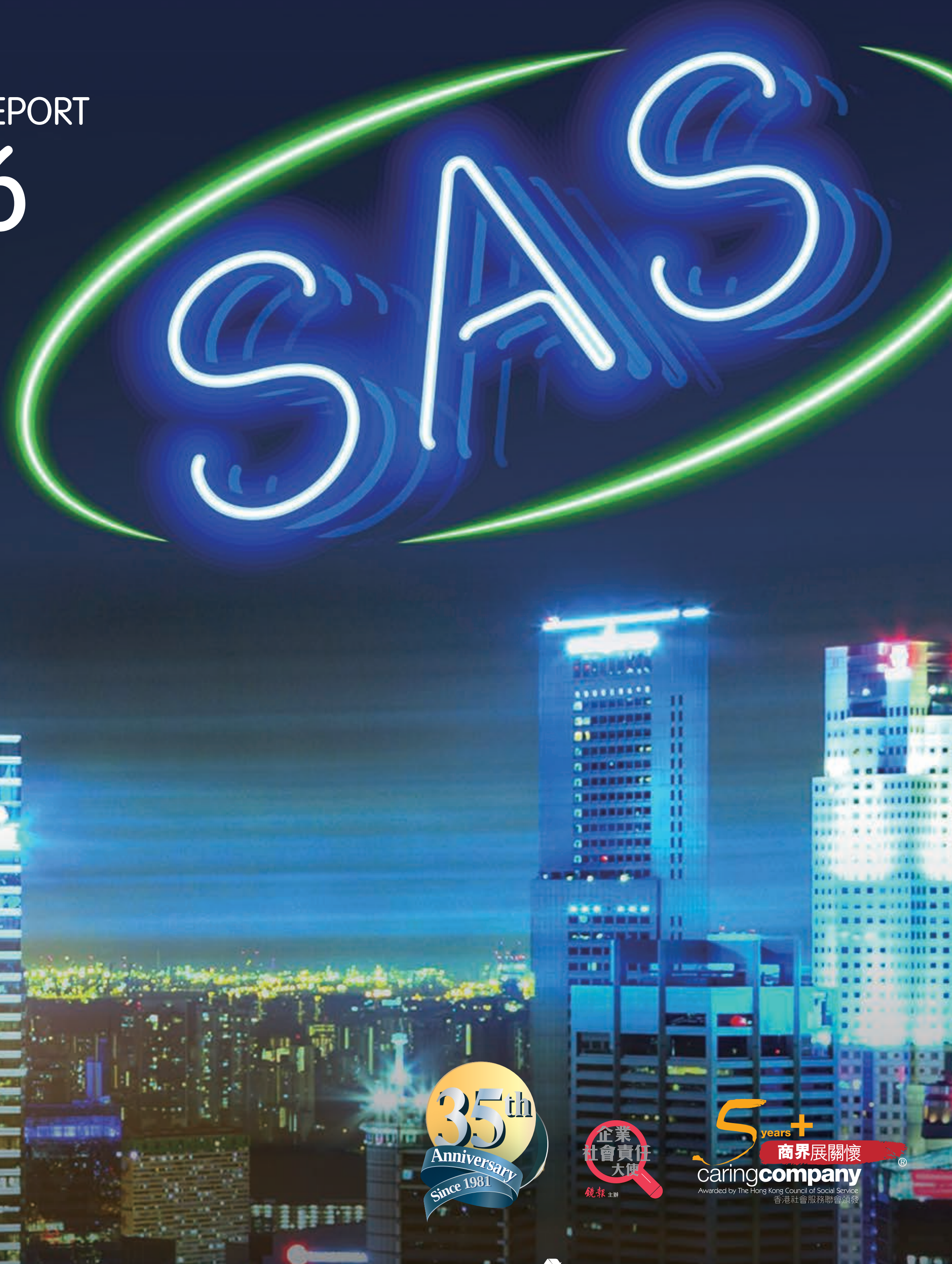
S.A.S. Dragon Holdings Limited

(Stock Code: 1184)

ANNUAL REPORT

2016



This Annual Report is printed on environmentally friendly paper

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Company Profile

Established since 1981 and listed on the Hong Kong Stock Exchange in 1994, **S.A.S. GROUP** IS A LEADING ELECTRONIC SUPPLY CHAIN SERVICES PROVIDER IN THE GREATER CHINA REGION. The Group specialises in design, development, sourcing, quality assurance and logistics management of global proprietary electronic components and semiconductor products including chipset solutions, display panel, memory chips, light-emitting diode ("LED") lighting solutions, power supply system solutions, multimedia system solutions, PEMCO and other premier solutions for a wide range of applications for mobile, consumer electronic, computer and networking, telecommunication, IoT home automation and LED lighting products. The Group is also a distributor of innovative environmental-friendly lifestyle enhancement finished products under SHARP and our owned brands of LIM LIGHT IN MOTION, LIM+ LIGHT IN MOTION+ and LIM LIFE IN MOTION in the Asia Pacific region. S.A.S. Group serves more than 100 famous semiconductor suppliers and over 10,000 customers such as electronics manufacturing services ("EMS") providers, original equipment manufacturers, original design manufacturers, valued-added resellers, retailers and end customers and has more than 15 sales offices in China, Hong Kong and Taiwan.

DIRECTORS

Executive Directors

Mr. Yim Yuk Lun, Stanley *JP*
(Chairman and Managing Director)
Mr. Wong Sui Chuen
Mr. Yim Tsz Kit, Jacky
Mr. Wong Wai Tai

Independent Non-Executive Directors

Dr. Lui Ming Wah *SBS JP*
Mr. Wong Tak Yuen, Adrian
Mr. Liu Chun Ning, Wilfred
Mr. Cheung Chi Kwan

AUDIT COMMITTEE

Mr. Wong Tak Yuen, Adrian *(Chairman)*
Dr. Lui Ming Wah *SBS JP*
Mr. Cheung Chi Kwan

REMUNERATION COMMITTEE

Mr. Wong Tak Yuen, Adrian *(Chairman)*
Dr. Lui Ming Wah *SBS JP*
Mr. Wong Sui Chuen

NOMINATION COMMITTEE

Mr. Wong Tak Yuen, Adrian *(Chairman)*
Mr. Wong Sui Chuen
Mr. Cheung Chi Kwan

COMPANY SECRETARY

Mr. Wong Wai Tai

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

6th Floor, Tower B
Hunghom Commercial Centre
37 Ma Tau Wai Road
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F., One Pacific Place
88 Queensway
Hong Kong

WEBSITE

http://www.sasdragon.com.hk

STOCK CODE

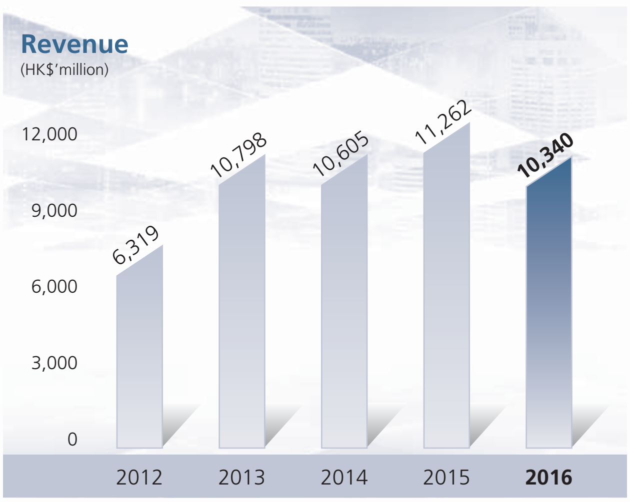
The Stock Exchange of Hong Kong Limited: 1184

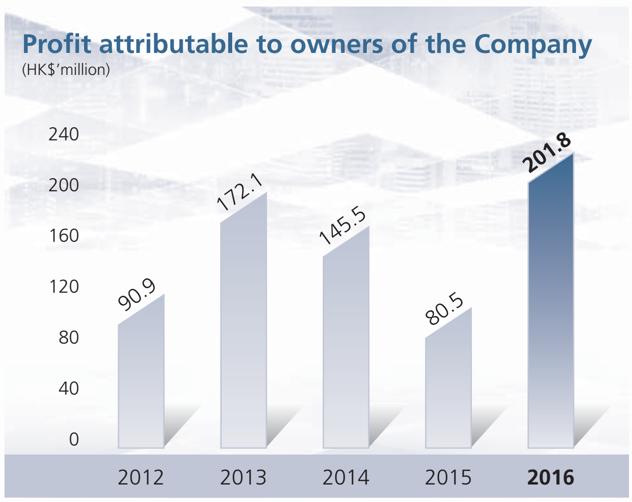
Group Structure

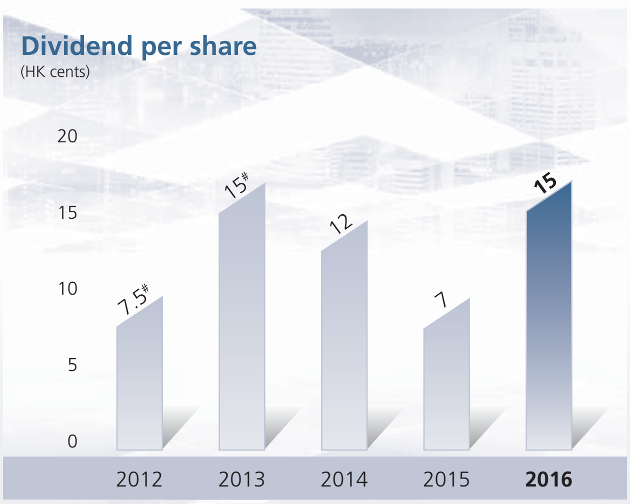
S.A.S. DRAGON HOLDINGS LIMITED

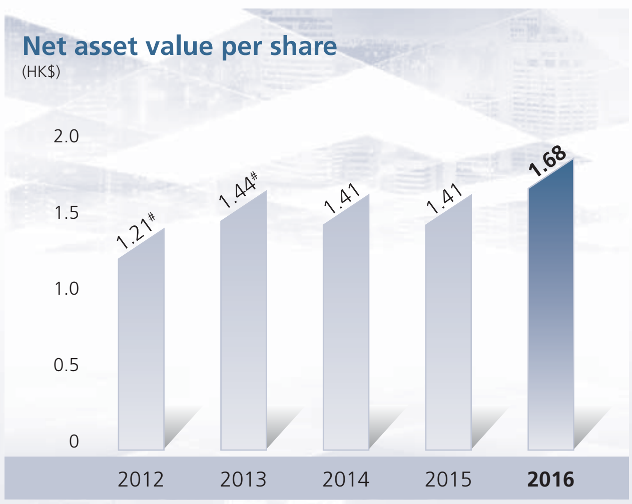
- 100% **S.A.S. INVESTMENT COMPANY LIMITED**
  - Green Value Engineering (GVE) products
    - 100% S.A.S. Lighting Company Limited
    - 100% 時捷照明（深圳）有限公司
  - Solution provider of electronic components & semiconductor products
    - 100% S.A.S. Electronic Company Limited
    - 70% SMartech Electronic Company Limited
    - 100% HAS Electronic Company Limited
    - 100% RSL Microelectronics Company Limited
    - 100% SPT Technology Limited
    - 100% Time Speed Technology Corporation
    - 100% 時捷電子科技(深圳)有限公司
    - 100% 時毅電子(深圳)有限公司
    - 100% 時保晶電(深圳)有限公司
  - Home appliance and business equipment
    - 100% S.A.S. Electronic Company Limited
    - 100% 前海時捷電子商務(深圳)有限公司

	2016	2015	Change
Revenue *(HK$ million)*	**10,339.6**	11,262.1	–8%
Profit attributable to owners of the Company *(HK$ million)*	**201.8**	80.5	+151%
Basic earnings per share *(HK cents)*	**32.33**	12.90	+151%
Dividend per share *(HK cents)*			
– Final proposed	**6.5**	4.5	
– Special proposed	**5.0**	–	
– Interim paid	**3.5**	2.5	
– Total	**15.0**	7.0	+114%









As restated for the issue of the bonus shares on the basis of one bonus share for every one ordinary share held to shareholders on 11 June 2014.

TO OUR SHAREHOLDERS

On behalf of the Board, I am pleased to present the consolidated results of S.A.S. Dragon Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2016.

FINANCIAL REVIEW

For the year ended 31 December 2016, the Group achieved sales revenue of HK$10,339,603,000, dropped 8% from HK$11,262,149,000 recorded last year. However, if assuming no consolidation of revenue generated by Hi-Level Technology Holdings Limited and its subsidiaries in 2015 *(Note)*, the Group's revenue increased 4% year-on-year. Moreover, benefited from the change of product line mix, the Group's gross profit was HK$481,395,000 grew 12% from HK$428,134,000 recorded last year and gross profit margin was 4.7%, improved from 3.8% recorded last year. Profit attributable to the owners of the Company for the year ended 31 December 2016 was HK$201,842,000, increased by 151% compared with HK$80,530,000 recorded last year. Basic earnings per share was HK32.33 cents (2015: HK12.90 cents).

DIVIDENDS

To repatriate enhanced value to our shareholders and to celebrate the Group's 35th incorporation anniversary, the Board has recommended a final dividend of HK6.5 cents per ordinary share (2015: HK4.5 cents per ordinary share) together with a special dividend of HK5.0 cents per ordinary share (2015: Nil), payable to the shareholders of the Company whose names appear on the Register of Members of the Company on 29 May 2017. Together with an interim dividend of HK3.5 cents per ordinary share already paid, total dividend per ordinary share for the year will amount to HK15.0 cents (2015: HK7 cents).

BUSINESS REVIEW

Distribution of Electronic Components and Semiconductor

Amid slow China's economic growth and a more saturated smartphone market, riding on the Group's strategy to focus on fast-growing sectors and expansion on supplier base to provide comprehensive portfolio of electronic components and semiconductor to our customers in the Greater China region, the Group's core segment recorded sales revenue of HK$10.26 billion in 2016, increased 3% from HK$9.94 billion recorded last year (assuming no consolidation of revenue generated by Hi-Level Technology Holdings Limited and its subsidiaries in 2015 *(Note)*).

Mobile Phone

According to a research company, the worldwide smartphone market shipped a record total of 1.47 billion units in 2016, up 2% from the 1.44 billion units shipped in 2015. During the year under review, amid the challenging smartphone market, several major China branded mobile customers of the Group achieved excellent differentiation and performance by delivering high-end smartphone with better specifications and advanced features such as dual cameras and the Group recorded revenue growth in mobile phone segment by delivering boarder range of competitive products such as larger and high resolution panels, larger storage memory, high resolution camera modules, auto focus actuator, fingerprint sensors, force touch sensors, mobile payment security ICs, multi-function motion sensors and related IC drivers to those branded handset manufacturers, design houses and camera module factories in the Greater China region.

Note: On 7 January 2016, upon the completion of the dividend by way of distribution in specie of the shares of Hi-Level Technology Holdings Limited by way of a separate listing on the GEM Board of the Stock Exchange of Hong Kong Limited, the Group's interest in Hi-Level Technology Holdings Limited was diluted from 51% to approximate 34% and Hi-Level Technology Holdings Limited ceased to be a subsidiary and became an associate of the Company. The Group has adopted equity accounting in respect of its interest on Hi-Level Technology Holdings Limited thereafter.

Consumer Electronic

During the year under review, riding on the Group's proven all-round technical support of IoT (internet of things) and smart home connectivity solutions, the Group recorded mild revenue growth in consumer electronics segment by delivering competitive system on chip, radio frequency module, larger storage memory, multi-function motion sensors, optical coupler, frequency conversion IC and related IC drivers to those branded TV, robot, health equipment, household electrical appliance and office equipment manufacturers.

Green value engineering (GVE)

Over the years, our GVE team has received high recognition by international luxury hotel chains, large property developers, shopping malls, retail shops and offices in the Asia Pacific region in respect of its LED lighting products under our owned brand of "Light In Motion" . So as to provide more environmental-friendly solutions to our existing and potential customers, by leveraging our team's engineering expertise on LED product, we launched a new brand of "Light In Motion Plus" to focus on LED display and advertising screen installation and rental management services and successfully confirmed landmark orders for installation of large LED display and advertising screens in Hong Kong and the PRC in 2017.

Distribution of home appliances and business equipments and provision of related ancillary services

S.A.S. Electric Company Limited, a wholly owned subsidiary of the Company, has been appointed by SHARP Corporation as the sole and exclusive distributor of SHARP's audio-visual products, home appliances, lifestyle electronics products, business equipment and solutions in Hong Kong and Macau since 26 September 2016. To enhance user experience and build stronger relationship with customers, we launched "MySharp Membership" in 2016 and it will be further integrated into our transaction-based e-commerce platform in 2017 in order to provide a comprehensive online and offline sale and after-sale services to our customers.

Properties investment

As of 31 December 2016, the Group carried 12 units of investment properties (31 December 2015: 7 units) for commercial and industrial uses in Hong Kong and the PRC. The aggregate carrying value of investment properties amounted to HK$494 million (31 December 2015: HK$299 million).

The above investment properties altogether generated rental income of HK$10.2 million (2015: HK$8.2 million) with an annualised return of 2.1% (2015: 2.7%).

OUTLOOK

Looking ahead, as we are entering the era of smart city, intelligent household and vehicle networking, we are bullish for the demand of electronic components, GVE products, IoT devices and other smart consumer electronic products.

In 2017, the Group will complete the construction of a new intelligent 20-storey building at Kwai Chung for its headquarter office and warehouse center which is expected to strengthen the operation efficiency of the Group and provide more efficient and reliable services to its customers.

We have confidence that the Group will maintain competitive in the Greater China region by virtue of our economies of scales, solid long-term customer relations supported by our strong localised sales and engineers, competent inventory management and other value added services.

By leveraging on Hon Hai Group and SHARP Corporation's leading position in electronic component to consumer electronic regimes and our over 35 years of experience, industry expertise and market recognition, we are confident to pursue a healthy and sustainable business growth and generate more returns to our shareholders.

APPRECIATION

On behalf of the Board of Directors, I would like to thank all our employees for their contribution and commitments. I also wish to extend my sincere gratitude to our shareholders, customers, suppliers and other business partners for their long-term supports and dedication.

Yim Yuk Lun, Stanley *JP*
Chairman

Hong Kong, 29 March 2017

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2016, the Group's current ratio was 108% (31 December 2015: 104%). The Group's net gearing ratio was 145% (31 December 2015: 97%), defined as the Group's net borrowings (calculated as total bank and other borrowings minus total cash and bank balances minus financial assets at fair value through profit or loss) of approximately HK$1,650,065,000 (31 December 2015: HK$969,389,000) over total equity of HK$1,138,004,000 (31 December 2015: HK$1,000,589,000). The increase of net gearing ratio was mainly due to the increase of bank borrowings in relation to the increase of working capital required to fulfill unprecedented high level shipments made in the fourth quarter of 2016 and the first quarter of 2017 when compared with same quarters last year.

