)

### (b) Employees' remunerations

The number of the highest paid employees who are neither a director nor chief executive of the Company whose remuneration fell within the following bands is as follows:

| | Number of employees | |
|---|---|---|
| | **2017** | 2016 |
| Nil to HK$1,000,000 | **3** | 1 |

During the year, no emoluments were paid by the Group to any of the directors of the Company or chief executive of the Group or the highest paid employee as an inducement to join or upon joining the Group or as compensation for loss of office (2016: Nil).

## 12. DIVIDENDS

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

## 13. EARNINGS (LOSS) PER SHARE

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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Profit (loss) for the purpose of basic earnings (loss) per share** | | |
| Profit (loss) for the year attributable to owners of the Company | **2,461** | (114,476) |
| Less: loss for the period from discontinued operation | **–** | 95,455 |
| Profit (loss) for the purpose of basic earnings (loss) per share from continuing operations | **2,461** | (19,021) |

| | **2017** | 2016 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share | **2,765,374,434** | 2,393,006,528 |

## 13. EARNINGS (LOSS) PER SHARE (continued)

For the year ended 31 December 2016, basic and diluted loss per share for the discontinued operation was HK$3.99 cents per share, based on the loss for the period from the discontinued operation of HK$95,455,000 and the denominators detailed above for both basic and diluted loss per share.

Diluted loss per share is calculated by adjusting the number of ordinary shares outstanding due to the effect of all dilutive potential ordinary shares and the Group's loss attributable to owners of the Company.

The Company has dilutive potential ordinary shares attributable to convertible bonds. The calculation of diluted earnings (loss) per share in the both year does not assume the conversion of convertible bonds since they are anti-dilutive for the years ended 31 December 2017 and 2016. Accordingly, the diluted earnings (loss) per share is the same as the basic earnings (loss) per share.

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings<br>*HK$'000* | Leasehold improvements<br>*HK$'000* | Furniture, fixture and equipment<br>*HK$'000* | Computer equipment<br>*HK$'000* | Motor vehicles<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2016 | – | 17,470 | 6,565 | 7,774 | 4,443 | 36,252 |
| Additions | – | 2,695 | 285 | 166 | 724 | 3,870 |
| Acquired on acquisition of subsidiaries *(note 34)* | – | 488 | 133 | 192 | – | 813 |
| Written off | – | (2,138) | (35) | (460) | – | (2,633) |
| Disposal of subsidiaries | – | (14,017) | (5,909) | (6,283) | (222) | (26,431) |
| Exchange realignment | – | (920) | (373) | (404) | (13) | (1,710) |
| At 31 December 2016 and 1 January 2017 | – | 3,578 | 666 | 985 | 4,932 | 10,161 |
| Additions | – | 130 | 153 | 7 | – | 290 |
| Acquired on acquisition of subsidiaries *(note 34)* | 41,298 | 132 | 168 | 30 | 483 | 42,111 |
| Written off | – | (940) | (26) | – | – | (966) |
| Exchange realignment | 244 | 6 | 2 | – | 3 | 255 |
| At 31 December 2017 | 41,542 | 2,906 | 963 | 1,022 | 5,418 | 51,851 |
| **Accumulated depreciation and impairment** | | | | | | |
| At 1 January 2016 | – | 9,642 | 5,120 | 6,302 | 3,816 | 24,880 |
| Charge for the year | – | 3,337 | 595 | 826 | 322 | 5,080 |
| Written off | – | (1,414) | (27) | (349) | – | (1,790) |
| Eliminated upon disposal of subsidiaries | – | (10,170) | (5,086) | (5,695) | (185) | (21,136) |
| Exchange realignment | – | (614) | (310) | (351) | (9) | (1,284) |
| At 31 December 2016 and 1 January 2017 | – | 781 | 292 | 733 | 3,944 | 5,750 |
| Charge for the year | 93 | 590 | 168 | 31 | 398 | 1,280 |
| Written off | – | (551) | (9) | – | – | (560) |
| Exchange realignment | 2 | – | – | – | – | 2 |
| At 31 December 2017 | 95 | 820 | 451 | 764 | 4,342 | 6,472 |
| **Carrying amounts** | | | | | | |
| At 31 December 2017 | 41,447 | 2,086 | 512 | 258 | 1,076 | 45,379 |
| At 31 December 2016 | – | 2,797 | 374 | 252 | 988 | 4,411 |

## 15. GOODWILL

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At 1 January | **98,626** | 26,223 |
| Arising on acquisition of subsidiaries *(note 34)* | **161,961** | 98,626 |
| Disposal of subsidiaries *(note 35)* | **–** | (26,223) |
| At 31 December | **260,587** | 98,626 |

**Impairment test for cash-generating units containing goodwill**

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to country of operation and operating segments as follow:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Wine and cigar and golf products – Hong Kong ("Unit A") | **98,626** | 98,626 |
| Peer-to-peer business – the PRC ("Unit B") | **161,961** | – |
| | **260,587** | 98,626 |

## 15. GOODWILL (continued)

**Impairment test for cash-generating units containing goodwill** (continued)

The directors of the Company have reviewed the carrying value of goodwill in accordance with HKAS 36 as follows:

***Unit A***

Unit A's CGU was acquired in the business combination of Maxpark Enterprises Limited and its subsidiaries ("Maxpark Group") during the year ended 31 December 2016. As at 31 December 2017 and 2016, the recoverable amount of Unit A's CGU was assessed based on a value-in-use calculation with reference to a valuation report provided by an independent valuer. This calculation uses discounted cash flows projection based on financial forecasts approved by management covering a three-year period. Cash flows beyond the three-year period uses estimated growth rate of 3%. The cash flows are discounted using a discount rate of 13.9%. The discount rate used is pre-tax and reflects specific risks relating to Unit A. Other key assumptions for the value-in-use calculation relates to the estimation of cash flows which included forecasted sale, such estimation is based on Unit A's past performance and management's expectations of the market development including the fluctuation in wine and cigar and golf products business in the current economic environment in Hong Kong.

In the opinion of directors, any reasonably possible change in any of these assumptions would not cause the carrying amount of Unit A to exceed its recoverable amount and no impairment is required.

***Unit B***

Unit B's CGU was acquired in the business combination of Affluent Grand Limited and its subsidiaries ("Affluent Group") during the year ended 31 December 2017. As at 31 December 2017, the recoverable amount of Unit B's CGU was assessed based on a value-in-use calculation with reference to a valuation report provided by an independent valuer. This calculation uses cash flows projection based on financial forecasts approved by management covering a three-year period. Cash flows beyond the three-year period uses estimated growth rate of 3%. The cash flows are discounted using a discount rate of 15.5%. The discount rate used is pre-tax and reflects specific risks relating to Unit B. Other key assumptions for the value-in-use calculation relates to the estimation of cash flows which included forecasted revenue, such estimation is based on Unit B's past performance and management's expectations of the market development including the fluctuation in peer-to-peer business on the current economic environment in the PRC.