The Group recorded debtors turnover of approximately 50 days for the year under review (2015: 37 days) based on the amount of trade and bills receivable as at 31 December 2016 divided by sales for the same year and multiplied by 365 days.

The Group recorded inventory turnover and average payable year of approximately 41 days and 32 days respectively for the year under review (2015: approximately 23 days and 24 days respectively) based on the amount of inventory and trade and bills payables as at 31 December 2016, divided by cost of sales for the same year and multiplied by 365 days.

In 2016, the Group recorded net operating cash outflow of HK$415,336,000 compared with net operating cash inflow of HK$642,564,000 in 2015.

EMPLOYEE AND REMUNERATION POLICY

At 31 December 2016, the Group employed approximately 700 employees in the Greater China region. The Group ensures that their employees are offered competitive remuneration packages. Other staff benefits include share option scheme, provident fund schemes and medical insurance. Also, discretionary bonus was granted to eligible employees based on the Group's financial results and individual performance.

PLEDGE OF ASSETS

At 31 December 2016, certain of the Group's assets (including investment properties, leasehold land and buildings, trade receivables and investments held-for-trading) with the carrying value of totaling approximately HK$694 million were pledged to secure general banking facilities granted to the Group.

DIRECTORS

Executive Directors

Mr. Yim Yuk Lun, Stanley JP, aged 57, is the founder and the Chairman and Managing Director of the Group. He is responsible for the formulation of corporate strategies and the overall direction for the Group. Mr. Yim was appointed as a chairman and executive director of Hi-Level Technology Holdings Limited (stock code: 8113), a company listed on the GEM Board of the Stock Exchange on 1 October 2015. Mr. Yim has been an independent director of Innolux Corporation (stock code: 3481), a company listed on the Taiwan Stock Exchange, since 1 July 2013. He is currently the vice chairman of the Hong Kong Electronic Industries Association, a member of Yan Chai Hospital Advisory Board, the chairman of School Management Committee of Yan Chai Hospital Yim Tsui Yuk Shan Kindergarten, a member of the Chinese People's Political Consultative Conference Shanghai Committee, a member of the Chinese People's Political Consultative Conference Yunfu Committee, the chairman of Fight Crime Committee of Tsuen Wan District and a member of Tsuen Wan District Junior Police Call Honorary President Council.

Mr. Wong Sui Chuen, aged 63, was appointed as an Executive Director of the Company in 2003. He is mainly responsible for overall administration operations in the PRC. Mr. Wong has over twenty years experience in the PRC business affairs. He is currently appointed as the vice president of Shenzhen Association of Enterprises with Foreign Investment, the director of Shanghai Chinese Overseas Friendship Association, the consultant of Shenzhen Association for the Promotion of International Economy & Culture and the director of Dongguan Electronic Industries Association.

Mr. Yim Tsz Kit, Jacky, aged 32, was appointed as an Executive Director of the Company in 2013. He joined the Group in 2009 and is currently as the Director of S.A.S. Lighting Company Limited. He holds a Bachelor's degree from Central Saint Martins in United Kingdom and a Master's degree in Business Administration from the University of Wales. Before joining the Group, he was working in banking industry. He is a son of Mr. Yim Yuk Lun, Stanley *JP*, the Chairman and Managing Director of the Group and a substantial shareholder of the Company.

Mr. Wong Wai Tai, Peter, aged 45, was appointed as an Executive Director of the Company on 1 December 2016. He joined the Group in 2005 as the Company Secretary and Chief Financial Officer of the Group. He holds a Bachelor's degree of Business Administration from Hong Kong Baptist University and a Master of Laws from Renmin University of China. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. He has over twenty years experience in accounting, auditing, taxation and financial management. Mr. Wong has been appointed as non-executive director of Hi-Level Technology Holdings Limited (stock code: 8113), a company listed on the GEM Board of the Stock Exchange on 1 December 2016.

Independent Non-Executive Directors

Dr. Lui Ming Wah SBS JP, aged 79, was appointed as an Independent Non-Executive Director of the Company in 1994. He is currently the independent non-executive director of AV Concept Holdings Limited, Gold Peak Industries (Holdings) Limited and L.K. Technology Holdings Limited, all being listed companies in the Hong Kong Stock Exchange and a director of Asian Citrus Holding Limited, a listed company in the London Stock Exchange and Hong Kong. Dr. Lui holds a Master's degree in applied science from the University of New South Wales, Australia and a Doctorate in engineering from the University of Saskatchewan, Canada. Dr. Lui is currently the managing director of Keystone Electronics Company Limited. Dr. Lui is the Hon. Chairman of the Hong Kong Electronic Industries Association Limited and Hon. President of CMA.

Mr. Wong Tak Yuen, Adrian, aged 62, was appointed as an Independent Non-Executive Director of the Company in 1999. Mr. Wong holds a Bachelor's degree in Economics and Mathematics from the University of Western Ontario, London, Canada. Mr. Wong has over twenty years experience in the financial Industry.

Mr. Liu Chun Ning, Wilfred, aged 55, was appointed as an Independent Non-Executive Director of the Company in 2001. He is a non-executive director of Liu Chong Hing Investment Limited, a listed company in the Hong Kong Stock Exchange. He was appointed as executive director of Chong Hing Bank Limited during 1998 to February 2014 and independent non-executive director of Get Nice Holdings Limited during May 2002 to August 2014, whose shares are listed in the Hong Kong Stock Exchange. He holds a Bachelor's degree in economics from the University of Newcastle-upon-Tyne (UK).

Mr. Cheung Chi Kwan, aged 57, was appointed as an Independent Non-Executive Director of the Company in 2004. Mr. Cheung has over twenty years of accounting experience. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. In addition, Mr. Cheung holds a Bachelor's Degree in Laws from University of Wolverhampton, United Kingdom.

SENIOR MANAGEMENT

Mr. Chin Kan Tak, Danny, aged 60, joined the Group in 1990 as the Chief Operation Officer of the Group. He has more than twenty years experience in the operation and management of electronic industry.

Mr. Wang Yi, Michael, aged 50, joined the Group in 2002 as the Sales Director of SMartech Electronic Company Limited. He graduated from Shanghai University of Technology, with a Bachelor's degree in Electronic engineering. He has several years experience as Field Application Engineer in Philips Semiconductor Shanghai and ten years experience as Sales & Marketing Manager of Samsung Semiconductor in the PRC.

Mr. Cao Lei, Benny, aged 50, joined the Group in 2005 as the General Manager of SMartech Electronic Company Limited. He graduated from Shanghai Railway Technology Institute with a college degree in Reliability Engineering. He has more than sixteen years management experience in electronics field on sales and marketing.

The Group continues to achieve high standards of corporate governance which, it believes, is crucial to the development of the Group and to safeguard the interests of the Company's shareholders.

The Company complied with the applicable code provisions in the Corporate Governance Code (the "Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2016, except for the deviations from code provisions A.1.8, A.2.1, A.4.1 and A.6.7 which are explained in the relevant paragraphs below.

BOARD OF DIRECTORS

The Board currently consists of 4 executive directors, namely, Mr. Yim Yuk Lun, Stanley *JP*, Mr. Wong Sui Chuen, Mr. Yim Tsz Kit, Jacky and Mr. Wong Wai Tai and 4 independent non-executive directors ("INEDs") (collectively the "Directors"), namely, Dr. Lui Ming Wah *SBS JP*, Mr. Wong Tak Yuen, Adrian, Mr. Liu Chun Ning, Wilfred and Mr. Cheung Chi Kwan. Mr. Yim Tsz Kit, Jacky is a son of Mr. Yim Yuk Lun, Stanley *JP*, the Chairman and Managing Director of the Group and a substantial shareholder of the Company.

Details of remuneration paid to members of key management (including all Directors and senior management as disclosed in section headed "Directors and Senior Management Profiles" of this report) for the year ended 31 December 2016 fell within the following bands:

	Number of individual 2016
HK$1,000,001 to HK$1,500,000	3
Exceeding HK$1,500,000	2

The Board is responsible for the formulation of corporate strategies, the setting of appropriate strategic policies and internal control and the oversight of the operation and financial performance of the Group. The Board are individually and collectively accountable to the shareholders for the success and sustainable development of the Group.

Day-to-day management of the Group is delegated to the executive directors or senior management. Executive directors and senior management meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

The Company has received annual confirmation of independence from the four INEDs pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent within the definition of the Listing Rules.

During the year, all Directors have received regular updates on the changes and developments in the relevant laws and regulations applicable to the Directors. Additionally, trainings have been attended by all Directors covering the updates on the Companies Ordinance, the Listing Rules and/or accounting reporting standards.

Under the code provision A.1.8 of the Code, an issuer should arrange appropriate insurance cover in respect of legal action against its Directors. With regular and timely communications among the Directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the Directors can be handled effectively and the possibility of actual litigation against the Directors is low. The Company will consider to make such an arrangement as and when it thinks necessary.

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not performed by the same individual. Having considered the current business operation and the size of the Group, the Board is of the view that Mr. Yim Yuk Lun, Stanley *JP* acting as both the Chairman and the Managing Director of the Group is acceptable and in the best interest of the Group. Mr. Yim is responsible for the formulation of corporate strategies and the overall direction for the Group's management team.

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. The non-executive directors of the Company have not been appointed for a specific term. However, according to the Bye-laws of the Company, one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are similar to those in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions.

Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year under review.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare financial statements for each half and full financial year which give a true and fair view of the state of affairs of the Group.

AUDIT COMMITTEE

The Audit Committee consists of 3 non-executive directors, namely, Mr. Wong Tak Yuen, Adrian, Mr. Cheung Chi Kwan and Dr. Lui Ming Wah *SBS JP*. Mr. Wong Tak Yuen, Adrian is the Chairman of the Audit Committee. In accordance with the terms of reference of the Audit Committee, the Audit Committee met twice in 2016 to review the interim and final results of the Company. The terms of reference of the Committee are aligned with the recommendations set out in "A Guide For Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Code.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and risk management systems and internal controls procedures, review of the Group's financial information and review of the relationship with the Auditors of the Company.

During the financial year ended 31 December 2016, the Group has engaged the external auditors, Deloitte Touche Tohmatsu, to provide the following services and their respective fees charged are set out as below:

Type of Services	Amount *HK$'000*
Audit fee	1,770
Non-audit and tax related services	219

REMUNERATION COMMITTEE

The Remuneration Committee comprises 3 members, namely, Mr. Wong Sui Chuen, Dr. Lui Ming Wah *SBS JP* and Mr. Wong Tak Yuen, Adrian, majority of whom are independent non-executive directors, and is chaired by Mr. Wong Tak Yuen, Adrian.

The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policies and structure for all remuneration of Directors and senior management and to review the specific remuneration packages of Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. Two meetings have been held during the year under review.

NOMINATION COMMITTEE

The Nomination Committee comprises 3 members, namely, Mr. Wong Sui Chuen, Mr. Wong Tak Yuen, Adrian and Mr. Cheung Chi Kwan, majority of whom are independent non-executive directors and is chaired by Mr. Wong Tak Yuen, Adrian. Two meetings have been held during the year under review.

The principal responsibilities of the Nomination Committee are to determine the policy for the nomination of Directors, to set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship, to review the structure, size and composition of the Board and to assess the independence of the independent non-executive Directors.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Board Diversity Policy") on 27 August 2013. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board.

In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

BOARD AND COMMITTEE ATTENDANCE

The Board held six meetings during the year.

Details of the attendance of each of the Directors at board meeting, committees meetings and annual general meeting (the "AGM") during the year are set out in the table below:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM
Number of Meeting(s)	6	2	2	2	1
Executive Directors					
Yim Yuk Lun, Stanley *JP*	6/6	N/A	N/A	N/A	1/1
Wong Sui Chuen	6/6	N/A	2/2	2/2	1/1
Yim Tsz Kit, Jacky	6/6	N/A	N/A	N/A	1/1
Wong Wai Tai *(appointed on 1 December 2016)*	N/A	N/A	N/A	N/A	N/A
Lau Ping Cheung *(resigned on 30 November 2016)*	5/6	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Dr. Lui Ming Wah *SBS JP*	6/6	2/2	2/2	N/A	0/1
Wong Tak Yuen, Adrian	6/6	2/2	2/2	2/2	1/1
Liu Chun Ning, Wilfred	5/6	N/A	N/A	N/A	0/1
Cheung Chi Kwan	6/6	2/2	N/A	2/2	1/1

In respect of the code provision A.6.7 of the Code, two non-executive directors were unable to attend the AGM meeting of the Company held on 19 May 2016 due to their unexpected business engagement.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for maintaining good and effective risk management and internal controls of the Group.

During the year, the Board, with the assistance of the audit committee, conducted a review of the effectiveness and adequacy of the Group's risk management and internal control systems, covering financial, operational, compliance control and risk management functions. To assist the audit committee to fulfill its responsibilities, the senior management has to identify, update and report the key risk areas which covered all aspects of corporate strategies, operation and finance to the Board.

The Group risk management and internal control system includes the setting up of a management structure with limits of authority and is designed to help the Group achieve its business objectives, protects its assets against unauthorised use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication and ensures compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate all risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

Risk management report and internal control report are submitted to the audit committee and the Board at least once a year. After reviewing the Group's risk management and internal control systems, the Board considers that the systems are effective and adequate for the Group as a whole. The Board further considers that (i) there was no material issue relating to the Group's risk management and internal controls, including financial, operational and compliance controls and risk management functions of the Group; and (ii) that there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting, internal audit and financial reporting functions, and adequate training programmes had been provided during the year under review.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of Securities and Futures Ordinance ("**SFO**") and the GEM Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

SHAREHOLDERS' RIGHT

(i) Procedures by which shareholders can convene a Special General Meetings ("SGM")

The Board shall, on the requisition in writing of the shareholders of not less than one-tenth of the paid-up capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene a SGM.

If within 21 days of such deposit the Board fails to proceed to convene the SGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but any meeting so convened shall not be held after three months from the date of the original deposit.

(ii) Procedures for putting forward proposals at General Meetings ("GM")

Shareholders can submit a written requisition to move a resolution at GM. The number of shareholders shall represent not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the GM, or who are no less than 100 shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the GM. It must also be signed by all of the shareholders concerned and be deposited to the Company Secretary at the Company's office in Hong Kong at 6/F., Tower B, Hunghom Commercial Centre, 37 Ma Tau Wai Road, Hunghom, Kowloon, Hong Kong not less than 6 weeks before the GM in case of a requisition requiring notice of a resolution and not less than one week before the GM in case of any other requisition.

The request will be verified with the Company's Share Registrars and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board of Directors to include the resolution in the agenda for the meeting provided that the shareholders concerned have deposited a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders.

(iii) Shareholders' Enquiries

Shareholders may at any time send their enquiries and concerns to the Board in writing with contact information of the requisitionists and deposited to the Company Secretary at the Company's office in Hong Kong at 6/F., Tower B, Hunghom Commercial Centre, 37 Ma Tau Wai Road, Hunghom, Kowloon, Hong Kong.

COMMUNICATION WITH SHAREHOLDERS

To foster effective communications with its shareholders, the Company provides extensive information in its annual report and press release. Also the Group disseminates information relating to its business electronically through its website at www.sasdragon.com.hk. The Company regards the annual general meeting as an important event as it provides an important opportunity for direct communications between the Board and the Company's shareholders. All Directors and senior management will make an effort to attend. All shareholders will be given at least 20 clear business days' notice of the annual general meeting and are encouraged to attend the annual general meeting and other shareholders' meetings.

The directors present their annual report and the audited consolidated financial statements of S.A.S. Dragon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the activities of its principal subsidiaries are set out in note 44 to the consolidated financial statements. There were no significant changes to the Group's principal activities during the current year.

DIVIDENDS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 32.

The directors recommend the payment of a final dividend of HK6.5 cents per share and a special dividend of HK5.0 cents per share to the shareholders on the register of members on 29 May 2017. Dividend warrants will be dispatched on 7 June 2017.

BUSINESS REVIEW

Business review of the Group for the year ended 31 December 2016 has been stated in the Chairman's Statement and Management Discussion and Analysis on pages 6 to 9 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 48% and 65%, respectively, of the Group's total purchases for the year.

The aggregate sales attributable to the Group's largest customer and five largest customers taken together accounted for 19% and 37%, respectively, of the Group's total sales for the year.

Hon Hai Precision Industry Co., Ltd. ("Hon Hai"), a shareholder holding more than 5% of the Company's share capital, was one of the Group's five largest suppliers. Save for this company, none of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest suppliers and customers.

INVESTMENT PROPERTIES

At 31 December 2016, the investment properties of the Group were revalued by an independent firm of professional property valuers at HK$493,940,000. The revaluation resulted in a surplus of HK$12,033,000 and is recognised in the consolidated statement of profit or loss and other comprehensive income. Details are set out in note 13 to the consolidated financial statements.

Particulars of investment properties of the Group at 31 December 2016 are set out on pages 119 and 120.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2016, calculated in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, is represented by the contributed surplus and the retained profits in the aggregate amount of HK$220,486,000 (2015: HK$156,709,000) as disclosed in note 43 to the consolidated financial statements.

ANALYSIS OF KEY FINANCIAL PERFORMANCE INDICATORS

For details of the key financial performance indicators to the performance the Group's business, please refer to "Management Discussion and Analysis" on page 9 of this report.

ENVIRONMENTAL PROTECTION

The Group is committed to acting in an environmentally responsible manner. Using LED lamps for offices and warehouse premises, environmentally friendly paper to print annual and interim reports, recycling and use of eco-friendly stationery, plus a series of measures to save paper and energy, resulted in more efficient use of resources, as well as reduction of waste.

COMPLIANCE WITH REGULATIONS

There was no material breach of or non-compliance with the applicable laws and regulations such as the Hong Kong Companies Ordinance (Cap. 622), the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and other applicable local laws and regulations in various jurisdictions.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Remuneration packages are generally structured with reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Apart from salary payments, there are other staff benefits including mandatory provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees of the Group.

Relationship is the fundamentals of business. The Group fully understand this principal and thus maintain close relationship with the customers to fulfil their immediate and long-term need.

The Group encompasses working relationships with suppliers to meet our customer's needs in an effective and efficient manner. The Group work closely and well-communicated to suppliers before the commencement of a project.

PRINCIPAL RISK AND UNCERTAINTIES FACING THE COMPANY

The following lists out the principal risks and uncertainties facing the company in achieving business objectives and the Group's approach to tackle them:

Impact of local and international regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Foreign exchange risk

The Group has foreign currency sales and purchases, bank deposits and borrowings primary in United States dollars and Renminbi which expose the Group to foreign currency risk.

The Group entered into foreign currency forward contracts to hedge the currency risk related to its payables denominated in foreign currencies.

DIRECTORS

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

Executive Directors

Yim Yuk Lun, Stanley *JP (Chairman and Managing Director)*
Wong Sui Chuen
Yim Tsz Kit, Jacky
Wong Wai Tai *(appointed on 1 December 2016)*
Lau Ping Cheung *(resigned on 30 November 2016)*

Independent Non-Executive Directors

Dr. Lui Ming Wah *SBS JP*
Wong Tak Yuen, Adrian
Liu Chun Ning, Wilfred
Cheung Chi Kwan

Mr. Lau Ping Cheung who resigned as director as mentioned above wish to devote more time to his personal commitments following his resignation. He has confirmed that he has no disagreement with the Board and nothing relating to the affairs of the Company need to be brought to the attention of the members of the Company.

In accordance with Clause 86 (2) and 87 of the Company's Bye-Laws, Mr. Yim Tsz Kit, Jacky, Mr. Wong Wai Tai, Dr. Lui Ming Wah *SBS JP* and Mr. Wong Tak Yuen, Adrian retire and, being eligible, offer themselves for re-election at the annual general meeting.

The term of office for all remaining directors is the period up to his retirement by rotation in accordance with the above Bye-Laws.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to rule 13.51B (1) of the Listing Rules, the change of directors' information of the Company since the date of 2016 interim report is as follow:

1. Mr. Lau Ping Cheung resigned as executive director of the Company on 30 November 2016.

2. Mr. Wong Wai Tai has been appointed as executive director of the Company on 1 December 2016.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

At no time during the year and up to the date of this report was any permitted indemnity provision being in force for the benefit of any of the directors of the Company.

MANAGEMENT CONTRACT

There were no contracts concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries or fellow subsidiaries, entered into or existed during the year.

DIRECTORS' INTEREST IN A TRANSACTION, ARRANGEMENT AND CONTRACTS OF SIGNIFICANCE

No transaction, arrangement and contract of significance to which the Company, its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director or a connected entity of a director 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.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2016, the interests of the directors of the Company in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions

(a) Ordinary shares of HK$0.10 each of the Company

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Yim Yuk Lun, Stanley *JP*	Beneficial owner	54,110,000	8.67%
	Held by controlled corporation *(Note 1)*	227,542,800	36.45%
		281,652,800	45.12%
Wong Sui Chuen	Beneficial owner	1,824,000	0.29%

(b) *Ordinary shares of HK$0.01 each of Hi-Level Technology Holdings Limited ("Hi-Level shares")*

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of Hi-Level
Yim Yuk Lun, Stanley *JP*	Beneficial owner *(Note 2)*	21,382,861	3.56%
	Held by controlled corporation *(Note 2)*	205,653,000	34.28%
		227,035,861	37.84%
Wong Sui Chuen	Beneficial owner	131,328	0.02%

Notes:

1. These shares are held by Unimicro Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Yim Yuk Lun, Stanley *JP*.

2. Mr. Yim Yuk Lun, Stanley JP beneficially owns 21,382,861 Hi-Level shares and is the controlling shareholder of the Company; he is therefore under the SFO deemed to be interested in 205,653,000 Hi-Level shares held by S.A.S. Investment Company Limited ("S.A.S. Investment") which is a wholly-owned subsidiary of the Company.

Save as disclosed above, other than certain nominee shares in subsidiaries held by certain directors in trust for the Company, none of the directors or chief executives or their associates had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31 December 2016.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 30 to the consolidated financial statements.

(a) Share option scheme of the Company

During the year, the movements in the share options to subscribe for the Company's shares were as follows:

	Exercise Price HK$	Outstanding as at 1.1.2016	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31.12.2016	Closing price on the date of grant HK$	Weighted average closing price of shares immediately before the date on which the share options were exercised
Employees	2.60	3,610,000	–	–	(266,000)	3,344,000	2.57	N/A

Share options granted in September 2014 under the Company's share option scheme are exercisable during the period from 25 September 2015 to 24 September 2017 in two batches.

(b) Equity-settled Pre-IPO Share Option Scheme of Hi-level Technology Holdings Limited

On 4 January 2016, there were share options granted to directors or employees of the Group under the Pre-IPO Share Option Scheme. The following tables disclose movements in the share options granted to the directors and employees of the Group under the Pre-IPO Share Option Scheme for the years ended 31 December 2016:

					Number of share options			
Grantees	Vesting proportion	Vesting date	Exercisable period	Exercise price per share	Outstanding at 1.1.2015 and 31.12.2015	Options granted during the year	Options lapsed during the year	Outstanding at 31.12.2016
Employees	50%	6.1.2017	7.1.2017–6.1.2019	HK$0.31	–	9,475,000	(525,000)	8,950,000
	50%	6.1.2018	7.1.2018–6.1.2019	HK$0.31	–	9,475,000	(525,000)	8,950,000
Directors	50%	6.1.2017	7.1.2017–6.1.2019	HK$0.31	–	3,500,000	–	3,500,000
	50%	6.1.2018	7.1.2018–6.1.2019	HK$0.31	–	3,500,000	–	3,500,000
					–	25,950,000	(1,050,000)	24,900,000
Exercisable at the end of the years								–
Weighted average exercise price					–	HK$0.31	HK$0.31	HK$0.31

Share options granted in January 2016 under the Pre-IPO Share Option Scheme are exercisable during the period from 7 January 2017 to 6 January 2019 in two batches.

EQUITY-LINKED AGREEMENTS

Other than the Company's share option scheme disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Company's share option scheme and the Pre-IPO Share Option Scheme of Hi-Level Technology Holdings Limited disclosed above, at no time during the year was the Company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or their spouses or children under the age of eighteen had right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2016, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions:

Ordinary shares of HK$0.10 each of the Company

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Hon Hai	Held by controlled corporation *(Note)*	124,000,000	19.86%
Foxconn Holding Limited ("Foxconn")	Beneficial owner	124,000,000	19.86%

Note: Hon Hai owns 100% interest in Foxconn and is accordingly deemed to be interested in those ordinary shares of the Company beneficially owned by Foxconn.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company at 31 December 2016.

TAX RELIEF

The Company is not aware of any relief on taxation available to the shareholders by reason of their holdings of the shares. If the shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the shares, they are advised to consult their professional advisers.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

During the year ended 31 December 2016, the Group entered into a number of connected transactions and continuing connected transactions with Hon Hai (being the substantial shareholder of the Company) and its subsidiaries (which are regarded as connected persons as defined in the Listing Rules).

The Group carried out the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.73 of the Listing Rules) during the year ended 31 December 2016:

Pursuant to the conditional master agreement entered into among the Company and Hon Hai on 12 November 2012 which governs the sales and purchases of electronic components to be made for the next 3 financial years during the period between 1 January 2012 and 31 December 2015 (as amended by the respective agreement dated 23 November 2006, 18 November 2009 and 9 April 2010.

The current conditional master agreement (2016 renewal) was entered into on 9 November 2015 which governs the sales and purchases of electronic components and other products to be made for the next 3 financial years commencing from 1 January 2016 to 31 December 2018. Further details of the said agreement were set out in the announcement of the Company dated 9 November 2015 and the circular of the Company dated 18 December 2015.

The said agreement and the proposed sale and purchase caps were duly approved by the shareholders of the Company on 6 January 2016.

During the year under review, the total purchase and sale transactions was HK$702 million and HK$1,060 million respectively within the approved purchase and sale caps for the year ended 31 December 2016.

Save as disclosed above and save for those connected transactions for the year disclosed in note 42 to the consolidated financial statements:

(i) no contracts of significance subsisted at any time during the year to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly; and

(ii) there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

In accordance with the conditions agreed with the Stock Exchange with respect to the connected transactions, the independent non-executive directors have reviewed the connected transactions set out in note 42 to the consolidated financial statements and, in their opinion, these transactions were entered into by the Group:

(i) in the ordinary course of business of the Group;

(ii) on normal commercial terms; and

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

Pursuant to Rule 14A.56 of the Listing Rules, the auditor of the Company (the "Auditor") had performed review work on the above continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transaction under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and reported that in respect of the continuing connected transaction during the year ended 31 December 2016 as stated above, (i) nothing has come to the Auditor's attention that causes them to believe the said continuing connected transaction have not been approved by the Board; (ii) for transactions involving the provision of goods or services by the Group, nothing has come to the Auditor's attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company; (iii) nothing has come to the Auditor's attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreement governing such transactions; and (iv) with respect to the aggregate amount of the said continuing connected transactions set out in the attached list of continuing connected transactions, nothing has come to the Auditor's attention that causes them to believe that the said continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcement dated 9 November 2015 made by the Company in respect of the said continuing connected transactions.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2016, neither the Company nor its subsidiaries purchased, sold or redeemed any of its listed securities.

PRE-EMPTIVE RIGHTS

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

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Board of Directors on the basis of their merit, qualifications, competence and job nature.

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

The Company has adopted a share option scheme as an incentive to eligible employees, details of the scheme is set out in note 30 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2016.

CHARITABLE DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$414,230.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

Signed on behalf of the Board

YIM YUK LUN, STANLEY *JP*
CHAIRMAN AND MANAGING DIRECTOR

Hong Kong, 29 March 2017

Deloitte. 德勤

TO THE MEMBERS OF S.A.S. DRAGON HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of S.A.S. Dragon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 32 to 117, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, 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 HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
We identified the impairment of trade receivables as a key audit matter due to its significance to the Group. Referring to notes 4 and 22 to the consolidated financial statements, the management assesses the impairment loss on trade receivables of the Group based on the evaluation of collectability in assessing the ultimate realisation of these receivables, including the trade receivables ageing analysis, repayment history, subsequent settlements, financial conditions and current creditworthiness of each customer. Where the actual future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss/further impairment loss may arise. As at 31 December 2016, the carrying amount of trade receivables was HK$1,421,005,000, net of allowance of HK$20,885,000.	Our procedures in relation to impairment of trade receivables included: • Understanding the management's assessment in relation to the collectability of trade receivables; • Testing the accuracy of the trade receivables ageing analysis as at 31 December 2016, on a sample basis; • Assessing the reasonableness of allowance for doubtful debts estimated by the management with reference to the trade receivables ageing analysis, repayment history, subsequent settlements, financial conditions and current creditworthiness of each customer; and • Evaluating the historical accuracy of allowance of doubtful debts estimation by management.
Allowance of inventories	
We identified the allowance of inventories as a key audit matter due to significant judgement exercised by management in identifying the obsolete and slow-moving inventory items, and estimating the allowance for inventories. Referring to note 4 to the consolidated financial statements, the directors of the Company review inventories on a product-by-product basis at the end of each reporting period to identify obsolete and slow-moving inventory items based on the inventories ageing analysis. Net realisable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Management estimates the net realisable value for inventories based primarily on the current market demand, latest selling prices and historical experiences on selling products with similar nature. As at 31 December 2016, the carrying values of inventories were HK$1,109,780,000 (net of allowance of HK$31,132,000).	Our procedures in relation to evaluating the appropriateness of estimated allowance of inventories included: • Understanding how the management identify obsolete and slow-moving inventory items, and estimates the allowance for obsolete and slow-moving inventory items as at 31 December 2016; • Testing the accuracy of the inventories ageing analysis as at 31 December 2016, on a sample basis; • Assessing the reasonableness of the net realisable value of inventories and allowance of inventories estimated by the management; • Tracing the latest selling prices to the sales invoices, on sample basis; and • Evaluating the historical accuracy of the allowance of inventories estimation by management.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of home appliances and business equipment distribution business	
We identified the valuation of home appliances and business equipment distribution business as a key audit matter due to the fact that the business valuation would affect the allocation of fair value to assets acquired in the business acquisition. Referring to note 35 to the consolidated financial statements, the consideration paid of HK$27,420,000 is less than the fair value of the business (i.e. net assets acquired) of HK$36,422,000. Referring to note 4 to the consolidated financial statements, the fair value of home appliances and business equipment distribution business as at the date of business acquisition was HK$36,422,000 based on a valuation performed by an independent professional valuer. In estimating the fair value of the home appliances and business equipment distribution business, significant judgement was exercised by management in the preparation of the discounted cash flows which require the estimation of key assumptions and inputs including terminal value, discount rates and growth rates.	Our procedures in relation to valuation of home appliances and business equipment business included: • Assessing the competence, capabilities and objectivity of the independent professional valuer by reference to its qualifications and experience; • Obtaining an understanding from the independent professional valuer about the valuation methodology, significant assumptions adopted, critical judgment on key inputs and data used in the valuations; • Assessing the reasonableness of source data used in the valuations by benchmarking the assumptions to relevant market information; and • Evaluating the appropriateness of the key assumptions in the cash flow projections and the discounted cash flow model, including the discount rate, growth rate, budgeted sales and gross margin, by discussing with the management and with reference to our understanding of the industry.

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 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 Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

- 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.

The engagement partner on the audit resulting in the independent auditor's report is Lam Sau Fung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Revenue	5	**10,339,603**	11,262,149
Cost of sales		**(9,858,208)**	(10,834,015)
Gross profit		**481,395**	428,134
Other income	8(b)	**10,862**	6,588
Other gains and losses	8(c)	**69,031**	(36,725)
Distribution and selling expenses		**(68,655)**	(54,320)
Administrative expenses		**(209,583)**	(205,504)
Net increase in fair value of investment properties	13	**12,033**	18,452
Share of loss of associates	17	**(1,428)**	(6,425)
Share of (loss) profit of joint ventures	18	**(64)**	6,031
Finance costs	6	**(36,979)**	(30,227)
Profit before tax		**256,612**	126,004
Income tax expense	7	**(32,500)**	(28,392)
Profit for the year	8(a)	**224,112**	97,612
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Fair value gain on property, plant and equipment transferred to investment properties		**28,652**	–
Items that may be reclassified subsequently to profit or loss:			
Fair value gain (loss) on available-for-sale investments		**29,841**	(4,312)
Reclassification adjustment on disposal of available-for-sale investments		**(8,641)**	(2,269)
Reclassification adjustment on impairment of available-for-sale investments		**–**	5,569
Exchange differences arising on translation of foreign operations of subsidiaries		**(30,823)**	(8,143)
Share of other comprehensive expense of associates and joint ventures		**(1,463)**	(114)
		(11,086)	(9,269)
Other comprehensive income (expense) for the year		**17,566**	(9,269)
Total comprehensive income for the year		**241,678**	88,343

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	NOTES	**2016** **HK$'000**	2015 HK$'000
Profit for the year attributable to:			
Owners of the Company		**201,842**	80,530
Non-controlling interests		**22,270**	17,082
		224,112	97,612
Total comprehensive income attributable to:			
Owners of the Company		**219,908**	71,964
Non-controlling interests		**21,770**	16,379
		241,678	88,343
Earnings per share *(HK cents)*	*12*		
– basic		**32.33**	12.90
– diluted		**32.33**	12.90

Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	31.12.2016 HK$'000	31.12.2015 HK$'000
Non-current Assets			
Investment properties	13	**493,940**	299,498
Property, plant and equipment	14	**415,466**	395,097
Goodwill	15	**–**	15,050
Other intangible assets	16	**6,914**	–
Interests in associates	17	**70,522**	12,298
Interest in a joint venture	18	**5,021**	5,450
Available-for-sale investments	19	**58,491**	22,054
Club memberships	20	**3,012**	3,278
Finance lease receivables	23	**56,746**	–
Deposit paid for acquisition of non-current asset	39	**–**	140,392
Deferred tax assets	31	**6,508**	5,405
		1,116,620	898,522
Current Assets			
Inventories	21	**1,109,780**	668,775
Trade and other receivables	22	**1,559,258**	1,248,767
Bills receivable	22	**–**	15,612
Finance lease receivables	23	**26,239**	–
Amount due from an associate	42	**220**	–
Derivative financial instruments	27	**190**	114
Financial assets at fair value through profit or loss	24	**34,217**	33,797
Tax recoverable		**2,764**	5,592
Pledged bank deposits	25	**–**	21,513
Bank balances and cash	25	**606,185**	658,131
		3,338,853	2,652,301
Current Liabilities			
Trade and other payables	26	**939,797**	758,853
Bills payable	26	**36,981**	34,021
Amount due to an associate	42	**1,410**	–
Derivative financial instruments	27	**18,593**	53,611
Tax liabilities		**17,484**	11,933
Bank borrowings – due within one year	28	**2,062,397**	1,682,830
Other borrowings	23	**26,239**	–
		3,102,901	2,541,248
Net Current Assets		**235,952**	111,053
Total assets less current liabilities		**1,352,572**	1,009,575

At 31 December 2016

	NOTES	31.12.2016 HK$'000	31.12.2015 HK$'000
Non-current Liabilities			
Deferred tax liabilities	31	12,737	8,986
Bank borrowings – due after one year	28	145,085	–
Other borrowings	23	56,746	–
		214,568	8,986
Net Assets		1,138,004	1,000,589
Capital and Reserves			
Share capital	29	62,428	62,428
Share premium and reserves		984,997	820,223
Equity attributable to owners of the Company		1,047,425	882,651
Non-controlling interests		90,579	117,938
Total Equity		1,138,004	1,000,589

The consolidated financial statements on pages 32 to 117 were approved and authorised for issue by the Board of Directors on 29 March 2017 and are signed on its behalf by:

Yim Yuk Lun, Stanley *JP*
DIRECTOR

Wong Sui Chuen
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000 *(note i)*	Other reserve HK$'000 *(note iv)*	Contributed surplus HK$'000 *(note ii)*	Property revaluation reserve HK$'000 *(note iii)*	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2015	62,428	1,718	1,109	11,145	(19,238)	13,519	37,347	2,561	4,044	400	766,229	881,262	119,482	1,000,744
Profit for the year	–	–	–	–	–	–	–	–	–	–	80,530	80,530	17,082	97,612
Fair value loss on available-for-sale investments	–	–	–	–	–	–	–	(4,312)	–	–	–	(4,312)	–	(4,312)
Reclassification adjustment on disposal of available-for-sale investments	–	–	–	–	–	–	–	(2,269)	–	–	–	(2,269)	–	(2,269)
Reclassification adjustment on impairment of available-for-sale investments	–	–	–	–	–	–	–	5,569	–	–	–	5,569	–	5,569
Exchange differences arising on translation of foreign operations of subsidiaries	–	–	–	–	–	–	–	–	(7,440)	–	–	(7,440)	(703)	(8,143)
Share of other comprehensive expense of associates and joint of ventures	–	–	–	–	–	–	–	–	(114)	–	–	(114)	–	(114)
Total comprehensive income for the year	–	–	–	–	–	–	–	(1,012)	(7,554)	–	80,530	71,964	16,379	88,343
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(17,940)	(17,940)
Dividends paid *(note 11)*	–	–	–	–	–	–	–	–	–	–	(71,792)	(71,792)	–	(71,792)
Realised on disposal of an associate	–	–	–	–	–	–	–	–	(34)	–	17	(17)	17	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	1,234	–	1,234	–	1,234
At 31 December 2015	62,428	1,718	1,109	11,145	(19,238)	13,519	37,347	1,549	(3,544)	1,634	774,984	882,651	117,938	1,000,589
Profit for the year	–	–	–	–	–	–	–	–	–	–	201,842	201,842	22,270	224,112
Fair value gain on of property, plant and equipment transferred to investment properties *(note 13)*	–	–	–	–	–	–	28,652	–	–	–	–	28,652	–	28,652
Fair value gain on available-for-sale investments	–	–	–	–	–	–	–	29,841	–	–	–	29,841	–	29,841
Reclassification adjustment on disposal of available-for-sale investments	–	–	–	–	–	–	–	(8,641)	–	–	–	(8,641)	–	(8,641)
Exchange differences arising on translation of foreign operations of subsidiaries	–	–	–	–	–	–	–	–	(30,323)	–	–	(30,323)	(500)	(30,823)
Share of other comprehensive expense of associates and joint ventures	–	–	–	–	–	–	–	–	(1,463)	–	–	(1,463)	–	(1,463)
Total comprehensive income for the year	–	–	–	–	–	–	28,652	21,200	(31,786)	–	201,842	219,908	21,770	241,678
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	3,250	3,250
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(28,600)	(28,600)
Dividends paid *(note 11)*	–	–	–	–	–	–	–	–	–	–	(49,943)	(49,943)	–	(49,943)
Dividend by way of a distribution in specie *(notes 11 and 36)*	–	–	–	–	–	–	–	–	–	–	(13,950)	(13,950)	–	(13,950)
Deemed contribution from a shareholder *(note 35)*	–	–	–	–	9,002	–	–	–	–	–	–	9,002	–	9,002
Recognition of equity-settled share-based payments *(note 30(a))*	–	–	–	–	–	–	–	–	–	328	–	328	–	328
Spin-off of subsidiaries *(note 36)*	–	–	–	–	–	–	–	–	(571)	–	–	(571)	(23,779)	(24,350)
At 31 December 2016	62,428	1,718	1,109	11,145	(10,236)	13,519	65,999	22,749	(35,901)	1,962	912,933	1,047,425	90,579	1,138,004

Notes:

(i) The capital reserve of the Group represents the aggregate of:

(a) the reserve of HK$10,445,000 arising on the acquisition of shares in subsidiaries from non-controlling shareholders pursuant to a previous group reorganisation; and

(b) the differences between the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to a previous group reorganisation, and the nominal value of the Company's shares issued in exchange of HK$700,000.