In the opinion of directors, any reasonably possible change in any of these assumptions would not cause the carrying amount of Unit B to exceed its recoverable amount, and no impairment is required.

## 16. OTHER INTANGIBLE ASSETS

| | Customer relationship<br>*HK$'000*<br>*(Note a)* | Brand name<br>*HK$'000*<br>*(Note b)* | Total<br>*HK$'000* |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2016 | – | – | – |
| Acquired on acquisition of subsidiaries *(note 34)* | 14,220 | – | 14,220 |
| At 31 December 2016 and 1 January 2017 | 14,220 | – | 14,220 |
| Acquired on acquisition of subsidiaries *(note 34)* | – | 41,047 | 41,047 |
| At 31 December 2017 | 14,220 | 41,047 | 55,267 |
| **Accumulated amortisation** | | | |
| At 1 January 2016 | – | – | – |
| Amortised for the year | 2,607 | – | 2,607 |
| At 31 December 2016 and 1 January 2017 | 2,607 | – | 2,607 |
| Amortised for the year | 2,844 | – | 2,844 |
| At 31 December 2017 | 5,451 | – | 5,451 |
| **Carrying amount** | | | |
| At 31 December 2017 | 8,769 | 41,047 | 49,816 |
| At 31 December 2016 | 11,613 | – | 11,613 |

*Notes:*

(a) The customer relationship was acquired as part of the acquisition of Maxpark Group and was recognised at its fair value at the acquisition date. The customer relationship has a finite useful life and is amortised on a straight-line basis over 5 years.

## 16. OTHER INTANGIBLE ASSETS (continued)

*Notes:* (continued)

(b) The brand name is acquired as part of the acquisition of Affluent Group and is recognised as its fair value at the acquisition date.

The brand name is considered by the management of the Group as having indefinite useful lives because it is expected to contribute to net cash flows indefinitely. The brand name will not be amortised until its useful life is determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

During the years ended 31 December 2017 and 2016, directors of the Group determine that there are no impairments on customer relationship and brand name belonged to Maxpark Group and Affluent Group respectively.

## 17. INVENTORIES

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Wine and golf instrument products | **68,002** | 117,957 |

## 18. TRADE RECEIVABLES

An aging analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date is as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **24,099** | 8,487 |
| 31 to 60 days | **16,600** | 4,733 |
| 61 to 90 days | **7,407** | 460 |
| 91 to 180 days | **30,380** | 81 |
| 181 to 360 days | **21,284** | – |
| Over 360 days | **287** | 230 |
| | **100,057** | 13,991 |

The Group normally grants a credit period of 30 to 180 days to its customers.

Before accepting new customers, the Group assesses the potential customer's credit quality by investigating their historical credit record and defines credit limits by customers on individual basis. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Recoverability and credit limit of the existing customers and overdue balances are reviewed by the senior management of the Group on regular basis. In view of the aforementioned and the fact that the Group's trade receivables relate to large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or credit enhancements over its trade receivable balances.

Included in the Group's trade receivables, balances with aggregate carrying amount of approximately HK$45,211,000 as at 31 December 2017 were past due but had not been provided for impairment loss as these balances were either subsequently settled or there was no significant change in credit quality and the balances were considered fully recoverable.

## 18. TRADE RECEIVABLES (continued)

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

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Within 30 days | 15,831 | 460 |
| 31 to 60 days | 6,853 | 2 |
| 61 to 90 days | 6,138 | 23 |
| 91 to 180 days | 14,675 | 26 |
| 181 to 360 days | 1,428 | – |
| Over 360 days | 286 | 260 |
| | 45,211 | 771 |

No allowance for doubtful debt was recognised as at 31 December 2017 and 2016 as the overdue balances were related to debtors with sound repayment history, no recent history of default and subsequent settlement. Subsequent to the reporting date, approximately HK$48,603,000 of trade receivables had been settled by cash.

## 19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Other receivables | 15,695 | 37,869 |
| Other receivables from P2P business *(note a)* | 45,980 | – |
| Rental and other deposits | 2,925 | 2,831 |
| Deposit for acquisition of property, plant and equipment | 3,000 | – |
| Purchase deposits *(note b)* | 21,356 | – |
| Other prepayments | 797 | 518 |
| | 89,753 | 41,218 |
| Less: allowance for doubtful debts | (993) | – |
| | 88,760 | 41,218 |

*Note:*

(a) As at 31 December 2017, other receivables from P2P business represented the repayment to investors in relation to the P2P services. These balances are recoverable from respective borrowers in P2P loan facilitation services and those balances were fully secured by real estates located in the PRC. Subsequent to the reporting date, approximately HK$35,533,000 had been settled by cash.

(b) The amount represented deposits paid to suppliers for purchasing of trading inventories.

## 19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Analysed for reporting purposes as: | | |
| Current assets | 87,693 | 38,990 |
| Non-current assets | 1,067 | 2,228 |
| | 88,760 | 41,218 |

Movements in the allowance for doubtful debts as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| At 1 January | – | – |
| Acquired on acquisition of subsidiaries | 87 | – |
| Impairment loss recognised | 882 | – |
| Exchange realignment | 24 | – |
| At 31 December | 993 | – |

Included in the allowance for doubtful debts are individually impaired other receivables, deposits and prepayments with an aggregate balance of approximately HK$993,000 in which the directors of the Company considered that the Group was unlikely to recover these receivables as they are long outstanding. The Group does not hold any collateral over these balances.

Except for the above, no other balance included in other receivables, deposits and prepayments were considered to be impaired as at 31 December 2017 and 2016.

## 20. LOAN AND INTEREST RECEIVABLES

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loan receivable | **10,000** | – |
| Interest receivable | **150** | – |
| | **10,150** | – |

The amount represents loan to an independent third party at a fixed interest rate of 18% per annum with a period of one year. The loan receivable is fully secured by listed equity securities in Hong Kong. The loan receivable is aged within one year based on the date of loan granted to a customer stated in the relevant contract.

## 21. CASH AND CASH EQUIVALENTS

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cash and bank balances | **226,150** | 195,530 |

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with banks with good credit rating and with no recent history of default.

Included in cash and cash equivalents in the consolidated statement of financial position are the following amounts denominated in currencies other than the functional currency of the Group.

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| USD | **2** | 69 |
| RMB | **127,399** | 8 |

## 22. TRADE PAYABLES

The average credit period on purchase of goods is 30 to 60 days. The following is an ageing analysis of trade payables based on the invoice date.

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **609** | 1,211 |
| 31 to 60 days | **200** | 94 |
| 61 to 90 days | **50** | 18 |
| 91 to 180 days | **12** | 8 |
| Over 180 days | **2** | 2 |
| | **873** | 1,333 |

## 23. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Receipts in advance in relation to P2P business *(note a)* | **79,422** | – |
| Deposits received | **2,127** | 1,312 |
| Interest payable on promissory notes *(note 27)* | **559** | – |
| Other payables and accruals | **15,838** | 13,645 |
| | **97,946** | 14,957 |
| Portion classified as non-current liabilities | **(559)** | – |
| | **97,387** | 14,957 |

*Note:*

(a) Receipts in advance in relation to P2P business represent the deferred consultancy serivce income arose from a standard rate on P2P loan facilitation services in accordance with the respective agreements and deferred consultancy serivce income will be recognised as revenue at the date of completion of P2P loan facilitation services.

## 24. SECURED BANK BORROWINGS

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Analysed for reporting purpose as: | | |
| Current liabilities | **662** | – |
| Non-current liabilities | **4,501** | – |
| | **5,163** | – |

The scheduled principal repayment dates of the loan with reference to the bank loan agreement are as follow.

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| The carrying amounts of the above borrowings are repayable: | | |
| Within one year | **662** | – |
| In the second year | **706** | – |
| In the third to fifth years, inclusive | **2,406** | – |
| Over five years | **1,389** | – |
| | **5,163** | – |

The secured bank borrowings, which is denominated in RMB, is secured by the Group's land and building with a carrying value of approximately RMB12,084,000 (equivalent to approximately HK$14,318,000) as at 31 December 2017 and supported by guarantees provided by a director of the Group's subsidiary and an independent guarantee company established in the PRC. It bears interest at 6.37% per annum.

## 25. AMOUNTS DUE TO DIRECTORS

Amounts due to directors were unsecured, interest-free and have no fixed terms of repayment.

## 26. CONVERTIBLE BONDS

On 22 January 2014, the Group issued convertible bonds with an aggregate principal amount of HK$312,000,000 due in 2019 with conversion price of HK$2.45 per share (adjusted) (the "CB I") to settle the Group's contingent consideration payable. The CB I do not bear any interest. The effective interest rate of the liability component is 7.92% per annum. The maturity date is on the fifth anniversary of the date of issue of the CB I. As at 31 December 2017, the CB I with an aggregate principal amount of HK$54,600,000 remained outstanding (2016: HK$54,600,000).

On 26 June 2015, the Group issued convertible bonds with an aggregate principal amount of HK$120,000,000 due in 2017 with conversion price of HK$0.25 per share (the "CB II"). The CB II did not bear any interest. The effective interest rate of the liability component was 12.87% per annum. The maturity date was on the second anniversary of the date of issue of the CB II. For the year ended 31 December 2016, the CB II with an aggregate principal amount of HK$120,000,000 were fully redeemed.

On 25 January 2016, the Group issued convertible bonds with an aggregate principal amount of HK$100,000,000 due in 2021 with conversion price of HK$0.42 per share (the "CB III") to settle the Group's consideration payable for the acquisition of Maxpark Group. The CB III did not bear any interest. The effective interest rate of the liability component was 19.97% per annum. The maturity date was on the fifth anniversary of the date of issue of the CB III. During the year 2017, the CB III with the aggregate principal amount of HK$100,000,000 were fully converted into shares.

On 25 January 2016, the Group issued convertible bonds with an aggregate principal amount of HK$25,000,000 due in 2016 with conversion price of HK$0.42 per share (the "CB IV"). The Company used the proceed for the Group to finance the acquisition of subsidiaries (details disclosed in note 34). The CB IV did not bear any interest. The effective interest rate of the liability component was 25.61% per annum. The maturity date was six months from the date of issue of the CB IV. During the year 2016, the CB IV with an aggregate principal amount of HK$25,000,000 was fully redeemed.

On 26 May 2016, the Group issued convertible bonds with an aggregate principal amount of HK$10,000,000 due in 2018 with conversion price of HK$0.25 per share (the "CB V"). The Company used the proceed up to HK$9,900,000 for the Group's general working capital. The CB V does not bear any interest. The effective interest rate of the liability component is 20.66% per annum. The maturity date is on the second anniversary of the date of issue of the CB V. During the year 2017, the CB V with an aggregate principal amount of HK$10,000,000 were fully converted into shares.

## 26. CONVERTIBLE BONDS (continued)

On 8 July 2016, the Group issued convertible bonds with an aggregate principal amount of HK$90,000,000 due in 2018 with conversion price of HK$0.25 per share (the "CB VI"). The Company intended to use up to HK$25,000,000 for repayment of convertible bonds, HK$55,000,000 for the repayment of other debts and payable and the remaining for the Group's general working capital. The CB VI did not bear any interest. The effective interest rate of the liability component was 20.24% per annum. The maturity date was on the second anniversary of the date of issue of the CB VI. During the year 2017, the CB VI with an aggregate principal amount of HK90,000,000 were fully converted into shares.

On 23 August 2016, the Group issued convertible bonds with an aggregate principal amount of HK$25,000,000 due in 2018 with conversion price of HK$0.24 per share (the "CB VII"). The Company intended to use up to HK$24,900,000 for repayment of convertible bonds. The CB VII did not bear any interest. The effective interest rate of the liability component was 15.61% per annum. The maturity date was on one year from the date of issue of the CB VII. During the year 2017, the CB VII with an aggregate principal amount of HK$25,000,000 were fully redeemed.

On 1 September 2016, the Group issued convertible bonds with an aggregate principal amount of HK$35,000,000 due in 2017 with conversion price of HK$0.23 per share (the "CB VIII"). The Company intended to use up to HK$15,000,000 for repayment of other debts and payable, HK$15,000,000 for purchasing inventory and the remaining for the Group's general working capital. The CB VIII does not bear any interest. The effective interest rate of the liability component is 19.45% per annum. The maturity date is one year from the date of issue of the CB VIII. During the year 2017, the CB VIII with an aggregate principal amount of HK$35,000,000 were fully redeemed.

On 4 September 2017, the Group issued convertible bonds with an aggregate principal amount of HK$69,000,000 due in 2018 with conversion price of HK$0.133 per share (the "CB IX"). The Company intended to use up all HK$69,000,000 for repayment of matured convertible bonds. The CB IX does not bear any interest. The effective interest rate of the liability component is 19.66% per annum. The maturity date is one year from the date of issue of the CB IX. As at 31 December 2017, the CB IX with an aggregate principal amount of HK$69,000,000 remained outstanding.