(ii) The contributed surplus of the Group represents the net aggregate of:

(a) the credit arising from the reduction of the nominal value of the consolidated shares from HK$1.00 each to HK$0.10 each by cancelling HK$0.90 paid up on each issued share, after a transfer of HK$10,565,000 towards the elimination of the accumulated losses of the Company as at 31 December 1997, of HK$70,510,000;

(b) the credit arising from cancellation of the share premium account of HK$237,881,000, after a transfer of HK$180,003,000 towards the elimination of the accumulated losses of the Company as at 31 December 2002, of HK$57,878,000; and

(c) the distribution to shareholders from 2003 to 2010 of HK$114,869,000.

(iii) The property revaluation reserve includes an amount of HK$52,432,000 (2015: HK$23,780,000) relating to properties previously held as property, plant and equipment and reclassified as investment properties. The remaining balance of HK$13,567,000 (2015: HK$13,567,000) represents revaluation surplus arising from certain of the Group's land and building carried at revalued amount prior to 30 September 1995. On the disposal or retirement of the asset, the revaluation reserve will be transferred directly to retained profits.

(iv) The other reserve of the Group represents the net aggregate of:

(a) the difference of HK$19,238,000 between the fair value of acquisition cost and the attributable additional interest in the carrying amount of net assets acquired in acquisition of additional interests in subsidiaries; and

(b) the difference of HK$9,002,000 between the fair value of net assets acquired from the Connected Person (as defined in note 35) and consideration paid which was deemed as contribution from a substantial shareholder and credited to equity of the Company. Details of which are set out in note 35.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES		
Profit before tax	256,612	126,004
Adjustments for:		
Allowance of trade receivables	16,834	11,196
Amortisation of intangible assets	344	–
Change in fair value of financial assets at fair value through profit or loss	(120)	5,438
Depreciation of property, plant and equipment	15,359	16,742
Dividend income from equity investments	(2,923)	(2,532)
Expenses recognised in respect of equity settled share-based payments	328	1,234
Fair value gain on dividend by way of a distribution in specie	(10,454)	–
Fair value gain on retained interest in Hi-Level Holdings held by Group	(27,714)	–
Finance costs	36,979	30,227
Gain on disposal of available-for-sale investments	(8,641)	(2,269)
(Gain) loss on disposal of financial assets at fair value through profit or loss	(391)	104
Gain on disposal of property, plant and equipment	(41)	(26)
Impairment loss on available-for-sale investments	–	5,569
Impairment loss on goodwill	–	1,369
Interest income on bank deposit	(682)	(574)
Net (gain) loss on fair value change of derivative financial instruments	(31,269)	24,379
Net increase in fair value of investment properties	(12,033)	(18,452)
(Reversal of allowance of) allowance of inventories	(5,417)	9,686
Share of loss of associates	1,428	6,425
Share of loss (profit) of joint ventures	64	(6,031)
Trade receivables recovered	–	(1,381)
Operating cash flows before movements in working capital	228,263	207,108
(Increase) decrease in inventories	(492,951)	254,404
(Increase) decrease in trade and other receivables	(511,717)	258,871
Decrease in bills receivable	15,612	30,980
Increase in finance lease receivables	(2,531)	–
Increase in trade and other payables	358,710	50,961
Decrease in amount due from an associate	3,933	–
Increase (decrease) in bills payable	2,960	(137,000)
Increase in amount due to an associate	1,410	–
Cash (used in) generated from operations	(396,311)	665,324
Hong Kong Profits Tax paid	(12,747)	(18,350)
The PRC Enterprise Income Tax ("EIT") paid	(5,278)	(2,590)
Taiwan Corporate Income Tax paid	(1,000)	(1,820)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(415,336)	642,564

For the year ended 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
INVESTING ACTIVITIES			
Withdrawal (placement) of pledged bank deposits		**21,513**	(7,960)
Proceeds on disposal of available-for-sale investment		**12,124**	8,178
Dividend received from an associate		**3,085**	–
Dividend received from equity investments		**2,923**	2,532
Proceeds on disposal of financial assets at fair value through profit or loss		**1,353**	1,363
Interest received on bank deposit		**682**	574
Proceeds on disposal of property, plant and equipment		**408**	136
Payment for additions to property, plant and equipment		**(49,431)**	(238,149)
Spin-off of subsidiaries	36	**(34,843)**	–
Payment for additions to investment properties and investment properties under development		**(15,566)**	(10,977)
(Settlement of) proceed from derivative financial instruments		**(3,825)**	6,789
Payment for additions to intangible assets		**(1,630)**	–
Investment in financial assets at fair value through profit or loss		**(1,262)**	(16,115)
Acquisition of additional interest in an associate		**(389)**	–
Acquisition of additional interest in SPT Technology Limited	34	**–**	32,061
Dividend received from joint venture		**–**	17,489
Proceeds from redemption of structured deposits		**–**	17,220
Refund of deposit paid for acquisition of property, plant and equipment		**–**	13,598
Deposit paid for acquisition of property, plant and equipment		**–**	(140,392)
Deposit paid for investment in available-for-sale investment		**–**	(18,720)
NET CASH USED IN INVESTING ACTIVITIES		**(64,858)**	(332,373)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	NOTE	2016 HK$'000	2015 HK$'000
FINANCING ACTIVITIES			
Bank borrowings raised		**13,792,365**	10,816,591
Other borrowings raised		**13,323**	–
Capital contribution by non-controlling interests		**3,250**	–
Repayment of bank borrowings		**(13,216,848)**	(11,150,574)
Dividends paid		**(49,943)**	(71,792)
Interest paid		**(38,969)**	(31,011)
Dividend paid to non-controlling shareholders		**(28,600)**	(17,940)
Acquisition of a business	35	**(27,420)**	–
Repayment of other borrowings		**(10,792)**	–
Payment for advance for an associate		**(7,527)**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**428,839**	(454,726)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(51,355)**	(144,535)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**658,131**	803,067
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(591)**	(401)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**606,185**	658,131

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

On 7 January 2016, the Group had completed the spin-off of its non-wholly-owned subsidiary, Hi-Level Technology Holdings Limited ("Hi-Level Holdings") and its subsidiaries (collectively referred to as the "Hi-Level Group") through a separate listing on the Growth Enterprise Market of the Stock Exchange (the "Spin-Off"). The Spin-Off involved the offering of 150,000,000 shares of HK$0.01 each by Hi-Level Holdings at an offer price of HK$0.31 per share. Immediately following the completion of the Spin-Off, the Group's equity interest in Hi-Level Holdings was diluted from 51.0% to approximately 34.1%. Details of which are set out in note 36 to the consolidated financial statements.

The Company acts as an investment holding company and the activities of its principal subsidiaries are set out in note 44.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

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

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

Amendments to HKAS 1 *Disclosure Initiative*

The Group has applied the amendments to HKAS 1 for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other HKFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes. Information to capital risk management and financial instruments was reordered to notes 40 and 41, respectively.

Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in the consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
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 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[5]

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.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

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

HKFRS 9 *Financial Instruments*

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

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

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

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

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of effect of HKFRS 9 until the Group performs a detail review.

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

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected and the amounts of revenue recognised are subject to variable consideration constraints, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

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

HKFRS 16 *Leases*

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

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$19,669,000 as disclosed in note 37. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

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

Amendments to HKAS 7 *Disclosure Initiative*

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements.

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 (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values 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 financial statements is determined on such a basis except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included 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.

Basis of consolidation

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

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

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

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

Profit or loss and each component 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.

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

All intra group 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)*

Change in the Group's ownership interest in existing subsidiary

Change in the Group's ownership interest in subsidiary that does not result in the Group losing control over the subsidiary is accounted for as equity transaction. The carrying amount of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the change in its relative interest in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combination

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 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 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* are measured in accordance with that standard.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination *(Continued)*

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.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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.

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

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

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

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates or joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates or joint ventures. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

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

Service revenue is recognised when services are rendered or recognised over the period of the warranty and support services expected to be provided.

Revenue allocated to the undelivered warranty and support services is deferred and recognised on a straight-line basis over the estimated period of the warranty and support services are expected to be provided, which ranges from one to five years.

Costs incurred to provide warranty and support services are recognised as cost of sales as incurred. The Group records deferred revenue when it receives payments in advance of the performance of relevant services.

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.

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

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Certain of the Group's leasehold land and buildings were revalued at 31 December 1994. The surplus arising on revaluation of these properties was credited to the property revaluation reserve. Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 *Property, Plant and Equipment* from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30 September 1995, and accordingly no further revaluation of land and buildings is carried out. Prior to 30 September 1995, the revaluation increase arising on the revaluation of these assets was credited to the property revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost or valuation of items of property, plant and equipment other than properties under construction over their estimated useful lives, using the straight-line method. The estimated useful lives 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.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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.

Buildings under development for future owner-occupied purpose

Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the property) is included in the profit or loss in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately

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

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 amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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 asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Tangible and intangible assets other than goodwill and club memberships (see the accounting policy in respect of goodwill above and club memberships below)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets 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 asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Tangible and intangible assets other than goodwill and club memberships (see the accounting policy in respect of goodwill above and club memberships below) *(Continued)*

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 years. A reversal of an impairment loss is recognised immediately in profit or losses, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Leasing

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

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset. Other than investment properties measured under fair value model, such costs are recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of 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 arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for 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 disposal or partial disposal of the Group's interests.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the 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 year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

Payments to defined contribution retirement benefits plans/state-managed retirement benefit schemes/ the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. 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 interests in associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax 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 the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Club memberships

Club memberships with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Club memberships are tested for impairment at least annually, and whenever there is any indication that they may be impaired by comparing their carrying amounts with their recoverable amounts. If the recoverable amount of club memberships is estimated to be less than its carrying amount, the carrying amount of the club memberships is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the club memberships 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 those club memberships in prior years. A reversal of an impairment loss is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method for electronic products and a weighted average cost method for other inventories. Net realisable value represents the estimated selling price for inventories less all estimated cost necessary to make the sale.

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

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate 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, other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising from remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 41 to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivable, pledged bank deposits, amount due from an associate, finance lease receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment 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.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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

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

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period (ranging from 30 days to 120 days), or observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are 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 the 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 (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade 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 is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment 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 asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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

Financial liabilities (including trade and other payables, bills payable, amount due to an associate and bank borrowings and other borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

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

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

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

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 30(a).

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statements, the directors of the Company are required to make 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company 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.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that:

(i) the Group's investment properties in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties in Hong Kong, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties in Hong Kong.

(ii) the Group's investment properties in the People's Republic of China (the "PRC") are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. As a result, the Group is subject to income taxes on the rental income of its investment properties in the PRC and deferred taxes on changes in fair value of the investment properties are recognised.

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

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, that 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 trade receivables

The assessment of the impairment loss on trade receivables of the Group is based on the evaluation of collectability based on management's judgment in assessing the ultimate realisation of these receivables, including the ageing of the trade receivables balance, repayment history, subsequent settlements, financial conditions and current creditworthiness of each customer. Where the actual future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss/further impairment loss may arise. As at 31 December 2016, the carrying amount of trade receivables were HK$1,421,005,000 (2015: HK$1,116,409,000) (net of allowance of approximately HK$20,885,000 (2015: HK$11,614,000)).

Allowance of inventories

The directors of the Company review the inventories on a product-by-product basis at the end of each reporting period to identify obsolete and slow-moving inventory items based on the inventories ageing analysis and determine allowance for inventories by reference to net realisable value of the inventories. Net realisable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Management estimates the net realisable value for inventories based primarily on the current market demand, latest selling prices and historical experiences on selling products with similar nature. As at 31 December 2016, the carrying values of inventories were HK$1,109,780,000 (2015: HK$668,775,000) (net of allowance for inventories of approximately HK$31,132,000 (2015: HK$43,525,000)).

Valuation of home appliances and business equipment distribution business

During the year ended 31 December 2016, the Group has completed the acquisition of home appliances and business equipment distribution business. The fair value of home appliances and business equipment distribution business as at the date of business acquisition was HK$36,422,000 based on a valuation performed by an independent professional valuer. In estimating the fair value of the home appliances and business equipment distribution business, significant judgement was exercised by management in the preparation of the discounted cash flows which require the estimation of key assumptions and inputs including terminal value, discount rates and growth rates. The business valuation would affect the allocation of fair value to assets acquired in the business acquisition. Details of which are set out in note 35.

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

Key sources of estimation uncertainty *(Continued)*

Income tax

As at 31 December 2016, unused tax losses of the Group amounted to approximately HK$110,600,000 (2015: HK$107,997,000), of which approximately HK$21,173,000 (2015: HK$21,173,000) has been recognised as a deferred tax asset. No deferred tax asset has been recognised in respect of the remaining losses of approximately HK$89,427,000 (2015: HK$86,824,000) due to unpredictability of future profit streams. In addition, for the deductible temporary differences in relation to decelerated tax depreciation, allowance for doubtful debts and allowance for inventories of the Group which amounted to approximately HK$18,440,000 (2015: HK$15,673,000), a deferred tax asset has been recognised in respect of approximately HK$6,512,000 (2015: HK$6,866,000). No deferred tax asset has been recognised in respect of the remaining amount of approximately HK$11,937,000 (2015: HK$8,807,000). In cases where the actual future profits generated are more than or less than expected, a material recognition or reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition or reversal takes place.

5. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the distribution of electronic components and semiconductor products that can be used in mobile phone products, consumer electronic products, computer and networking products, telecommunication products, light-emitting diode ("LED") lighting products, distribution of sport products and properties investments. In the current year, the Group is also engaged in the distribution of home appliances and business equipment and provision of related ancillary services, which is a business newly acquired during the year ended 31 December 2016, details of which are set out in note 35.

Information reported to chairman and managing director of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses only on revenue analysis by geographical location of customers. As no other discrete financial information is available for the assessment of different business activities, no segment information is presented other than entity-wide disclosures.

Revenue from major business products and services

The following is an analysis of the Group's revenue from its major business products and services:

	2016	2015
	HK$'000	*HK$'000*
Distribution of electronic components and semiconductor products	**10,262,530**	11,247,895
Distribution of home appliances and business equipment and provision of related ancillary services	**66,878**	–
Rental income from investment properties	**10,195**	8,180
Distribution of sport products	**–**	6,074
	10,339,603	11,262,149

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located in different places of domicile, including the PRC, Hong Kong and Taiwan.

The following is an analysis of the Group's revenue by the geographical locations of customers and properties for rental income for the year:

	Sales revenue by Geographical market	
	2016	2015
	HK$'000	*HK$'000*
The PRC	**7,581,642**	8,526,505
Hong Kong	**2,422,949**	2,473,006
Taiwan	**210,645**	151,046
United States of America	**78,469**	42,712
Singapore	**7,773**	40,731
Indonesia	**6,467**	–
Republic of Korea	**3,235**	3,294
Philippines	**2,270**	–
Macao Special Administrative Regions of the PRC	**2,430**	110
Thailand	**–**	4,098
Others	**23,723**	20,647
	10,339,603	11,262,149

The following is an analysis of the carrying amount of non-current assets excluding financial instruments and deferred tax assets by geographical area in which the assets are located:

	Carrying amount of non-current assets	
	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**699,185**	566,043
The PRC	**294,433**	303,725
Taiwan	**328**	365
Others	**929**	930
	994,875	871,063

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information about major customer

Revenue from a customer of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Customer A	**2,001,497**	2,272,503

6. FINANCE COSTS

	2016 ***HK$'000***	2015 *HK$'000*
Interest expenses on:		
Bank borrowings	**37,122**	31,011
Other borrowings	**1,847**	–
Total borrowing costs	**38,969**	31,011
Less: amounts capitalised in the cost of qualifying assets	**(1,990)**	(784)
	36,979	30,227

7. INCOME TAX EXPENSE

	2016 ***HK$'000***	2015 *HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
– current year	**27,822**	16,922
– (over)underprovision in prior years	**(963)**	1,150
PRC EIT		
– current year	**2,801**	4,944
Taiwan Corporate Income Tax		
– current year	**192**	1,959
	29,852	24,975
Deferred tax *(note 31)*		
– current year	**2,648**	3,417
	32,500	28,392

7. INCOME TAX EXPENSE *(Continued)*

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

Corporate Income Tax in Taiwan is charged at 17% for both years.

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

	2016 ***HK$'000***	2015 *HK$'000*
Profit before tax	**256,612**	126,004
Tax at Hong Kong Profits Tax rate of 16.5%	**42,341**	20,791
Tax effect of expenses not deductible for tax purpose	**3,837**	3,695
Tax effect of income not taxable for tax purpose	**(15,577)**	(3,300)
Tax effect of share of loss (profit) of joint ventures	**11**	(995)
(Over) underprovision in prior years	**(963)**	1,150
Tax effect of share of loss of associates	**236**	1,060
Tax effect of tax losses/deductible temporary differences not recognised	**1,525**	3,682
Utilisation of tax losses/deductible temporary differences previously not recognised	**(581)**	(642)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,731**	2,951
Others	**(60)**	–
Tax charge for the year	**32,500**	28,392

8. PROFIT FOR THE YEAR/OTHER INCOME/OTHER GAINES AND LOSSES

(a) Profit for the year

	2016 HK$'000	2015 HK$'000
Profit for the year has been arrived at after charging:		
Staff costs, including directors' remunerations *(note 9)*		
– salaries and other benefits	**89,650**	83,852
– performance related incentive payments *(note)*	**17,491**	12,534
– retirement benefits scheme contributions	**10,124**	10,734
– share-based payment expenses	**328**	1,234
	117,593	108,354
Auditor's remuneration	**1,910**	2,329
Depreciation of property, plant and equipment	**15,359**	16,742
Amortisation of intangible assets (included in administrative expenses)	**344**	–
Listing expenses (included in administrative expenses)	**–**	10,643
Allowance of trade receivables, net	**16,834**	9,815
Cost of inventories recognised as an expense (including reversal of allowance of inventories of HK$5,417,000 (2015: allowance of inventories of HK$9,686,000))	**9,857,691**	10,834,015
Rental income from investment properties, net of outgoings HK$11,000 (2015: HK$11,000)	**10,195**	8,180

note: Performance related incentive payments were determined with reference to the Group's operating results, individual performance and comparable market statistics.

(b) Other income

	2016 HK$'000	2015 HK$'000
Dividend income from equity investments	**2,923**	2,532
Interest income	**682**	574
Interest income on finance leases	**1,847**	–
Others	**5,410**	3,482
	10,862	6,588

8. PROFIT FOR THE YEAR/OTHER INCOME/OTHER GAINES AND LOSSES *(Continued)*

(c) Other gains and losses

	2016 **HK$'000**	2015 HK$'000
Net (gain) loss on fair value change of derivative financial instruments	**(31,269)**	24,379
Fair value gain on retained interest in Hi-Level Holdings held by the Group *(note 36)*	**(27,714)**	–
Fair value gain on dividend by way of distribution in specie *(note 36)*	**(10,454)**	–
Gain on disposal of available-for-sale investments	**(8,641)**	(2,269)
(Gain) loss on disposal of financial assets at fair value through profit or loss	**(391)**	104
Change in fair value of financial assets at fair value through profit or loss	**(120)**	5,438
Gain on disposal of property, plant and equipment	**(41)**	(26)
Net foreign exchange loss	**9,599**	2,161
Impairment loss on available-for-sale investments	**–**	5,569
Impairment loss on goodwill	**–**	1,369
	(69,031)	36,725

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

2016

	Executive Directors					Independent Non-Executive Directors				
	Yim Yuk Lun, Stanley *JP* HK$'000	Yim Tsz Kit, Jacky HK$'000	Wong Sui Chuen HK$'000	Wong Wai Tai HK$'000 (note iii)	Lau Ping Cheung HK$'000 (note iii)	Dr. Lui Ming Wah, *SBS JP* HK$'000	Wong Tak Yuen, Adrian HK$'000	Liu Chun Ning, Wilfred HK$'000	Cheung Chi Kwan HK$'000	Total HK$'000
Fees	–	–	–	–	–	50	50	–	100	200
Other emoluments										
Salaries and other benefits	4,560	840	840	100	1,045	–	–	–	–	7,385
Retirement benefits scheme contributions	228	18	18	1	17	–	–	–	–	282
Performance related incentive payments *(note i)*	8,000	210	210	300	200	–	–	–	–	8,920
Total emoluments	12,788	1,068	1,068	401	1,262	50	50	–	100	16,787

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

2015

	Executive Directors					Independent Non-Executive Directors				
	Yim Yuk Lun, Stanley *JP* HK$'000	Yim Tsz Kit, Jacky HK$'000	Wong Sui Chuen HK$'000	Lock Shui Cheung HK$'000 (note ii)	Lau Ping Cheung HK$'000 (note iii)	Dr. Lui Ming Wah, *SBS JP* HK$'000	Wong Tak Yuen, Adrian HK$'000	Liu Chun Ning, Wilfred HK$'000	Cheung Chi Kwan HK$'000	Total HK$'000
Fees	–	–	–	–	–	50	50	–	100	200
Other emoluments										
Salaries and other benefits	4,320	792	792	282	1,140	–	–	–	–	7,326
Retirement benefits scheme contributions	216	18	18	14	18	–	–	–	–	284
Performance related incentive payments *(note i)*	3,000	132	132	70	190	–	–	–	–	3,524
Total emoluments	7,536	942	942	366	1,348	50	50	–	100	11,334

notes:

(i) Performance related incentive payments were determined with reference to the Group's operating results, individual performance and comparable market statistics.

(ii) Mr. Lock Shui Cheung resigned as an executive director on 30 June 2015.

(iii) Mr. Lau Ping Cheung resigned as an executive director on 30 November 2016 and Mr. Wong Wai Tai was appointed as an executive director on 1 December 2016.

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

Mr. Yim Yuk Lun, Stanley *JP* is also the Chief Executive Officer of the Company and his emoluments disclosed above included those for services rendered by him as Chief Executive Officer.

During the years ended 31 December 2016 and 2015, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the years ended 31 December 2016 and 2015, no directors waived or agreed to waive any emoluments.

During the year ended 31 December 2016, pre-IPO share options were granted to certain directors by Hi-Level Holdings, in respect of their services to Hi-Level Holdings under the pre-IPO share option scheme of Hi-Level Holdings. Details of the pre-IPO share option scheme of Hi-Level Holdings are set out in note 30(b) to the consolidated financial statements.

10. EMPLOYEES' REMUNERATIONS

Of the five highest paid individuals in the Group, four (2015: three) were directors of the Company whose remunerations are set out in note 9 above. The remuneration of the remaining one (2015: two) individual(s) is (are) as follows:

	2016 HK$'000 (Note)	2015 HK$'000
Salaries and other benefits	**1,100**	2,146
Performance related incentive payments *(note)*	**–**	350
Retirement benefits scheme contributions	**17**	36
	1,117	2,532

note: Performance related incentive payments were determined with reference to the Group's operating results, individual performance and comparable market statistics.

Their remunerations were within the following bands:

	2016 No. of employees	2015 No. of employees
Not exceeding HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**1**	2

During the years ended 31 December 2016 and 2015, no emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group.

11. DIVIDENDS

	2016 HK$'000	2015 HK$'000
Dividends recognised as distribution during the year:		
2016 Interim dividend of HK3.50 cents (2015: 2015 interim dividend of HK2.50 cents) per share	**21,851**	15,607
2015 Final dividend of HK4.50 cents (2015: 2014 final dividend of HK9.00 cents) per share	**28,092**	56,185
Special interim dividend by way of a distribution in specie *(note)*	**13,950**	–
	63,893	71,792

Subsequent to the end of the reporting period, a final dividend of HK6.50 cents per share in respect of the year ended 31 December 2016 (2015: final dividend of HK4.50 cents per share in respect of the year ended 31 December 2015) together with a special dividend of HK5.00 cents (2015: Nil) per share has been proposed by the directors and are subject to approval by the shareholders in the forthcoming general meeting.

note: Pursuant to a resolution passed by the board of directors of the Company on 23 December 2015, a special interim dividend was declared conditionally upon the Spin-Off, which would be satisfied by way of distribution in specie of an aggregate of 45,000,000 shares of Hi-Level Holdings, equivalent to approximately 7.5% of the issued share capital of Hi-Level Holdings as enlarged by the Spin-Off. Such dividend became unconditional upon the Spin-Off on 7 January 2016. The net assets value of Hi-Level Holdings to be distributed in specie was approximately HK$3,496,000 and its fair value was approximately HK$13,950,000 based on the Spin-Off price of the shares of Hi-Level Holdings.

12. EARNINGS PER SHARE

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

	2016 HK$'000	2015 HK$'000
Earnings:		
Profit for the year attributable to owners of the Company, for the purpose of basic and diluted earnings per share	**201,842**	80,530

	2016 '000	2015 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**624,281**	624,281

The computation of diluted earnings per share for the years ended 31 December 2016 and 2015 did not assume the exercise of the Company's outstanding share options as the exercise price of those share options was higher than the average market price for shares.

13. INVESTMENT PROPERTIES

	Completed investment properties HK$'000	Investment properties under development HK$'000	Total HK$'000
FAIR VALUE			
At 1 January 2015	259,770	10,086	269,856
Additions	–	12,606	12,606
Net increase in fair value recognised in profit or loss	4,300	14,152	18,452
Exchange realignment	(1,170)	(246)	(1,416)
At 31 December 2015	262,900	36,598	299,498
Additions	8,263	7,303	15,566
Transfer from property, plant and equipment *(note)*	45,101	–	45,101
Transfer from deposit paid for acquisition of non-current asset *(note 39)*	128,693	–	128,693
Transfer upon completion	37,901	(37,901)	–
Net increase in fair value recognised in profit or loss	11,593	440	12,033
Exchange realignment	(6,451)	(500)	(6,951)
At 31 December 2016	488,000	5,940	493,940

note: As at 31 December 2016, commercial properties with an aggregate fair value amount of HK$45,101,000 were transferred from property, plant and equipment to investment properties due to change in management intention for generating rental income and for capital appreciation and the commencement of the related leasing arrangements. The difference between the carrying amount and the fair value at the date of transfer of HK$28,652,000 (2015: Nil) has been recognised in the other comprehensive income and accumulated in equity under the heading of property revaluation reserve. On the disposal or retirement of the properties, the property revaluation reserve will be transferred directly to retained profits.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment properties at the date of transfer from property, plant and equipment, 31 December 2016 and 2015 have been arrived at on the basis of a valuation carried out on the respective dates by B.I. Appraisals Limited ("B.I."), an independent qualified professional valuer not connected to the Group. B.I. is a member of the Institute of Valuers. In respect of the completed investment properties, the valuation was arrived at using the results calculated by the income capitalisation method by capitalising the rental income derived from leasing out the properties with due provision for the reversionary income potential. In respect of the investment properties under development, the valuation was arrived at by the residual method with reference to expectations of market participants of the value of the property when complete, less deductions for the costs required to complete the project which duly reflects the risks associated with the development of the properties and direct comparison method by referencing to market evidence of transaction prices for similar properties in similar locations. The residual method has assumed that the investment properties under development will be completed in accordance with the development proposals.

13. INVESTMENT PROPERTIES *(Continued)*

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2016 and 2015 are as follows:

Category	Fair value hierarchy	Fair value		Unrealised gain (loss) on property revaluation included in profit or loss for the year ended		Valuation techniques	Key unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
		31.12.2016	31.12.2015	31.12.2016	31.12.2015				
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*				
Completed investment properties									
Commercial properties	Level 3	414,300	216,100	16,144	4,300	Income capitalisation method	Reversionary rate	2.0% to 4.8% (2015: 2.4% to 4.0%)	The higher the reversionary yield, the lower the fair value
							Market rent	HK$18–HK$35 per square feet per month (2015: HK$19–HK$36 per square feet per month)	The higher the market rent, the higher the fair value
Industrial properties	Level 3	73,700	46,800	(4,551)	–	Income capitalisation method	Reversionary rate	5.0% to 5.5% (2015: 5.0% to 5.5%)	The higher the reversionary yield, the lower the fair value
							Market rent	RMB18 per square meter per month (2015: RMB18 per square meter per month)	The higher the market rent, the higher the fair value
Investment properties under development									
Industrial properties under development	Level 3	–	30,598	–	15,226	Residual method	Gross development value	(2015: RMB4,408 per square meter per month)	The higher the gross development value the higher the fair value
Industrial land	Level 3	5,940	6,000	440	(1,074)	Direct comparison method	Market consideration	RMB120–RMB450 per square meter (2015: RMB263–RMB297 per square meter)	The higher the market consideration, the higher the fair value
		493,940	299,498	12,033	18,452				

There were no transfers into or out of Level 3 during the year.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles and vessels HK$'000	Construction in progress HK$'000	Total HK$'000
COST OR VALUATION								
At 1 January 2015	162,420	17,814	5	37,945	32,415	44,480	–	295,079
Exchange realignment	(656)	(162)	–	(24)	(47)	(45)	–	(934)
Additions	–	934	–	1,396	971	6,767	228,865	238,933
Acquired on acquisition of a subsidiary *(note 34)*	–	162	–	16	643	60	–	881
Disposals	–	–	–	–	(24)	(563)	–	(587)
Transfer from deposit paid for acquisition of property, plant and equipment	–	–	–	–	–	–	22,280	22,280
At 31 December 2015	161,764	18,748	5	39,333	33,958	50,699	251,145	555,652
Exchange realignment	(2,186)	(452)	–	(78)	(99)	(105)	–	(2,920)
Additions	–	900	290	726	3,319	3	46,183	51,421
Acquisition of a business *(note 35)*	–	652	–	405	1,914	461	–	3,432
Disposal upon spin-off of subsidiaries *(note 36)*	–	(1,830)	–	(194)	(2,326)	(296)	–	(4,646)
Disposals	–	(1,639)	–	–	(1,487)	–	–	(3,126)
Revaluation on reclassification to investment properties	28,652	–	–	–	–	–	–	28,652
Transfer to investment properties *(note 13)*	(49,778)	–	–	–	–	–	–	(49,778)
At 31 December 2016	138,452	16,379	295	40,192	35,279	50,762	297,328	578,687
Comprising:								
At cost	93,102	16,379	295	40,192	35,279	50,762	297,328	533,337
At valuation – 1994	45,350	–	–	–	–	–	–	45,350
	138,452	16,379	295	40,192	35,279	50,762	297,328	578,687
DEPRECIATION								
At 1 January 2015	52,800	15,649	3	31,124	27,940	17,083	–	144,599
Exchange realignment	(83)	(161)	–	(21)	(23)	(21)	–	(309)
Provided for the year	3,928	1,157	1	3,051	2,313	6,292	–	16,742
Eliminated on disposals	–	–	–	–	–	(477)	–	(477)
At 31 December 2015	56,645	16,645	4	34,154	30,230	22,877	–	160,555
Exchange realignment	(313)	(442)	–	(69)	(51)	(64)	–	(939)
Provided for the year	3,663	1,123	34	2,266	1,955	6,318	–	15,359
Eliminated on disposals	–	(1,401)	–	–	(1,358)	–	–	(2,759)
Eliminated on disposal upon spin-off of subsidiaries *(note 36)*	–	(1,699)	–	(176)	(2,196)	(247)	–	(4,318)
Transfer to investment properties *(note 13)*	(4,677)	–	–	–	–	–	–	(4,677)
At 31 December 2016	55,318	14,226	38	36,175	28,580	28,884	–	163,221
CARRYING VALUES								
At 31 December 2016	83,134	2,153	257	4,017	6,699	21,878	297,328	415,466
At 31 December 2015	105,119	2,103	1	5,179	3,728	27,822	251,145	395,097

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment (other than construction in progress) are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	4% or over the term of the relevant lease, whichever is shorter
Leasehold improvements	Over the term of the relevant lease
Motor vehicles and vessels	10% to 20%
Others	20%

Owner-occupied leasehold land is included in property, plant and equipment, as in the opinion of the directors, allocations between the land and buildings elements could not be made reliably.

During the year ended 31 December 2015, an amount of HK$22,280,000 was transferred from deposit paid for acquisition of property, plant and equipment to construction in progress. Such amount was paid as deposit for an acquisition of a leasehold land in Hong Kong at a consideration of HK$222,800,000 and the acquisition was completed in July 2015.

15. GOODWILL

	HK$'000
CARRYING VALUES	
At 1 January 2015	16,419
Impairment loss recognised during the year	(1,369)
At 31 December 2015	15,050
Disposal upon spin-off of subsidiaries *(Note 36)*	(15,050)
At 31 December 2016	–

Goodwill of HK$15,050,000 as at 31 December 2015 acquired in business combinations was allocated, at acquisition, to an individual cash-generating unit ("CGU"), namely, distribution of electronic components and semiconductor products, that was expected to benefit from that business combination.

The basis of the recoverable amount of the CGU as at 31 December 2015 and their major underlying assumptions are summarised below:

Distribution of electronic components and semiconductor products

The recoverable amount of this unit had been determined based on a value in use calculation. As at 31 December 2015, the calculation used cash flow projections based on financial budgets approved by management covering a five-year period with 7.5% growth rate, and discount rate of 8%. This growth rate was based on the relevant industry growth forecasts and did not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation was the budgeted gross margin, which was determined based on the unit's past performance and management's expectations for the market development. Management believed that any reasonably possible change in all of these assumptions would not cause the aggregate carrying amount of this unit to exceed the aggregate recoverable amount of this unit. No impairment loss was recognised for year ended 31 December 2015.

15. GOODWILL *(Continued)*

Distribution of electronic components and semiconductor products *(Continued)*

During the year ended 31 December 2016, the goodwill of HK$15,050,000 was derecognised upon the completion of the Spin-Off. Details of which are set out in note 36 of the consolidated financial statement.

16. OTHER INTANGIBLE ASSETS

	Internet platform *HK$'000*	Customer relationship *HK$'000*	Total *HK$'000*
COST			
At 1 January 2015 and 31 December 2015	–	–	–
Acquired on acquisition of a business *(note 35)*	–	5,628	5,628
Additions	1,630	–	1,630
At 31 December 2016	1,630	5,628	7,258
AMORTISATION			
At 1 January 2015 and 31 December 2015	–	–	–
Provided for the year	62	282	344
At 31 December 2016	62	282	344
CARRYING VALUES			
At 31 December 2016	1,568	5,346	6,914
At 31 December 2015	–	–	–

The customer relationship was purchased as part of the acquisition of a business during the year ended 31 December 2016 and was recognised at their fair value at the date of acquisition, details of which are set out in note 35 to the consolidated financial statements.