On 28 November 2017, the Group issued convertible bonds with an aggregate principal amount of HK$80,000,000 due in 2022 with conversion price of HK$0.165 per share (the "CB X") as part of the consideration for acquisition for Affluent Grand Limited. The CB X does not bear any interest. The effective interest rate of the liability component is 18.72% per annum. The maturity date is on the fifth anniversary of the date of issue of the CB X. As at 31 December 2017, the CB X with an aggregate principal amount of HK$80,000,000 remained outstanding.

## 26. CONVERTIBLE BONDS (continued)

The various components of the Group's convertible bonds recognised on initial recognition are as follows:

| | CB I<br>*HK$'000* | CB II<br>*HK$'000* | CB III<br>*HK$'000* | CB IV<br>*HK$'000* | CB V<br>*HK$'000* | CB VI<br>*HK$'000* | CB VII<br>*HK$'000* | CB VIII<br>*HK$'000* | CB IX<br>*HK$'000* | CB X<br>*HK$'000* |
|---|---|---|---|---|---|---|---|---|---|---|
| Proceeds of issue, at face value | 236,376 | 120,000 | 100,000 | 22,500 | 10,000 | 90,000 | 25,000 | 35,000 | 69,000 | 80,000 |
| Equity component | (12,554) | (21,096) | (57,753) | (194) | (2,788) | (24,635) | (130) | (1,300) | (2,687) | (44,383) |
| Liability component at date of issue | 223,822 | 98,904 | 42,247 | 22,306 | 7,212 | 65,365 | 24,870 | 33,700 | 66,313 | 35,617 |

The movements of the liability component of the Group's convertible bonds are as follows:

| | CB I<br>*HK$'000* | CB II<br>*HK$'000* | CB III<br>*HK$'000* | CB IV<br>*HK$'000* | CB V<br>*HK$'000* | CB VI<br>*HK$'000* | CB VII<br>*HK$'000* | CB VIII<br>*HK$'000* | CB IX<br>*HK$'000* | CB X<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2016 | 45,322 | 105,076 | – | – | – | – | – | – | – | – | 150,398 |
| Issued during the year | – | – | 42,247 | 22,306 | 7,212 | 65,365 | 24,869 | 33,700 | – | – | 195,699 |
| Interest charged during the year | 3,588 | 13,485 | 7,674 | 2,694 | 835 | 6,310 | 1,232 | 2,055 | – | – | 37,873 |
| Redeemed during the year | – | (118,561) | – | (25,000) | – | – | – | – | – | – | (143,561) |
| At 31 December 2016 and 1 January 2017 | 48,910 | – | 49,921 | – | 8,047 | 71,675 | 26,101 | 35,755 | – | – | 240,409 |
| Issued during the year | – | – | – | – | – | – | – | – | 66,313 | 35,617 | 101,930 |
| Interest charged during the year *(note 7)* | 3,872 | – | 3,939 | – | 655 | 5,721 | 2,649 | 4,495 | 4,088 | 513 | 25,932 |
| Redeemed during the year | – | – | – | – | – | – | (28,750) | (40,250) | – | – | (69,000) |
| Conversion of convertible bonds | – | – | (53,860) | – | (8,702) | (77,396) | – | – | – | – | (139,958) |
| **At 31 December 2017** | **52,782** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **70,401** | **36,130** | **159,313** |
| Classified as current liabilities | – | – | – | – | – | – | – | – | (70,401) | – | (70,401) |
| Non-current liabilities | 52,782 | – | – | – | – | – | – | – | – | 36,130 | 88,912 |
| At 31 December 2016 | 48,910 | – | 49,921 | – | 8,047 | 71,675 | 26,101 | 35,755 | – | – | 240,409 |
| Classified as current liabilities | – | – | – | – | – | – | (26,101) | (35,755) | – | – | (61,856) |
| Non-current liabilities | 48,910 | – | 49,921 | – | 8,047 | 71,675 | – | – | – | – | 178,553 |

## 27. PROMISSORY NOTES PAYABLE

| | **Total** |
|---|---|
| | *HK$'000* |
| **At 1 January 2017** | – |
| Issued during the year, at fair value | 71,984 |
| Effective interest charge *(note 7)* | 1,024 |
| Interest payable | (559) |
| At 31 December 2017 | 72,449 |

During the year ended 31 December 2017, the Group issued two promissory notes with an aggregate principal amount of HK$100,000,000 each due in 2020 with fixed interest rate at 6% per annum as part of considerations in the acquisition of Affluent Group. The effective interest rate 18.48% per annum.

## 28. DEFERRED TAX LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset where there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred taxes relate to the same fiscal authority. The following is the analysis of the deferred tax balances for financial reporting purposes:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Deferred tax liabilities | **10,943** | 2,296 |

## 28. DEFERRED TAX LIABILITIES (continued)

The movements in deferred tax assets (liabilities) of the Group during the year were as follows:

| | Brand name | Customer relationship | Allowance for doubtful debts | Accelerated tax Depreciation | Tax losses | Unrealised profit arising from internal transactions | Others | Total |
|---|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 January 2016 | – | – | – | – | – | – | 642 | 642 |
| Released on disposal of subsidiaries | – | – | – | – | – | – | (642) | (642) |
| Acquired on acquisition of subsidiaries | – | (2,346) | – | – | – | – | – | (2,346) |
| Credit to profit or loss *(note 8)* | – | – | – | 2 | 48 | – | – | 50 |
| At 31 December 2016 and 1 January 2017 | – | (2,346) | – | 2 | 48 | – | – | (2,296) |
| Acquired on acquisition of subsidiaries *(note 34)* | (10,262) | – | 22 | – | – | – | – | (10,240) |
| Credit to profit or loss *(note 8)* | – | 899 | 221 | 30 | 274 | 163 | – | 1,587 |
| Exchange reailgnment | – | – | 6 | – | – | – | – | 6 |
| At 31 December 2017 | (10,262) | (1,447) | 249 | 32 | 322 | 163 | – | (10,943) |

As at 31 December 2017, the Group has unused tax losses of approximately HK$38,320,000 (2016: approximately HK$36,658,000) available for offset against future profits.