The above intangible assets are amortised over their estimated useful lives, using the straight-line method, at the following rates per annum:

Customer relationship	33%
Internet platform	20%

17. INTERESTS IN ASSOCIATES

	31.12.2016 HK$'000	31.12.2015 HK$'000
Cost of investments in associates		
– Listed investments in Hong Kong	63,835	–
– Unlisted investments	18,723	18,723
	82,558	18,723
Share of post-acquisition losses and other comprehensive expense, net of dividends received	(12,036)	(6,425)
	70,522	12,298
Fair value of listed investments, Hi-Level Holdings	121,335	N/A

As at 31 December 2016 and 2015, the Group had interests in the following associates:

Name of associate	Form of business structure	Place of incorporation/ establishment/ operations	Class of shares held	Proportion of issued share/registered capital held by the Group 31.12.2016 %	31.12.2015 %	Principal activities
Bestime Technology Development Limited	Incorporated	Hong Kong	Ordinary	30	30	Trading of electronic products
Reachfull Investment Limited ("Reachfull")	Incorporated	British Virgin Islands	Ordinary	6	10	Investment holding
Hi-Level Holdings *(note)*	Incorporated	Cayman Islands	Ordinary	34.3	N/A *(note)*	Distribution of electronic products with provision of independent design house services

note: During the year ended 31 December 2016, the Group has further acquired additional equity interest in Hi-Level Holdings at a consideration of HK$389,000 after the Spin-Off. Hi-Level Holdings ceased to be a subsidiary of the Group upon the completion of the Spin-Off on 7 January 2016. The Group's equity interest in Hi-Level Holdings was diluted from 51.0% to approximately 34.3%, details of which are set out in note 36.

17. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

Hi-Level Holdings

	31.12.2016 *HK$'000*
Current assets	543,662
Non-current assets	818
Current liabilities	433,306
Non-current liabilities	–

	2016 *HK$'000*
Revenue	1,798,674
Profit for the year	30,690
Other comprehensive expense for the year	(3,203)
Total comprehensive income for the year	27,487
Dividends received from the associate during the year	3,085

17. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

Hi-Level Holdings *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31.12.2016
	HK$'000
Net assets of Hi-Level Holdings	**111,174**
Proportion of the Group's ownership interest in Hi-Level Holdings	**34.3%**
	38,110
Goodwill	**32,412**
Carrying amount of the Group's interest in Hi-Level Holdings	**70,522**

Aggregate information of associates that are not individually material

	2016	2015
	HK$'000	*HK$'000*
The Group's share of loss	**(12,298)**	(6,425)
The Group's share of total comprehensive expenses	**(12,298)**	(6,425)
Aggregate carrying amount of the Group's interests in these associates	**–**	12,298

The Group has discontinued recognition of its share of loss of associates. The amount of unrecognised share of the associates, both for the year and cumulatively, are as follows:

	31.12.2016	31.12.2015
	HK$'000	*HK$'000*
Unrecognised share of loss of the associates for the year	**–**	1

	31.12.2016	31.12.2015
	HK$'000	*HK$'000*
Accumulated unrecognised share of loss of the associates	**392**	392

18. INTEREST IN A JOINT VENTURE

	31.12.2016 HK$'000	31.12.2015 HK$'000
Cost of unlisted investment in a joint venture	**13,300**	13,300
Share of post-acquisition losses and other comprehensive expenses	**(8,279)**	(7,850)
	5,021	5,450

As at 31 December 2016 and 2015, the Group had interest in the following joint venture:

Name of joint venture	Form of business structure	Place of incorporation/ operations	Class of shares held	Proportion of issued share capital held by the Group 31.12.2016 %	Proportion of issued share capital held by the Group 31.12.2015 %	Proportion of voting rights held by the Group 31.12.2016 %	Proportion of voting rights held by the Group 31.12.2015 %	Principal activity
Kitronix Limited ("Kitronix")	Incorporated	Hong Kong	Ordinary	**35**	35	**40**	40	Manufacturing of liquid crystal display modules

During the year ended 31 December 2015, the Group acquired additional 45% equity interest in SPT Technology Limited from the other joint venture partner, an independent third party. Upon completion of the acquisition, SPT Technology Limited becomes a wholly owned subsidiary of the Company, as detailed in note 34.

The summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs:

Kitronix

	31.12.2016 HK$'000	31.12.2015 HK$'000
Current assets	**6,401**	6,120
Non-current assets	**8,766**	9,858
Current liabilities	**820**	406

The above amounts of assets and liabilities including the following:

	31.12.2016 HK$'000	31.12.2015 HK$'000
Cash and cash equivalent	**6,401**	5,058

18. INTEREST IN A JOINT VENTURE *(Continued)*

Kitronix *(Continued)*

	2016 *HK$'000*	2015 *HK$'000*
Revenue	**491**	234
Loss for the year	**(181)**	(1,188)
Other comprehensive expense for the year	**(1,044)**	(328)
Total comprehensive expense for the year	**(1,225)**	(1,516)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Kitronix recognised in the consolidated financial statements:

	31.12.2016 *HK$'000*	31.12.2015 *HK$'000*
Net assets of Kitronix	**14,347**	15,572
Proportion of the Group's ownership in Kitronix	**35%**	35%
Carrying amount of the Group's interest in Kitronix	**5,021**	5,450

19. AVAILABLE-FOR-SALE INVESTMENTS

	31.12.2016 *HK$'000*	31.12.2015 *HK$'000*
Available-for-sale investments comprise:		
At fair value:		
Investments in club debenture	**2,997**	2,997
Investments in listed equity securities in Hong Kong *(Note (i))*	**30,774**	13,057
At cost		
Investments in unlisted equity securities in Hong Kong *(Note (ii))*	**6,000**	6,000
Investments in unlisted equity securities in overseas *(Notes (iii))*	**18,720**	–
Total	**58,491**	22,054
Analysed for reporting purposes as:		
Non-current assets	**58,491**	22,054

19. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes:

(i) Listed securities are stated at fair value which is determined based on the quoted market bid price available on the Stock Exchange. During the year ended 31 December 2015, the Group identified impairment loss of approximately HK$5,569,000 related to these listed securities.

(ii) The unlisted equity securities in Hong Kong represent investments in equity securities issued by a private entity which is engaging in manufacturing of paper products and these investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimation is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

(iii) During the year ended 31 December 2016, deposit paid of HK$18,720,000 in 2015 for an investment in an unlisted company which is a non-wholly-owned subsidiary of Hon Hai Industry Co., Ltd ("Hon Hai"), a substantial shareholder of the Company, which held 19.86% (2014: 19.86%) of the issue share capital of the Company, was transferred to available-for-sale investments. The unlisted company is in overseas and is engaged in development, manufacturing and marketing of electronic components and related products. The investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimation is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

20. CLUB MEMBERSHIPS

	HK$'000
Club memberships outside Hong Kong, at cost	
As at 1 January 2015 and 31 December 2015	3,278
Disposal upon spin-off of subsidiaries *(note 36)*	(266)
As at 31 December 2016	3,012

As at 31 December 2016 and 2015, the club memberships were tested for impairment by comparing their carrying amounts with their recoverable amounts. The directors of the Company determined that no impairment loss was necessary and were of the opinion that the club memberships are worth at least their carrying amounts.

21. INVENTORIES

	31.12.2016 ***HK$'000***	31.12.2015 *HK$'000*
Finished goods	**1,109,780**	668,775

22. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

	31.12.2016	31.12.2015
	HK$'000	*HK$'000*
Trade receivables	**1,441,890**	1,128,023
Less: allowance for doubtful debts	**(20,885)**	(11,614)
	1,421,005	1,116,409
Other receivables	**103,772**	78,894
Prepayment and deposits paid *(note)*	**34,481**	53,464
Total trade and other receivables	**1,559,258**	1,248,767
Bills receivable	**–**	15,612

The Group allows a credit period ranging from 30 days to 120 days to its trade customers.

note: As at 31 December 2015, included in prepayment and deposits paid was HK$18,720,000 in relation to deposit paid for investment in an unlisted company which is a non wholly-owned subsidiary of Hon Hai. As at 31 December 2016, the acquisition of the investment in an unlisted company has been completed and the deposit was transferred to available-for-sale investments as set out in note 19 (iii).

The following is an aged analysis of trade receivables and bills receivable net of allowance for doubtful debts presented based on the due date at the end of the reporting period:

	31.12.2016	31.12.2015
	HK$'000	*HK$'000*
Current	**1,058,299**	842,319
Within 30 days	**229,000**	167,099
More than 30 days and within 60 days	**57,378**	45,753
More than 60 days and within 90 days	**23,847**	20,425
More than 90 days	**52,481**	56,425
	1,421,005	1,132,021

Before accepting a new customer, the Group assesses the potential customer's credit quality by investigating their historical credit record and then sets a credit limit for that customer. Limits attributed to customers are reviewed periodically. The majority of the trade receivables that are neither past due nor impaired have no history of defaults on payments.

Other receivables are unsecured, interest-free, repayable on demand and expected to be settled within twelve months from the reporting date.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$362,706,000 (2015: HK$289,702,000) which are past due as at the reporting date for which the Group has not provided for impairment loss as these debtors have good repayment history and there has not been a significant change in credit quality. The Group does not hold any collateral over these balances. The average age of these receivables is 40 days (2015: 40 days).

22. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE *(Continued)*

Ageing of trade receivables which are past due but not impaired

	31.12.2016 HK$'000	31.12.2015 HK$'000
Within 30 days	229,000	167,099
More than 30 days and within 60 days	57,378	45,753
More than 60 days and within 90 days	23,847	20,425
More than 90 days	52,481	56,425
Total	362,706	289,702

Movement in the allowance for doubtful debts

	31.12.2016 HK$'000	31.12.2015 HK$'000
1 January	11,614	6,556
Release upon Spin-Off of subsidiaries	(1,000)	–
Impairment losses recognised on receivables	16,834	11,196
Amounts recovered during the year	–	(1,381)
Amount written off as uncollectible	(6,563)	(4,757)
31 December	20,885	11,614

The Group does not hold any collateral over these balances.

The Group's trade and other receivables and bills receivable that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	31.12.2016 HK$'000	31.12.2015 HK$'000
United States dollars ("USD")	119,799	150,978
Renminbi ("RMB")	12,486	1,021
	132,285	151,999

23. FINANCE LEASE RECEIVABLES/OTHER BORROWINGS

	Minimum lease payments 31.12.2016 *HK$'000*	Present value of minimum lease payments 31.12.2016 *HK$'000*
Finance lease receivables comprise:		
Within one year	30,183	26,239
In more than one years, but not more than two years	26,133	22,382
Within a period of more than two years but not exceeding five years	40,967	34,364
	97,283	82,985
Less: unearned finance income	(14,298)	N/A
Present value of minimum lease payment receivables	82,985	82,985

Analysed for reporting purpose as:

	31.12.2016 *HK$'000*
Current assets	26,239
Non-current assets	56,746
	82,985

The Group has entered into sales contracts with its customers pursuant to which legal ownership is transferred to the customers upon full payment of the contract sum (the "Contracts") plus a nominal amount of HK$500 for each equipment. The mode of payment of contract sum under the Contracts depends on the utilisation of the business equipment by the customers during the contract period, subject to monthly minimum instalment payments during the terms of the Contracts. As the feature of these contracts is such that substantially all the risks and rewards incidental to the ownership of the business equipment have been transferred to the customers upon the inception of the contract, notwithstanding that the titles to the equipment may only be transferred to the customers upon full payment of the contract sum plus a nominal amount of HK$500 for each equipment which occur at the end of the contract period, the sales of the business equipment under such Contracts have been accounted for as finance lease under HKAS 17 *Lease* and finance lease receivables have been recognised accordingly. Distributor profit was also recognised in the profit or loss resulting from an outright sale of the business equipment being leased, at normal selling prices, under the Contracts.

23. FINANCE LEASE RECEIVABLES/OTHER BORROWINGS *(Continued)*

In addition, the Group had entered into an agreement (the "Agreement") with a Hong Kong financial institution (the "Financial Institution") whereby the Group drew down the principal amount of the Contracts from the Financial Institution when the Group leased the above business equipment to the customers. The credit risk of the finance lease receivables is therefore transferred to the Financial Institution. The other borrowings is to be settled to the Financial Institution with the same terms as the finance lease receivables from the customers. As collaterals for the financing, the Group transferred the legal ownership title of the business equipment leased to the customers to the Financial Institution.

As at 31 December 2016, the Group's other borrowings to the extent of HK$82,985,000 (2015: Nil) were secured by the business equipment leased to customers with a carrying amount of HK$82,985,000 being held as collaterals.

Pursuant to the Agreement, the Financial Institution will return the ownership title of the business equipment to the Group upon the completion of the Contracts plus a nominal amount of HK$200 for each equipment paid by the Group.

The carrying amounts of the above other borrowings are repayable*:

	31.12.2016 ***HK$'000***
Within one year	**26,239**
Within a period of more than one year but not exceeding two years	**22,382**
Within a period of more than two years but not exceeding five years	**34,364**
	82,985

* The amounts due are based on scheduled repayment dates set out in the agreements.

Analysed for reporting purpose as:

	31.12.2016 ***HK$'000***
Current liabilities	**26,239**
Non-current liabilities	**56,746**
	82,985

Effective interest rates per annum of the finance lease receivables and other borrowings for the year are fixed at respective contract dates as follows:

	31.12.2016
Effective interest rate	**7.8% to 10%**

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.12.2016 HK$'000	31.12.2015 HK$'000
Investments held-for-trading:		
Equity securities listed in Hong Kong	**25,960**	25,551
Unlisted equity fund *(note)*	**8,257**	8,246
	34,217	33,797

note: The amount represented unlisted equity fund which is quoted in an active market. The fair value of the investment is determined by reference to the quoted price as at 31 December 2016 and 2015.

25. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

At 31 December 2015, the pledged bank deposits represented deposits pledged to banks to secure short-term banking facilities granted to the Group and were therefore classified as current assets. The pledged bank deposits would be released upon the settlement of the relevant bank borrowings.

The bank balances and pledged bank deposits carry fixed interest at rates which range from 0.02% to 0.10% (2015: from 0.02% to 0.10%) per annum and variable interest at rates which range from 0.01% to 0.40% (2015: from 0.01% to 0.40%) per annum, respectively.

The Group's bank balances and cash and pledged bank deposits that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	31.12.2016 HK$'000	31.12.2015 HK$'000
USD	**59,981**	74,328
RMB	**10,286**	7,097
	70,267	81,425

26. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

	31.12.2016 HK$'000	31.12.2015 HK$'000
Trade payables	**832,258**	684,671
Other payables	**37,010**	27,415
Accruals and deposits received	**70,529**	46,767
Total trade and other payables	**939,797**	758,853
Bills payable	**36,981**	34,021

The average credit period on purchase of goods ranged from 30 days to 120 days.

26. TRADE AND OTHER PAYABLES AND BILLS PAYABLE *(Continued)*

Other payables are unsecured, interest-free and repayable on demand.

Included in the Group's trade and other payables and bills payable with aggregate amount of approximately HK$73,360,000 (2015: HK$186,828,000) denominated in USD which is other than the functional currency of the relevant group entities.

The following is an aged analysis of trade payables and bills payable presented based on the due date at the end of the reporting period:

	31.12.2016	31.12.2015
	HK$'000	*HK$'000*
Current	**699,956**	544,929
Within 30 days	**79,608**	119,932
More than 30 days and within 60 days	**20,402**	37,483
More than 60 days and within 90 days	**11,688**	7,501
More than 90 days	**57,585**	8,847
	869,239	718,692

27. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative not under hedge accounting:

	ASSETS		**LIABILITIES**	
	31.12.2016	31.12.2015	**31.12.2016**	31.12.2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Fair value of derivatives not under hedge accounting:				
Foreign currency forward contracts	**190**	114	**18,593**	53,611

Major terms of the outstanding foreign exchange forward contracts with monthly net-settlement to which the Group is committed are as follows:

As at 31 December 2016

Maximum aggregate notional amount (monthly-settled)	**Maturity**	**Forward exchange rates**
Eighteen contracts to buy USD in total notional amount USD56,500,000	Ranging from 17 January 2017 to 6 September 2018	USD/HKD ranging from 7.695 to 7.749
One contract to buy RMB in total notional amount USD2,000,000	13 March 2017	USD/RMB at 6.29

27. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

As at 31 December 2015

Maximum aggregate notional amount (monthly-settled)	Maturity	Forward exchange rates
Twenty-two contracts to buy USD in total notional amount USD79,900,000	Ranging from 13 January 2016 to 22 January 2018	USD/HKD ranging from 7.718 to 7.749
Three contracts to buy RMB in total notional amount USD6,000,000	11 February, 12 February 2016 and 13 March 2017	USD/RMB ranging from 6.105 to 6.29

28. BANK BORROWINGS

	31.12.2016 HK$'000	31.12.2015 HK$'000
Bank borrowings comprise:		
Bank import loans	1,670,527	1,251,748
Other bank loans	536,955	431,082
	2,207,482	1,682,830
Analysed as:		
Current	2,062,397	1,682,830
Non-current	145,085	–
	2,207,482	1,682,830
Secured	1,505,828	1,164,367
Unsecured	701,654	518,463
	2,207,482	1,682,830

	31.12.2016 HK$'000	31.12.2015 HK$'000
Carrying amount of bank loans contain a repayment on demand clause are repayable as follows:		
– within one year	1,892,236	1,398,185
– more than one year, but not exceeding two years	5,884	31,084
– more than two years, but not exceeding five years	103,368	189,568
– over five years	60,909	63,993
	2,062,397	1,682,830
Carrying amount of bank loans not contain a repayment on demand clause are repayable as follows:		
– more than one year, but not exceeding two years	145,085	–

28. BANK BORROWINGS *(Continued)*

At 31 December 2016, all of the bank borrowings bear interest at LIBOR plus a margin per annum or HIBOR plus a margin per annum with the average effective interest rate of 1.56% (2015: 1.64%).

Included in the Group's bank borrowings with aggregate amount of HK$149,846,000 (2015: HK$103,781,000) denominated in USD which is other than the functional currency of the relevant group entities.

29. SHARE CAPITAL

	Number of ordinary shares	**Amount**
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2015, 31 December 2015 and 2016	1,454,000,000	145,400
Issued and fully paid:		
At 1 January 2015, 31 December 2015 and 2016	624,281,440	62,428

	Number of non-redeemable convertible preference shares	**Amount**
		HK$'000
Non-redeemable convertible preference shares of HK$0.10 each		
Authorised:		
At 1 January 2015, 31 December 2015 and 2016	46,000,000	4,600
Issued and fully paid:		
At 1 January 2015, 31 December 2015 and 2016	–	–

30. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share Option Scheme of the Company

Pursuant to a resolution passed on 27 July 2012, the Company adopted a share option scheme (the "Scheme") for recognition of past services contributed by, and giving incentives to the eligible participants. All directors, non-executive directors, employees, shareholders, suppliers, customers of each member of the Group, any other person or entity that provides research, development or other technological support to any member of the Group and any other persons who, in the sole discretion of the Board, have contributed or will contribute to the Group are eligible to participate in the Scheme.

Shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option scheme adopted by the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of adoption of the Scheme.

The Company may renew this 10% limit with shareholders' approval provided that each such renewal may not exceed 10% of the shares in the Company in issue as at the date of the shareholders' approval.

The total number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme or any other share option scheme adopted by the Company must not exceed 30% of the shares in issue from time to time.

Unless approved by shareholders of the Company, the total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant (including both exercised and unexercised options) under the Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue.

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The offer of a grant of share options may be accepted within 28 days from the date on which the letter containing the offer is delivered to that participant and the amount payable on acceptance of the grant is HK$1.

The subscription price for the shares of the Company to be issued upon exercise of the options shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share. The subscription price will be established by the board of directors of the Company at the time the option is offered to the participants.

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

(a) Share Option Scheme of the Company *(Continued)*

The following tables disclose movements in the share options under the Scheme during the current year.

					Number of share options				
Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share (subject to adjustments) *HK$*	Outstanding at 1.1.2015	Lapsed during the year	Outstanding at 31.12.2015	Lapsed during the year	Outstanding at 31.12.2016
Employees									
25.9.2014	50%	25.9.2014 – 24.9.2015	25.9.2015 – 24.9.2017	2.60	1,900,000	(95,000)	1,805,000	–	1,805,000
	50%	25.9.2014 – 24.9.2016	25.9.2016 – 24.9.2017	2.60	1,900,000	(95,000)	1,805,000	(266,000)	1,539,000
Exercisable as at year ended							1,805,000		3,344,000

The fair value of the share options granted on 25 September 2014, the date of grant, determined using the Binomial Option Pricing Model, was HK$1,983,000. The inputs into the Binomial Option Pricing Model are as follows:

	Share options with a vesting period of one to two years
Exercise price	HK$2.60
Grant date share price	HK$2.57
Expected life of share options	3 years
Expected volatility	45% per annum
Expected dividend yield	8.95%
Risk free rate	0.794% per annum

The expected volatility was determined by using the Company's historical volatility quoted by Bloomberg. The expected dividend yield was determined by the final and special dividends paid during the interim period in respect of the financial year of 2013.

During the year ended 31 December 2016, 266,000 (2015: 190,000) share options were forfeited as several employees resigned from the Group.

The Group recognised a total expense of approximately HK$328,000 in the current year (2015: HK$1,234,000) in relation to the share options granted by the Company.

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

(b) Equity-settled pre-IPO share option scheme of Hi-Level Holdings

Pursuant to the written resolution of the shareholders of Hi-Level Holdings dated 11 October 2015, the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") of Hi-Level Holdings was approved and adopted. The Pre-IPO Share Option Scheme was established to recognise and motivate the contribution of the eligible persons.

Under the Pre-IPO Share Option Scheme, the Board of Directors of the Hi-Level Holdings may grant options to the following eligible persons to subscribe for shares in the Hi-Level Holdings (the "Eligible Persons"):

(i) any employees;

(ii) any direct or indirect shareholder of any member of Hi-Level Group;

(iii) any supplier of goods or services to any member of Hi-Level Group;

(iv) any customer, consultant, business or joint venture partners, franchisee, contractor, agent or representative of any member of Hi-Level Group;

(v) any person or entity furnishing research, development or other technical support, enquiries, consultancy, professional or other services to any member of Hi-Level Group; and

(vi) any associate of the foregoing persons.

On 4 January 2016, there were share options granted to directors or employees of the Group for their contributions to Hi-Level Holdings under the Pre-IPO Share Option Scheme. The following tables disclose movements in the share options granted for the year ended 31 December 2016:

					Number of share options			
Grantees	Vesting proportion	Vesting date	Exercisable period	Exercise price per share	Outstanding at 1.1.2015 and 31.12.2015	Options granted during the year	Options lapsed during the year	Outstanding at 31.12.2016
Employees	50%	6.1.2017	7.1.2017–6.1.2019	HK$0.31	–	9,475,000	(525,000)	8,950,000
	50%	6.1.2018	7.1.2018–6.1.2019	HK$0.31	–	9,475,000	(525,000)	8,950,000
Directors	50%	6.1.2017	7.1.2017–6.1.2019	HK$0.31	–	3,500,000	–	3,500,000
	50%	6.1.2018	7.1.2018–6.1.2019	HK$0.31	–	3,500,000	–	3,500,000
					–	25,950,000	(1,050,000)	24,900,000
Exercisable at the end of the years								–
Weighted average exercise price					–	HK$0.31	HK$0.31	HK$0.31

Share options granted in January 2016 under the Pre-IPO Share Option Scheme are exercisable during the period from 7 January 2017 to 6 January 2019 in two batches.

The share-based payment expense of HK$720,000 in respect of the above is included in the share of profit of the associate for the year ended 31 December 2016.

31. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Revaluation of investment properties *HK$'000*	Decelerated tax depreciation *HK$'000*	Tax losses *HK$'000*	Other deductible temporary differences *HK$'000*	Total *HK$'000*
At 1 January 2015	5,448	(125)	(4,188)	(971)	164
Charge (credit) to profit or loss	3,538	(655)	695	(161)	3,417
At 31 December 2015	8,986	(780)	(3,493)	(1,132)	3,581
Charge (credit) to profit or loss	2,958	(369)	–	59	2,648
At 31 December 2016	11,944	(1,149)	(3,493)	(1,073)	6,229

The following is the analysis of the deferred tax balances for financial reporting purposes:

	31.12.2016 ***HK$'000***	31.12.2015 *HK$'000*
Deferred tax assets	**6,508**	5,405
Deferred tax liabilities	**(12,737)**	(8,986)
	(6,229)	(3,581)

At 31 December 2016, the Group had unused tax losses of HK$110,600,000 (2015: HK$107,997,000) available for offset against future assessable profits. A deferred tax asset has been recognised in respect of HK$21,173,000 (2015: HK$21,173,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$89,427,000 (2015: HK$86,824,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

At 31 December 2016, a deferred tax liability has been recognised in respect of the increase in fair value of investment properties of HK$11,833,000 (2015: HK$14,152,000).

At 31 December 2016, the Group had deductible temporary differences in relation to decelerated tax depreciation and allowance for doubtful debts and inventories of approximately HK$18,440,000 (2015: HK$15,673,000). A deferred tax asset has been recognised in respect of approximately HK$6,512,000 (2015: HK$6,866,000) for such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining amount of HK$11,937,000 (2015: HK$8,807,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

31. DEFERRED TAXATION *(Continued)*

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements amounting to approximately RMB14,942,000 (31 December 2015: RMB14,942,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

32. RETIREMENT BENEFITS SCHEME

The Group participates in both a defined contribution retirement benefits scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme, or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

Under the ORSO Scheme and MPF Scheme, no forfeited contributions are available to reduce the contributions payable in future years.

The employees employed by the Group's Mainland China subsidiaries are members of the state-managed retirement benefits schemes operated by the Mainland China government. The Group's Mainland China subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total expense recognised in profit or loss of HK$10,124,000 (2015: HK$10,734,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

33. PLEDGE OF ASSETS

At the end of reporting period, the following assets of the Group were pledged to banks in order to secure general banking facilities granted by these banks to the Group:

	31.12.2016 ***HK$'000***	31.12.2015 *HK$'000*
Investment properties	**200,100**	155,000
Leasehold land and building	**43,133**	74,670
Bank deposits	**–**	21,513
Trade receivables	**442,837**	255,422
Investments held-for-trading	**8,257**	8,246
	694,327	514,851

34. ACQUISITION OF A SUBSIDIARY

On 4 June 2015, the Group completed its acquisition of the additional 45% equity interest in SPT Technology Limited for a consideration of approximately HK$4,500,000 from the other joint venture partner, an independent third party. SPT Technology Limited was a joint venture of the Group prior to this acquisition. After completion of the acquisition, SPT Technology Limited becomes a wholly owned subsidiary of the Company.

SPT Technology Limited is engaged in the business of distribution of electronic products and acts as an investment holding company which directly holds the entire equity interest in SPT Technology (China) Limited, an inactive company and 時保迪科技(深圳)有限公司, which is engaged in providing research and development services.

Assets acquired and liabilities recognised at the date of acquisition were as follows:

	HK$'000
Property, plant and equipment	881
Inventories	73,999
Trade and other receivables	54,067
Amounts due from related parties	18,679
Bank balances and cash	36,561
Trade and other payables	(65,027)
Amounts due to related parties	(17,564)
Tax payables	(2,629)
Bank borrowings	(88,967)
Net assets acquired	10,000
Total consideration satisfied by:	
Cash	4,500
Interest in joint venture	5,500
	10,000
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	36,561
Less: cash consideration paid	(4,500)
	32,061

Included in the profit for the year ended 31 December 2015 was HK$1,602,000 attributable to the additional business generated by SPT Technology Limited. Revenue for the year ended 31 December 2015 includes HK$328,749,000 generated from SPT Technology Limited.

Had the acquisition been completed on 1 January 2015, total group revenue for the year would have been HK$11,479,450,000, and profit for the year would have been HK$109,333,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

35. ACQUISITION OF A BUSINESS

On 26 September 2016, S.A.S. Electric Company Limited ("S.A.S. Electric"), a newly incorporated wholly-owned subsidiary of the Company, completed the acquisition of assets and liabilities at an aggregate cash consideration of approximately HK$27,420,000 from a connected person of the Company (the "Connected Person"), which is a subsidiary of SHARP Corporation (the "Acquisition"). SHARP Corporation is a non-wholly owned subsidiary of Hon Hai, a substantial shareholder of the Company. On 26 August 2016, S.A.S. Electric entered into a distribution agreement with SHARP Corporation, appointing S.A.S. Electric as the sole and exclusive distributor of various products, including but not limited to, audio-visual products, home and kitchen appliances and air-conditioning products and business equipment and solutions products under the brand name of "SHARP" in Hong Kong and Macau (the "Sole Distributor") effective from 26 September 2016 (the "Distribution Agreement"), details of which were set out in the Company's announcements dated 26 August 2016. In addition, the Connected Person also ceased to be the Sole Distributor on 23 September 2016. The Acquisition has been accounted for as a business combination using the purchase method. The Acquisition would allow the Group to expand by leveraging on SHARP Corporation's leading position in the electronic appliances, business equipment and solution products market.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Plant and equipment	3,432
Customer relationship	5,628
Inventories	27,362
Finance lease receivables	80,454
Other borrowings	(80,454)
Net assets acquired	36,422
Total consideration satisfied by and cash outflow arising on acquisition:	
Cash consideration paid	27,420
Deemed contribution from a shareholder *(note)*	9,002

note: The difference of HK$9,002,000 between the fair value of net assets acquired from the Connected Person of HK$36,422,000 and the consideration paid of HK$27,420,000 represented the deemed contribution from Hon Hai, a substantial shareholder and was credited to equity of the Company.

Included in the profit for the year is HK$6,423,000 attributable to the additional business generated by S.A.S. Electric. Revenue for the year includes HK$66,878,000 generated from S.A.S. Electric.

Had the acquisition been completed on 1 January 2016, total group revenue for the year would have been HK$10,524,380,000, and profit for the year would have been HK$241,858,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

36. SPIN-OFF OF SUBSIDIARIES

On 7 January 2016, upon the completion of the dividend by way of distribution in specie of the shares of Hi-Level Holdings by the Group (set out in note 11) and the Spin-Off of Hi-Level Holdings, the Group's interest in Hi-Level Holdings was diluted from 51.0% to approximately 34.1%. Consequently, Hi-Level Holdings ceased to be a subsidiary and became an associate of the Company. The Group has adopted equity accounting in respect of its interest on Hi-Level Holdings thereafter.

	HK$'000
Net assets disposed of:	
Plant and equipment	328
Goodwill	15,050
Club membership	266
Inventories	84,725
Trade and other receivables	160,770
Amount due from the Group	7,527
Bank balances and cash	34,843
Trade and other payable	(182,465)
Amount due to the Group	(4,153)
Tax payable	(2,448)
Bank borrowings	(50,865)
	63,578
Translation reserve	(571)
Non-controlling interests	(23,779)
Fair value gain on dividend by way of a distribution in specie	10,454
Fair value gain on retained interest in Hi-Level Holdings held by the Group	27,714
	77,396
Special interim dividend by way of a distribution in specie *(note 11)*	(13,950)
	63,446
Transferred to interest in an associate	(63,446)
Total consideration	–

	HK$'000
Net cash outflow in respect of the disposal of subsidiaries:	
Cash and bank balances disposed of	34,843

Note: In October 2015, Hi-Level Technology Limited, a subsidiary of Hi-Level Holdings, had declared a special dividend of HK$40,000,000 to its then shareholders conditionally upon the Spin-Off. On 7 January 2016, Hi-Level Technology Limited has paid out the special dividend of which HK$20,400,000 was settled through offsetting the amount due from the Group for the same amount and HK$19,600,000 was paid by its bank balances and cash to the non-controlling interests.

37. OPERATING LEASES

The Group as lessee

	2016 HK$'000	2015 HK$'000
Minimum lease payments paid under operating leases in respect of rented premises	**6,527**	4,338

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

	31.12.2016 HK$'000	31.12.2015 HK$'000
Within one year	**6,488**	2,414
In the second to fifth year inclusive	**13,181**	2,129
	19,669	4,543

Operating lease payments represent rentals payable by the Group for certain of its office and warehouse. Leases are negotiated for lease terms of one to two years with fixed rentals.

The Group as lessor

Property rental income earned during the year was HK$10,206,000 (2015: HK$8,191,000). The properties held have committed tenants for the next six (2015: four) years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	31.12.2016 HK$'000	31.12.2015 HK$'000
Within one year	**12,253**	7,771
In the second to fifth year inclusive	**26,199**	10,477
More than five years	**6,677**	–
	45,129	18,248

38. CAPITAL COMMITMENTS

	31.12.2016 HK$'000	31.12.2015 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment and investment property contracted for but not provided in the consolidated financial statements	221,240	34,948

39. DEPOSIT PAID FOR ACQUISITION OF NON-CURRENT ASSET

As at 31 December 2015, the balance mainly represented the deposit paid by the Group in connection with the acquisition of an office building which was under construction in Shenzhen, the PRC. During the year ended 31 December 2016, the deposit was transferred to an investment property upon the completion of such acquisition.

40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that 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 balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the bank borrowings and other borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31.12.2016 HK$'000	31.12.2015 HK$'000
Financial assets		
Fair value through profit or loss Held-for-trading	34,217	33,797
Loans and receivables (including cash and cash equivalents)	2,131,182	1,890,559
Available-for-sale investments	58,491	22,054
Finance lease receivables	82,985	–
Derivative financial instruments	190	114
Financial liabilities		
Amortised cost	3,198,126	2,428,937
Derivative financial instruments	18,593	53,611

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other receivables, bills receivable, finance lease receivables, amount due from an associate, derivative financial instruments, financial assets at fair value through profit or loss, pledged bank deposits, bank balances and cash, trade and other payables, bills payable, amount due to an associate, bank borrowings and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases and foreign currency trade and other receivables, bills receivable, financial assets at fair value through profit or loss, pledged bank deposits, bank balances and cash, trade and other payables, bills payable and bank borrowings, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary liabilities (including intercompany payables within the Group) and monetary assets at the end of reporting period are as follows:

	Liabilities		**Assets**	
	31.12.2016	31.12.2015	**31.12.2016**	31.12.2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
USD	**224,058**	290,609	**188,037**	233,552
RMB	**–**	–	**22,772**	8,118

Included in above are the Group's foreign currency denominated monetary assets designated at FVTPL at the reporting date which are as follows:

	Assets	
	31.12.2016	31.12.2015
	HK$'000	*HK$'000*
USD	**8,257**	8,246

The Group currently does not have a foreign currency hedging policy. However, management will monitor foreign exchange exposure closely and consider for further usage of hedging instruments when the need arises.

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Currency risk (Continued)

No sensitivity analysis is presented for USD denominated financial assets and liabilities in which the functional currency of the respective group entities is HKD as HKD is currently pegged to USD. Management considers that the exposure to exchange fluctuation in respect of USD is limited.

The Group is mainly exposed to the fluctuation in HKD against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HKD (excluding financial assets at fair value through profit or loss). 5% (2015: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding RMB denominated monetary items and adjusts their translation at the year end for a 5% (2015: 5%) change in foreign currency rates. The sensitivity analysis includes mainly foreign currency trade and other receivables and bank balances and cash. 5% (2015: 5%) strengthening of RMB against HKD will increase the Group's profit for the year by the following amount. For 5% (2015: 5%) weakening of RMB against HKD, there would be an equal and opposite impact on the profit and the balance below would be negative.

	RMB	
	2016	2015
	HK$'000	*HK$'000*
Increase in profit	**951**	339

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 25 and 28 for details). Management will monitor interest rate risk exposure closely. By management's discretion, the Group keeps its borrowings at floating rates and may enter into interest rate swaps to balance the fair value interest rate risk and cash flow interest rate risk exposure of the Group. In addition, the Group was also exposed to fair value interest rate risk in relation to fixed-rate other borrowings (see notes 23 for details of these borrowings).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of London Interbank Offered Rate ("LIBOR") and Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's variable-rate bank borrowings.

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank balances and bank borrowings. The analysis is prepared assuming the variable-rate bank balances and bank borrowings at the end of reporting period were outstanding for the whole year. For variable-rate bank balances, 20 basis points increase and 5 basis points decrease (2015: 20 basis points increase and 5 basis points decrease) are used. For variable-rate bank borrowings, 20 basis points (2015: 20 basis points) increase or decrease is used.

If interest rates had been 20 basis points higher for variable-rate bank balances and variable-rate bank borrowings/5 basis points lower for variable-rate bank balances and 20 basis points lower for variable-rate bank borrowings (2015: 20 basis points higher for variable-rate bank balances and variable-rate bank borrowings/5 basis points lower for variable-rate bank balances and 20 basis points lower for variable-rate bank borrowings) and all other variables were held constant, the Group's profit for the year ended 31 December 2016 would decrease by approximately HK$4,119,000 if interest rate is higher/increase; would increase by approximately HK$4,341,000 if interest rate is lower (2015: decrease by approximately HK$2,381,000/increase by approximately HK$2,955,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and bank borrowings.

(iii) Other price risk

The Group is exposed to other price risk through its investments in listed equity securities, unlisted equity funds, club debenture and listed equity securities classified as available-for-sale investments. For the available-for-sale investments stated at cost, the exposure to other price risk is not measurable as the range of reasonable fair value estimates is significant, accordingly, sensitivity analysis is not presented. The management manages the other price risk exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the reporting date.