## 29. CONTINGENT CONSIDERATION PAYABLES

The balance represents the contingent consideration payables in relation to the acquisition of Maxpark Group and Affluent Group from independent third parties.

| | Maxpark Group | Affluent Group | Total |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| | *(Note a)* | *(Note b)* | |
| Contingent consideration payables, at fair value: | | | |
| At 1 January 2016 | – | – | – |
| Recognition upon acquisition of subsidiaries *(note 34)* | 53,254 | – | 53,254 |
| Change in fair value | (3,725) | – | (3,725) |
| At 31 December 2016 and 1 January 2017 | 49,529 | – | 49,529 |
| Recognition upon acquisition of subsidiaries *(note 34)* | – | 42,530 | 42,530 |
| Change in fair value | 35 | 245 | 280 |
| At 31 December 2017 | 49,564 | 42,775 | 92,339 |

## 29. CONTINGENT CONSIDERATION PAYABLES (continued)

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Analysed for reporting purposes as: | | |
| Current liabilities | **49,564** | – |
| Non-current liabilities | **42,775** | 49,529 |
| | **92,339** | 49,529 |

*Notes:*

(a) Pursuant to the sales and purchase agreement entered into the Group and the vendor on the acquisition of 100% equity interest in Maxpark Enterprises Limited and its subsidiaries (collectively "Maxpark Group"), the Group is liable to pay contingent consideration by the issue of the Company's convertible bonds up to HK$100 million to the vendor ("Contingent Consideration I"). The Contingent Consideration I is subject to adjustment based on the profit guarantee provided by the vendor. The vendor irrevocably and unconditionally guarantees to the Company that the audited consolidated net profit after tax (excluding extraordinary or exceptional items according to the HKFRSs) of the Maxpark Group (i) for the first year immediately after the completion date shall be no less than HK$35 million and (ii) for the second year immediately after completion date shall be no less than HK$40 million.

As at 31 December 2017, the fair value of the contingent consideration payable amounted to HK$49,564,000 (2016: HK$49,529,000), of which a fair value loss of HK$35,000 (2016: a fair value gain of HK$3,725,000) was recognised in profit or loss during the year.

(b) Pursuant to the sales and purchase agreement entered into the Group and the vendor on the acquisition of 100% equity interest in Affluent Grand Limited and its subsidiaries (collectively "Affluent Group"). The Group is liable to settle the contingent consideration by the issue of the Company's convertible bonds up to HK$80 million to the vendor ("Contingent Consideration II"). The Contingent Consideration II is subject to adjustment based on the profit guarantee provided by the vendor. The vendor irrecoverably and unconditionally guarantees to the Company that the aggregate audited consolidated net profit after tax (excluding extraordinary or exceptional items according to the HKFRS) of the Affluent Group for the first two years immediately after the completion date shall be no less than HK$65 million.

As at 31 December 2017, the fair value of the contingent consideration payables amounted to approximately HK$42,775,000, of which a fair value loss of HK$245,000 was recognised in profit or loss during the year.

The contingent consideration payables constitute embedded derivatives within the scope of HKAS 39, and were recognised at their fair value as liability on initial recognition and are subsequently remeasured at fair value with changes in fair value recognised in profit or loss.

The fair values of the contingent consideration payables were determined with reference to the valuations as at those dates performed by an independent valuation valuer.

## 30. SHARE CAPITAL

| | 2017 | 2016 |
|---|---|---|
| | HK$'000 | HK$'000 |
| Authorised: | | |
| 100,000,000,000 (2016: 100,000,000,000) ordinary shares of HK$0.005 (2016: HK$0.005) each | **500,000** | 500,000 |
| Issued and fully paid: | | |
| 3,031,101,766 (2016: 2,393,006,528) ordinary shares of HK$0.005 (2016: HK$0.005) each | **15,156** | 11,965 |

| | | Number of shares in issue | Issued capital | Share premium account | Total |
|---|---|---|---|---|---|
| | | | HK$'000 | HK$'000 | HK$'000 |
| At 1 January 2016, 31 December 2016 and 1 January 2017 | | 2,393,006,528 | 11,965 | 1,773,338 | 1,785,303 |
| Conversion of convertible bonds | *Note* | 638,095,238 | 3,191 | 221,943 | 225,134 |
| At 31 December 2017 | | 3,031,101,766 | 15,156 | 1,995,281 | 2,010,437 |

During the year ended 31 December 2017, three CBs were fully converted into ordinary shares as follows.

*Note:*

(i) The Company issued 238,095,238 ordinary shares of HK$0.005 each at conversion price of HK$0.42 for full conversion of the CB III with principal amount of HK$100,000,000. Upon conversion, the liability component of approximately HK$53,860,000 of the convertible bonds were transferred to the issued capital of approximately HK$1,191,000 and the share premium amount of approximately HK$110,422,000.

(ii) The Company issued 40,000,000 ordinary shares of HK$0.005 each at conversion price of HK$0.25 for full conversion of the CB V with principal amount of HK$10,000,000. Upon conversion, the liability component of approximately HK$8,702,000 of the convertible bonds were transferred to the issued capital of approximately HK$200,000 and the share premium amount of approximately HK$11,290,000.

(iii) The Company issued 360,000,000 ordinary shares of HK$0.005 each at conversion price of HK$0.25 for full conversion of the CB VI with principal amount of HK$90,000,000. Upon conversion, the liability component of approximately HK$77,396,000 of the convertible bonds were transferred to the issued capital of approximately HK$1,800,000 and the share premium amount of approximately HK$100,231,000.

All the new shares issued rank pari passu with the existing ordinary shares of the Company in all respects.

## 31. SHARE OPTION SCHEME

The Company adopted a new share option scheme on 16 June 2017 ("the Scheme"), which became effective for a period of 10 years commencing on 16 June 2017. Under the Scheme, the Directors of the Company may, at their discretion, grant options to any eligible person to subscribe for the shares of the Company ("Share") at the highest of: (i) the closing price of the Share as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. The offer of a grant of option shall remain open for acceptance within 28 days from the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of the option. The exercise period of the option must not be more than 10 years from the date of grant of the option.

The Company operates the Scheme for the purpose of advancing the interests of the Company and its shareholders by enabling the Company to grant options to attract, retain and reward any eligible persons which include any director of the Group, any employee of the Group, any consultant, adviser, agent, supplier, customer, business partner or shareholder of the Group for their contribution or potential contribution to the Group.

The total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes in force from time to time must not in aggregate exceed 30% of the Shares in issue from time to time.

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of the passing of the relevant resolution adopting the Scheme.

During the years ended 31 December 2017 and 2016, no share option was granted under the Scheme and no share option was lapsed or cancelled. As at 31 December 2017 and 2016, no share options were outstanding.

## 32. OPERATING LEASE ARRANGEMENTS

The Group leases certain properties under operating lease arrangements, with leases negotiated for terms ranging from one to three years.

At 31 December 2017, the Group had commitments for minimum lease payments under non-cancellable operating leases falling due as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **5,029** | 7,154 |
| In the second to fifth years, inclusive | **2,205** | 6,951 |
| | **7,234** | 14,105 |

## 33. RELATED PARTY TRANSACTIONS

**(a) Outstanding balances with related parties:**

The Group's balances due to directors of the Company as at the end of the reporting period are unsecured, interest-free and have no fixed term of repayment.

**(b) Compensation of key management personnel of the Group:**

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Fees, salaries and allowances | **3,114** | 5,280 |
| Retirement benefits scheme contribution | **8** | – |
| | **3,122** | 5,280 |

**(c) Transaction with a related party**

As at 31 December 2017, a director of subsidiary of the Group provided a guarantee for the Group's bank borrowings amounting to HK$5,163,000 (equivalent to approximately RMB4,358,000) granted to the Group.

## 34. BUSINESS COMBINATION

On 28 November 2017, the Group acquired the entire equity interest in Affluent Group from independent third parties for consideration of HK$380,000,000. This acquisition has been accounted for using the acquisition method.

The fair values of identifiable assets and liabilities of Affluent Group as at the date of the acquisition were as follows:

| | *HK$'000* |
|---|---|
| Property, plant and equipment | 42,111 |
| Other intangible assets – brand name | 41,047 |
| Deferred tax assets | 22 |
| Trade receivables | 3,451 |
| Deposits, prepayments and other receivables | 88,138 |
| Cash and cash equivalents | 92,443 |
| Accruals, other payables and deposits received | (93,813) |
| Tax payable | (5,398) |
| Secured bank loans | (5,186) |
| Deferred tax liabilities | (10,262) |
| Net identifiable assets attributable to owners of the Company | 152,553 |
| Goodwill arising on business combination *(note 15)* | 161,961 |
| Total consideration at fair value | 314,514 |

| | *HK$'000* |
|---|---|
| **Satisfied by:** | |
| Cash | 120,000 |
| Promissory note payables *(note 27)* | 71,984 |
| Convertible bond with principal amount of HK$80,000,000 | 80,000 |
| Contingent consideration payable *(note 29)* | 42,530 |
| Total | 314,514 |

## 34. BUSINESS COMBINATION (continued)

| | *HK$'000* |
|---|---|
| Cash consideration | (120,000) |
| Less: Cash and cash equivalents acquired | 92,443 |
| Net cash outflow in respect of the acquisition of subsidiaries | (27,557) |

Acquisition-related costs of HK$2,556,000 have been charged to administrative expenses in the consolidated statement of profit or loss for the year ended 31 December 2017.

The acquisition of Affluent Group contributed approximately HK$7,809,000 to the Group's turnover and approximately HK$2,639,000 to the Group's profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue and profit for the year attributed to the Group would have been approximately HK$76,335,000 and approximately HK$39,684,000 respectively.

## 34. BUSINESS COMBINATION (continued)

On 25 January 2016, the Group acquired the entire equity interest in Maxpark Group from an independent third party for consideration of HK$250,000,000. This acquisition has been accounted for using the acquisition method.

The fair values of identifiable assets and liabilities of Maxpark Group as at the date of the acquisition were as follows:

| | *HK$'000* |
|---|---|
| Property, plant and equipment | 813 |
| Other intangible asset | 14,220 |
| Trade receivables | 4,837 |
| Deposits, prepayments and other receivables | 63,695 |
| Inventories | 24,171 |
| Cash and cash equivalents | 8,596 |
| Trade payables | (3,097) |
| Accruals, other payables and deposits received | (1,698) |
| Tax payable | (4,065) |
| Deferred tax liabilities | (2,346) |
| Net identifiable assets acquired | 105,126 |
| Non-controlling interest | (498) |
| Net identifiable assets attributable to owners of the Company | 104,628 |
| Goodwill arising on business combination | 98,626 |
| Total consideration at fair value | 203,254 |

| | *HK'000* |
|---|---|
| **Satisfied by:** | |
| Cash | 50,000 |
| Convertible bond with principal amount of HK$100,000,000 | 100,000 |
| Contingent consideration payable *(note 29)* | 53,254 |
| Total | 203,254 |

## 34. BUSINESS COMBINATION (continued)

An analysis of the cash flows in respect of the acquisition is as follows:

| | *HK$'000* |
|---|---|
| Cash consideration | (50,000) |
| Less: Cash and cash equivalents acquired | 8,596 |
| Net cash outflow in respect of the acquisition of subsidiaries | (41,404) |

Acquisition-related costs of HK$950,000 have been charged to administrative expenses in the consolidated statement of profit or loss for the year ended 31 December 2016.

The acquisition of Maxpark Group contributed approximately HK$179,791,000 to the Group's turnover from continuing operations and approximately HK$35,879,000 to the Group's loss for the year ended 31 December 2016 from continuing operations.

Had the combination taken place at the beginning of the year, the revenue from continuing operations and loss for the year from continuing operations attributed to the Group would have been approximately HK$182,001,000 and approximately HK$19,255,000 respectively.

## 35. DISPOSAL OF SUBSIDIARIES

On 30 December 2016, the Group completed the disposal of its entire equity interest in Million Zone Holdings Limited and its subsidiaries (collectively "Million Zone Group") to an independent third party for a consideration of HK$240,000,000 settled in cash.

The aggregate amounts of the assets and liabilities attributable to the subsidiaries on the date of disposal were as follows:

| | *HK$'000* |
|---|---|
| Net assets disposed of: | |
| Property, plant and equipment | 5,295 |
| Goodwill | 26,223 |
| Deferred tax assets | 604 |
| Inventories | 162,426 |
| Trade receivables | 28,388 |
| Other receivables, deposits and prepayments | 235,530 |
| Refundable deposits for acquisition of investments | 112,438 |
| Cash and cash equivalents | 172 |
| Trade payables | (99,654) |
| Accruals, other payables and deposits received | (103,443) |
| Tax payable | (11,418) |
| Bank borrowings | (50,619) |
| | 305,942 |
| Release of foreign currency translation reserve | 36,758 |
| | 342,700 |
| Cash consideration | (240,000) |
| Loss on disposal of subsidiaries | 102,700 |

| | *HK$'000* |
|---|---|
| Cash consideration | 240,000 |
| Less: bank balances and cash disposed of | (172) |
| Net cash inflow from disposal of subsidiaries | 239,828 |

## 36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Financial assets** | | |
| Loan and receivables | | |
| – Trade receivables | **100,057** | 13,991 |
| – Refundable deposits for acquisition of investments | **–** | 41,380 |
| – Loan and interest receivables | **10,150** | – |
| – Financial assets included in other receivables, deposits and prepayments | **87,963** | 40,698 |
| – Cash and cash equivalents | **226,150** | 195,530 |
| | **424,320** | 291,599 |

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Financial liabilities** | | |
| Financial liabilities at amortised cost | | |
| – Trade payables | **873** | 1,333 |
| – Financial liabilities included in accruals, other payables and deposits received | **18,524** | 11,186 |
| – Secured bank borrowings | **5,163** | – |
| – Amounts due to directors | **5,834** | 7,219 |
| – Convertible bonds | **159,313** | 240,409 |
| – Promissory note payables | **72,449** | – |
| Financial liabilities at FVTPL | | |
| – Contingent consideration payables | **92,339** | 49,529 |
| | **354,495** | 309,676 |

## 37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

### (i) Fair value of the Group's financial instruments that are measured at fair value

At the end of the reporting period, the carrying amounts of the Group's and the Company's financial assets and financial liabilities approximated their fair values.

*Fair value hierarchy*

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

| | **Level 3**<br>***HK$'000*** |
|---|---|
| As at 31 December 2017 | |
| Contingent consideration payables *(note 29)* | 92,339 |

*Note:*

The fair values of contingent consideration payables classified as Level 3 were determined by management's valuation assessment with reference to the valuation reports provided by respective independent valuation firms. The following table gives information about how the fair values of contingent consideration payables are determined (in particular, the valuation techniques(s) and inputs used).

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 | **Fair value hierarchy** | **Valuation technique(s)** | **Significant unobservable inputs** | **Relationship of unobservable inputs to fair value** |
|---|---|---|---|---|---|---|
| Contingent consideration payables | **92,339** | 49,529 | Level 3 | Monte Carlo simulation model | Discount rate – 12.57% to 19.13% | The higher the discount rate, the lower the fair value |
| | | | | | Volatility – 32.43% to 43.17% | The higher the volatility, the higher the fair value |

## 37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

### (i) Fair value of the Group's financial instruments that are measured at fair value (continued)

*Fair value hierarchy (continued)*

*Note:* (continued)

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follow:

| | **Contingent consideration payable** HK$'000 |
|---|---|
| At 1 January 2016 | – |
| Recognition upon acquisition of subsidiaries | 53,254 |
| Change in fair value | (3,725) |
| At 31 December 2016 and 1 January 2017 | 49,529 |
| Recognition upon acquisition of subsidiaries | 42,530 |
| Change in fair value | 280 |
| At 31 December 2017 | 92,339 |

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 (2016: Nil).

### (ii) Financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2017 and 2016.

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise trade receivables, loan and interest receivables, financial assets included in other receivables, deposits and prepayments, refundable deposits for acquisition of investments, cash and cash equivalents, trade payables, financial liabilities included in accruals, other payables and deposits received, secured bank borrowings, amounts due to directors, promissory notes payable, contingent consideration payables and convertible bonds. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for these risks and they are summarised below.

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

**Interest rate risk**

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank deposits and secured bank borrowings.

***Sensitivity analysis***

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2016: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2016: 100 basis points) higher/lower and all other variables held constant, the Group's profit for the year ended 31 December 2017 would increase/decrease by HK$2,210,000 (2016: loss for the year decrease/increase by HK$1,955,000). This is mainly attributable to the Group's exposure to interest rates on its interest-bearing bank deposits and secured bank borrowings.

**Foreign currency risk**

The Group has foreign currency assets and liabilities which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group major foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follow:

| | **Assets 2017 *HK$'000*** | **Liabilities 2017 *HK$'000*** | Assets 2016 *HK$'000* | Liabilities 2016 *HK$'000* |
|---|---|---|---|---|
| RMB | **185,528** | **99,431** | – | – |

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

**Sensitivity analysis**

The Group is mainly exposed to the effects of fluctuation in RMB. For the foreign currency risk of the Group's financial assets and liabilities the exposure is mainly in RMB against HKD.

The following table shows the sensitivity analysis of a 5% increase/decrease in RMB against HKD, the effect in the profit (loss) for the year is as follow:

| | Impact of RMB | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Increase/decrease in profit (loss) for the year | **4,305** | – |

**Credit risk**

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Since the Group trades only with recognised and creditworthy third parties, there is generally no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, other receivables and deposits and loan and interest receivables, arises from default of the counterparty, has a maximum exposure equal to the carrying amounts of these instruments.

The Group's credit risk exposure is spread over a number of counterparties and customers. Hence, it has no significant concentration of credit risk by a single debtor.

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk

The Group monitors its risk to a shortage of funds by considering the maturity of both its financial liabilities and financial assets (e.g. trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the internal source of funds to meet its working capital and capital expenditure requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

| | **2017** | | | | | |
|---|---|---|---|---|---|---|
| | **On demand or less than 12 months** | **1 to 2 years** | **2 to 5 years** | **Over 5 years** | **Undiscounted cash flow** | **Carrying amount** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Trade payables | **873** | **–** | **–** | **–** | **873** | **873** |
| Financial liabilities included in accruals, other payables and deposits received | **17,964** | **–** | **559** | **–** | **18,523** | **18,523** |
| Amounts due to directors | **5,834** | **–** | **–** | **–** | **5,834** | **5,834** |
| Secured bank borrowings | **972** | **972** | **2,915** | **1,458** | **6,317** | **5,163** |
| Convertible bonds | **69,000** | **54,600** | **80,000** | **–** | **203,600** | **159,313** |
| Promissory note payables | **–** | **–** | **100,000** | **–** | **100,000** | **72,449** |
| Contingent consideration payables | **100,000** | **80,000** | **–** | **–** | **180,000** | **92,339** |
| | **194,643** | **135,572** | **183,474** | **1,458** | **515,147** | **354,494** |

| | 2016 | | | | | |
|---|---|---|---|---|---|---|
| | On demand or less than 12 months | 1 to 2 years | 2 to 5 years | Over 5 years | Undiscounted cash flow | Carrying amount |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Trade payables | 1,333 | – | – | – | 1,333 | 1,333 |
| Financial liabilities included in accruals, other payables and deposits received | 14,957 | – | – | – | 14,957 | 14,957 |
| Amounts due to directors | 7,219 | – | – | – | 7,219 | 7,219 |
| Convertible bonds | 60,000 | 100,000 | 154,600 | – | 314,600 | 240,409 |
| Contingent consideration payable | – | 100,000 | – | – | 100,000 | 49,529 |
| | 83,509 | 200,000 | 154,600 | – | 438,109 | 313,447 |

## 39. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The management of the Group reviews the capital structure periodically. The Group considers the cost of capital and the risks associated with the capital, and will balance its overall capital structure through payment of dividends, issuance of new shares and share buy-backs as well as the raising of new debts, if required.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issues new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 31 December 2016.

## 40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

| Name | Place of incorporation/ registration and operations | Nominal value of issued ordinary share/registered paid-up capital | Percentage of equity attributable to the Company 2017 | 2016 | Principal activities |
|---|---|---|---|---|---|
| **Directly held:** | | | | | |
| Ample Rich Capital Limited# | British Virgin Islands ("BVI") | US$1 | **100** | 100 | Investment holding |
| Forever Wise Developments Limited# | BVI | US$1 | **100** | 100 | Investment holding |
| Maxpark Enterprises Limited# | BVI | US$1 | **100** | 100 | Investment holding |
| Affluent Grand Limited*# | BVI | US$2 | **100** | – | Investment holding |
| **Indirectly held:** | | | | | |
| Sky Topworld Limited | Hong Kong | HK$1 | **100** | 100 | Holding of a motor vehicle |
| Queensway Wine International Limited | Hong Kong | HK$2,000,000 | **100** | 100 | Sales of wine (wholesales) |
| Queensway Wine (Hong Kong) Limited | Hong Kong | HK$2,000,000 | **100** | 100 | Sales of wine (retail sales) |
| Queensway Golf International Limited | Hong Kong | HK$800,000 | **100** | 100 | Sales of golf products (retail sales) |
| Mass Fortune (Asia) Limited | Hong Kong | HK$1 | **100** | 100 | Sales of golf products (wholesales) |
| Kasco (HK) Limited | Hong Kong | HK$1,500,000 | **90.5** | 90.5 | Sales of golf products (wholesales) |
| Queensway Travel Limited** | Hong Kong | HK$1 | **100** | – | Provision of travel agency service |
| Queensway Watch & Jewellery Limited*** | Hong Kong | HK$500,000 | **100** | – | Dormant |
| China Fortune Investments Finance Limited | Hong Kong | HK$1 | **100** | 100 | Provision of money lending service |
| Win Wave Development Limited* | Hong Kong | HK$1 | **100** | – | Investment holding |
| 成都幸福口袋企業管理諮詢有限公司*# | PRC | RMB1,000,000 | **100** | – | Investment holding |
| 口貨網絡服務股份有限公司*# | PRC | RMB55,000,000 | **100** | – | Provision of consultancy service on P2P loan operation |

* *Acquired on 28 November 2017.*

** *Incorporated on 27 January 2017.*

*** *Incorporated on 13 December 2017.*

\# *The statutory financial statements of these subsidiaries are not audited by HLM CPA Limited.*

## 41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Non-current assets** | | |
| Property, plant and equipment | **1,382** | 1,973 |
| Deposits and prepayments | **1,067** | 1,067 |
| Investment in subsidiaries *(Note a)* | **474,541** | 239,264 |
| | **476,990** | 242,304 |
| **Current assets** | | |
| Deposits and other receivables | **748** | 55,478 |
| Cash and cash equivalents | **339** | 2,637 |
| | **1,087** | 58,115 |
| **Current liabilities** | | |
| Accruals, other payables and deposits received | **983** | 3,590 |
| Amounts due to directors | **4,590** | 6,538 |
| Convertible bonds | **70,401** | 61,856 |
| Contingent consideration payable | **49,564** | – |
| | **125,538** | 71,984 |
| **Net current liabilities** | **(124,451)** | (13,869) |
| **Total assets less current liabilities** | **352,539** | 228,435 |
| **Non-current liabilities** | | |
| Promissory notes payable | **72,449** | – |
| Other payables | **559** | – |
| Convertible bonds | **88,912** | 178,553 |
| Contingent consideration payable | **42,775** | 49,529 |
| | **204,695** | 228,082 |
| **Net assets** | **147,844** | 353 |
| **Capital and reserves** | | |
| Issued capital | **15,156** | 11,965 |
| Reserves *(Note b)* | **132,688** | (11,612) |
| **Total equity** | **147,844** | 353 |

**Mr. Pan Xiaodong**
*Director*

**Mr. Cheng Chun Tak**
*Director*

## 41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

*Note a:* Investments in subsidiaries

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Unlisted shares, at cost | **518,768** | 203,254 |
| Amounts due from subsidiaries | **151,595** | 232,350 |
| Amounts due to subsidiaries | **(194,822)** | (195,340) |
| | **475,541** | 240,264 |
| Provision for impairment | **(1,000)** | (1,000) |
| | **474,541** | 239,264 |

Movements in the provision for impairment are as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At 1 January | **1,000** | 575,061 |
| Write off | **–** | (574,061) |
| At 31 December | **1,000** | 1,000 |

Balances with subsidiaries are unsecured, interest-free and not expected to be settled within the next twelve months from the end of the reporting period.

*Note b:* Movement of the reserves of the Company is as follows:

| | **Share premium account** | **Convertible bonds equity reserve** | **Accumulated losses** | **Total** |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 January 2016 | 1,773,338 | 23,294 | (1,620,880) | 175,752 |
| Issue of convertible bonds | – | 86,800 | – | 86,800 |
| Eliminated upon redemption of convertible bonds | – | (21,290) | 21,290 | – |
| Loss and total comprehensive expense for the year | – | – | (274,164) | (274,164) |
| At 31 December 2016 and 1 January 2017 | 1,773,338 | 88,804 | (1,873,754) | (11,612) |
| Issue of shares upon conversion of convertible bonds | 221,943 | (85,175) | – | 136,768 |
| Issue of convertible bonds | – | 47,069 | – | 47,069 |
| Derecognition of convertible bonds equity reserve at maturity | – | (1,431) | 1,431 | – |
| Loss and total comprehensive expense for the year | – | – | (39,537) | (39,537) |
| **At 31 December 2017** | 1,995,281 | 49,267 | (1,911,860) | 132,688 |

## 42 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2018.

# FINANCIAL SUMMARY

*31 December 2017*

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

## RESULTS

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2017** | 2016 | 2015 | 2014 | 2013 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| REVENUE | **223,615** | 179,791 | 127,037 | 146,188 | 291,771 |
| Profit (loss) before tax | **10,176** | (11,787) | (423,493) | (18,168) | (195,124) |
| Income tax expense | **(7,831)** | (7,246) | (1,911) | (2,528) | (13,434) |
| Profit (loss) for the year from continuing operations | **2,345** | (19,033) | (425,404) | (20,696) | (208,558) |
| (Loss) profit before tax from discontinued operation | **–** | (87,905) | – | – | 25,809 |
| Income tax expense | **–** | (7,550) | – | – | – |
| (Loss) profit for the year from discontinued operations | **–** | (95,455) | – | – | 25,809 |
| Profit (loss) for the year | **2,345** | (114,488) | (425,404) | (20,696) | (182,749) |
| Attributable to: | | | | | |
| Owners of the Company | **2,461** | (114,476) | (425,404) | (20,696) | (182,804) |
| Non-controlling interests | **(116)** | (12) | – | – | 55 |
| | **2,345** | (114,488) | (425,404) | (20,696) | (182,749) |

## ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2017** | 2016 | 2015 | 2014 | 2013 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| TOTAL ASSETS | **848,901** | 524,726 | 552,182 | 845,698 | 827,448 |
| TOTAL LIABILITIES | **(452,723)** | (318,626) | (338,293) | (462,612) | (654,067) |
| NON-CONTROLLING INTERESTS | **(370)** | (486) | – | – | – |
| NET ASSETS ATTRIBUTABLE TO OWNERS OF THE COMPANY | **395,808** | 205,614 | 213,889 | 383,086 | 173,381 |