If the market prices of the respective listed equity instruments and the quoted price of the equity funds had been 5% (2015: 5%) higher/lower and all other variables were held constant:

- post-tax profit for the year would increase/decrease by approximately HK$1,429,000 (2015: HK$1,411,000) as a result of the changes in fair value of financial assets through profit or loss; and
- the investment revaluation reserve would increase/decrease by approximately HK$1,689,000 (2015: HK$803,000) stated at fair value as a result of the changes in fair value of available-for-sale investments.

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

Credit risk on finance lease receivables is limited because the risk is transferred to the Financial Institution as defined and detailed in note 23.

The credit risk on bank balances, bank deposits and bills receivable is limited because the counterparties are banks with high credit ratings.

As at 31 December 2016, the Group had concentration of credit risk on trade receivables as 7% (2015: 5%) and 31% (2015: 21%) of the total trade receivables were due from the Group's largest customer and top five largest customers, respectively. The directors of the Company considered that the credit risk of amounts due from these customers is insignificant after considering their historical settlement record, credit quality and financial position.

Other than concentration of credit risk on bank balances, which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk on other financial assets and trade receivables, with exposure spread over a number of counterparties and customers.

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2016, the Group has available unutilised overdraft and bank loan facilities of approximately HK$8,000,000 (2015: HK$24,000,000) and HK$6,710,936,000 (2015: HK$8,020,295,000), respectively.

The following tables detail the Group's remaining contractual maturity for its non-derivative and derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the liquidity analysis for the Group's derivative financial instruments is prepared based on the expected settlement date as the management considers that such basis is essential for an understanding of the timing of the expected cash flows of the contracts.

Liquidity tables

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2016 HK$'000
31.12.2016							
Non-derivative financial liabilities							
Trade and other payables	–	779,593	32,090	57,585	–	869,268	869,268
Bills payable	–	36,981	–	–	–	36,981	36,981
Bank borrowings – variable rate	*1.56	2,065,040	–	–	148,231	2,213,271	2,207,482
Amount due to an associate	–	1,410	–	–	–	1,410	1,410
Other borrowings	8.47	2,643	5,240	22,300	67,100	97,283	82,985
		2,885,667	37,330	79,885	215,331	3,218,213	3,198,126
Derivatives – net settlement							
Foreign exchange forward contracts	–	16,327	429	1,536	301	18,593	18,593

* Weighted average effective interest rate determined based on the variable interest rate of outstanding bank borrowings at the end of the reporting period.

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity tables (Continued)

	Weighted average effective interest rate %	On demand or less than 1 month *HK$'000*	1–3 months *HK$'000*	3 months to 1 year *HK$'000*	Over 1 year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31.12.2015 *HK$'000*
31.12.2015							
Non-derivative financial liabilities							
Trade and other payables	–	658,255	44,984	1,842	7,005	712,086	712,086
Bills payable	–	34,021	–	–	–	34,021	34,021
Bank borrowings – variable rate	*1.64	1,685,098	–	–	–	1,685,098	1,682,830
		2,377,374	44,984	1,842	7,005	2,431,205	2,428,937
Derivatives – net settlement							
Foreign exchange forward contracts	–	42,436	1,800	7,418	1,957	53,611	53,611

* Weighted average effective interest rate determined based on the variable interest rate of outstanding bank borrowings at the end of the reporting period.

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2016, the aggregate undiscounted principal amounts of these bank loans amounted to approximately HK$2,062,397,000 (2015: HK$1,682,830,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. However, in accordance with Hong Kong Interpretation 5 *Presentation of Financial Statements Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*, all such bank loans have been classified as current liabilities.

	Weighted average effective interest rate %	**Less than 1 month** *HK$'000*	**1–3 months** *HK$'000*	**3 months to 1 year** *HK$'000*	**Over 1 year** *HK$'000*	**Total undiscounted cash flows** *HK$'000*	**Carrying amount** *HK$'000*
As at 31 December 2016							
Bank borrowings – variable rate	**1.56**	**614,014**	**959,773**	**327,951**	**171,923**	**2,073,661**	**2,062,397**
As at 31 December 2015							
Bank borrowings – variable rate	1.64	990,987	285,651	128,225	289,313	1,694,176	1,682,830

The amount included above for variable interest rate non-derivative financial liabilities is subject to change if changes in variable interest rate differ to those estimates of interest rates determined at the end of the reporting period.

41. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

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

Financial assets/financial liabilities	Fair value as at 31.12.2016 HK$'000	Fair value as at 31.12.2015 HK$'000	Fair value hierarchy	Valuation technique and key input	Significant unobservable input
Financial assets designated at fair value through profit or loss					
Listed equity securities	**25,960**	25,551	Level 1	Quoted bid prices in an active market	N/A
Unlisted equity fund	**8,257**	8,246	Level 1	Quoted bid prices in an active market	N/A
Available-for-sale investments					
Club debenture	**2,997**	2,997	Level 2	By comparing the quoted prices in market at the end of the reporting period from different sources	N/A
Listed equity securities	**30,774**	13,057	Level 1	Quoted bid price in an active market	N/A
Derivative financial instruments					
Foreign currency forward contracts *(note)*	**Assets 190** **Liabilities 18,593**	Assets 114 Liabilities 53,611	Level 2	Discounted cash flow — Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A

41. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments *(Continued)*

note: At 31 December 2016, the Company's foreign currency forward contracts as set out in note 27 to the consolidated financial statements also expose the Company to market risk arising from changes in foreign exchange rates risk. Based on the terms of these contracts, if at 31 December 2016, (i) RMB had weakened against USD by 5% and all other variables were held constant, the Company's post-tax profit for the year would have been decreased by approximately HK$2,232,000 (2015: decreased by approximately HK$6,168,000) and (ii) RMB had strengthened against USD by 5% and all other variables were held constant, the Company's post-tax profit for the year would have been increased by approximately HK$4,865,000 (2015: decreased by approximately HK$336,000).

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent market risk as the pricing model used involves multiple variables and certain variables are interdependent.

There were no transfers between Levels 1, 2 and 3 in both years.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost, using the discounted cash flows analysis with the most significant inputs being the discount rate that reflects the credit risk of counterparties, recognised in the consolidated financial statements approximate their fair values.

42. CONNECTED PERSON AND RELATED PARTY TRANSACTIONS AND BALANCES

(I) Connected persons

During the year, the Group had significant transactions and balances with deemed connected persons pursuant to the Rules Governing the Listing of Securities on the Stock Exchange. The significant transactions during the year and balances at the end of the reporting period with a substantial shareholder and its subsidiaries are as follows:

(a) Transactions

Name of party	Nature of transactions	2016 HK$'000	2015 HK$'000
Hon Hai and its subsidiaries *(note)*	Purchases of electronic products by the Group	702,276	684,151
	Sales of electronic products by the Group	1,059,632	1,208,207
	Rental expense paid by the Group	2,526	–
	Reimbursement of warranty services provided by the Group	2,649	–

42. CONNECTED PERSON AND RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(I) Connected persons *(Continued)*

(b) Balances

Name of party	**Nature of balances**	**31.12.2016** ***HK$'000***	31.12.2015 *HK$'000*
Hon Hai and its subsidiaries	Trade payables	**246,148**	272,790
	Trade receivables	**466,318**	335,662

During the year ended 31 December 2016, the Group has completed an acquisition of assets and liabilities from the Connected Person at an aggregate cash consideration of HK$27,420,000. Details of which are set out in note 35.

During the year ended 31 December 2015, the Group paid a deposit of HK$18,720,000 on investment in an unlisted company which is a non-wholly-owned subsidiary of Hon Hai as set out in notes 19 and 22.

note: Hon Hai is a substantial shareholder of the Company, who held 19.86% (2015: 19.86%) of the issued share capital of the Company as at 31 December 2016.

(II) Related parties, other than connected persons

The significant transactions with related parties, other than connected persons, during the year, and significant balances with them at the end of the reporting period, are as follows:

(a) Transactions

Name of party	**Nature of transactions**	**2016** ***HK$'000***	2015 *HK$'000*
Joint venture:			
SPT Technology Limited *(note i)*	Purchases of electronic products	**–**	43,105
	Sales of electronic products	**–**	79
Associate:			
Hi-Level Technology Limited *(note ii)*	Purchases of electronic products	**2,258**	–
	Sales of electronic products	**640**	–
	Rental income received	**508**	–

(b) Balances

Name of party	**Nature of balances**	**31.12.2016** ***HK$'000***	31.12.2015 *HK$'000*
Joint venture:			
Kitronix	Other receivables	**85**	–
Associate:			
Hi-Level Technology Limited *(note ii)*	Trade payables	**1,410**	–
	Trade receivables	**220**	–

42. CONNECTED PERSON AND RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(II) Related parties, other than connected persons *(Continued)*

(c) Compensation of key management personnel

The directors are the key management personnel of the Company and their compensation for both years is set out in note 9.

notes:

(i) SPT Technology Limited became a wholly owned subsidiary of the Company upon completion of acquisition of additional 45% equity interest in SPT Technology Limited by the Group on 4 June 2015 as set out in note 34.

(ii) Hi-Level Technology Limited, a subsidiary of Hi-Level Holdings, which became an associate of the Company upon the completion of the Spin-Off on 7 January 2016 as set out in notes 1 and 36.

The amounts represents trading balances which are unsecured, non-interest bearing and repayable with an average credit period of 60 days.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

A summary of the statement of financial position of the Company at 31 December 2016 and 31 December 2015 are as follows:

	31.12.2016 ***HK$'000***	31.12.2015 *HK$'000*
Non-current assets		
Investment in subsidiaries	**839,134**	722,298
Current assets		
Prepayment and other receivables	**227**	1,677
Bank balances	**180**	600
	407	2,277
Current liabilities		
Other payables	**261**	3,536
Amounts due to subsidiaries	**550,788**	496,867
Tax payable	**789**	574
	551,838	500,977
Net current liabilities	**(551,431)**	(498,700)
Net assets	**287,703**	223,598
Capital and reserves		
Share capital	**62,428**	62,428
Share premium and reserves *(note)*	**225,275**	161,170
Total equity	**287,703**	223,598

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

note:

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2015	1,718	1,109	105,796	400	20,130	129,153
Profit and total comprehensive income for the year	–	–	–	–	102,575	102,575
Dividends recognised as distribution	–	–	–	–	(71,792)	(71,792)
Recognition of equity-settled share-based payments	–	–	–	1,234	–	1,234
At 31 December 2015	1,718	1,109	105,796	1,634	50,913	161,170
Profit and total comprehensive income for the year	–	–	–	–	127,670	127,670
Dividends recognised as distribution	–	–	–	–	(49,943)	(49,943)
Dividend by way of a distribution in specie	–	–	–	–	(13,950)	(13,950)
Recognition of equity-settled share-based payments	–	–	–	328	–	328
At 31 December 2016	1,718	1,109	105,796	1,962	114,690	225,275

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2016 and 31 December 2015 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and paid up share capital/ registered capital	Proportion of issued share/ registered capital held by the Company 31.12.2016 %	31.12.2015 %	Principal activities
Dragon Trading Limited	British Virgin Islands/ Hong Kong	Ordinary USD40,000	**100**	100	Investment holding
HAS Electronic Company Limited	Hong Kong	Ordinary HK$1,000,000	**100**	100	Distribution of electronic products
Hi-Level Holdings	Cayman Islands/ Hong Kong	Ordinary HK$1	**N/A**	51	Investment holding
Hi-Level Technology Limited	Hong Kong	Ordinary HK$25,000,000	**N/A**	51	Distribution of electronic products with provision of independent design house services
RSL Microelectronics Company Limited	Hong Kong	Ordinary HK$500,000	**100**	100	Distribution of electronic products

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and paid up share capital/ registered capital	Proportion of issued share/ registered capital held by the Company 31.12.2016 %	31.12.2015 %	Principal activities
S.A.S. Electric (as defined in note 35)	Hong Kong	Ordinary HK$1,000,000	100	N/A	Distribution of home appliances and business equipment and provision of related ancillary services
S.A.S. Electronic Company Limited	Hong Kong	Ordinary HK$1,000,000	100	100	Distribution of electronic products
S.A.S. Enterprises Company Limited	Hong Kong	Ordinary HK$100	100	100	Distribution of electronic products
		Non-voting deferred* HK$1,000,000	100	100	
S.A.S. Investment Company Limited	Hong Kong	Ordinary HK$100	100	100	Property and investment holding
		Non-voting deferred* HK$1,000,000	100	100	
S.A.S. Lighting Company Limited	Hong Kong	Ordinary HK$2	100	100	Distribution of LED lighting products
SMartech Electronic Company Limited	Hong Kong	Ordinary HK$1,000,000	70	70	Distribution of electronic products
Sportline Limited	Hong Kong	Ordinary HK$200,000	100	100	Distribution of sports products
SPT Technology Limited	Hong Kong	Ordinary HK$10,000,000	100	100	Distribution of electronic products
時捷電子科技(深圳)有限公司**	The PRC	Registered capital HK$160,000,000	100	100	Distribution of electronic products
時捷照明(深圳)有限公司**	The PRC	Registered capital HK$5,000,000	100	100	Distribution of LED lighting products
Time Speed Technology Corporation 時暐科技股份有限公司	Taiwan	Registered capital TWD50,000,000	100	100	Distribution of electronic products

* The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meetings of the company or to participate in any distribution on winding up.

** Foreign wholly-owned enterprise.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

With the exception of Dragon Trading Limited and S.A.S. Investment Company Limited, all the subsidiaries are indirectly held by the Company.

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

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

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ establishment/ operations	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		31.12.2016	31.12.2015	**2016**	2015	**31.12.2016**	31.12.2015
		%	%	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hi-Level Group *(note)*	Cayman Islands	**N/A**	49	**–**	6,411	**–**	43,379
SMartech Electronic Company Limited	Hong Kong	**30**	30	**24,468**	12,530	**80,798**	65,330
Individually immaterial subsidiaries with non-controlling interests				**(2,198)**	(1,859)	**9,781**	9,229
				22,270	17,082	**90,579**	117,938

note: Immediately following the completion of the Spin-Off, the Group's equity interest in Hi-Level Group was diluted from 51.0% to approximately 34.1% and it was changed from subsidiaries to associates. Details of which are set out in notes 1 and 36.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Hi-Level Group		SMartech Electronic Company Limited	
	31.12.2016	31.12.2015	**31.12.2016**	31.12.2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current assets	**–**	327,866	**1,559,723**	1,178,299
Non-current assets	**–**	594	**352**	435
Current liabilities	**–**	(239,931)	**(1,290,748)**	(960,967)
Equity attributable to owners of the Company	**–**	45,150	**188,529**	152,437
Non-controlling interests	**–**	43,379	**80,798**	65,330
Revenue	**–**	1,309,764	**5,510,406**	5,986,747
Profit for the year	**–**	12,483	**81,559**	41,768
Profit attributable to owners of the Company	**–**	6,366	**57,091**	29,238
Profit attributable to the non-controlling interests	**–**	6,117	**24,468**	12,530
Profit for the year	**–**	12,483	**81,559**	41,768
Other comprehensive expense attributable to owners of the Company	**–**	(105)	**–**	–
Other comprehensive expense attributable to the non-controlling interests	**–**	(102)	**–**	–
Other comprehensive expense for the year	**–**	(207)	**–**	–
Total comprehensive income attributable to owners of the Company	**–**	6,261	**57,091**	29,238
Total comprehensive income attributable to the non-controlling interests	**–**	6,015	**24,468**	12,530
Total comprehensive income for the year	**–**	12,276	**81,559**	41,768
Dividends paid to non-controlling interests	**19,600**	2,940	**9,000**	15,000
Net cash outflow from operating activities	**–**	(27,899)	**(160,212)**	(399,802)
Net cash inflow (outflow) from investing activities	**–**	14,280	**(213)**	2,356
Net cash (outflow) inflow from financing activities	**(19,600)**	14,843	**119,040**	517,559
Net cash (outflow) inflow	**(19,600)**	1,224	**(41,385)**	120,113

Financial Summary

RESULTS

	For the year ended 31 December				
	2012 *HK$'000* (Restated)	2013 *HK$'000* (Restated)	2014 *HK$'000*	2015 *HK$'000*	**2016** ***HK$'000***
Revenue	6,319,047	10,797,607	10,605,352	11,262,149	**10,339,603**
Profit before tax	122,246	249,977	218,511	126,004	**256,612**
Income tax expense	(13,487)	(35,952)	(33,457)	(28,392)	**(32,500)**
Profit for the year	108,759	214,025	185,054	97,612	**224,112**
Profit for the year attributable to:					
Owners of the Company	90,852	172,134	145,479	80,530	**201,842**
Non-controlling interests	17,907	41,891	39,575	17,082	**22,270**
	108,759	214,025	185,054	97,612	**224,112**

ASSETS AND LIABILITIES

	At 31 December				
	2012 *HK$'000* (Restated)	2013 *HK$'000* (Restated)	2014 *HK$'000*	2015 *HK$'000*	**2016** ***HK$'000***
Total Assets	2,353,252	2,757,540	3,756,707	3,550,823	**4,455,473**
Total Liabilities	(1,636,524)	(1,879,141)	(2,755,963)	(2,550,234)	**(3,317,469)**
Net Assets	716,728	878,399	1,000,744	1,000,589	**1,138,004**
Equity attributable to owners of the Company	632,926	762,547	881,262	882,651	**1,047,425**
Non-controlling interests	83,802	115,852	119,482	117,938	**90,579**
Total Equity	716,728	878,399	1,000,744	1,000,589	**1,138,004**

Location	Lot No.	Use
Units 1 and 2 on Ground Floor and Carparking spaces Nos. B20, B21 and B22 on Basement Floor, Peninsula Square, Sung On Street, Hunghom, Kowloon, Hong Kong	11743/588444 share of Kowloon Inland Lot No. 10985	Commercial
Unit No. 5 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	21/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40	Commercial
Unit No. 6 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	14/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40	Commercial
Unit No. 7 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	14/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40	Commercial
Unit No. 12 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	14/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40	Commercial
Unit No.9 on 11th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	14/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40	Commercial
Unit No.10 on 11th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	22/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40	Commercial
Unit No.14 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	26/12841 share of the remaining position of section O of Kowloon Marine Lot No. 40	Commercial
Unit No.8 on 11th Floor of Tower A, Hunghom Commercial Centre, No. 39 Ma Tau Wai Road, Kowloon, Hong Kong	25/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40	Commercial

Particulars of Investment Properties

Location	Lot No.	Use
Unit 1212 on 12th Floor, Harbour Crystal Centre, No. 100 Granville Road, Kowloon, Hong Kong	12/3100 share of Kowloon Inland Lot No. 10600	Commercial
Yuquan Industrial Estate, Xingye Road, Fenggang Town, Dongguan, the PRC	Dong Fu Guo Yung (2010) De Te No. 361	Industrial
Unit No.1, 2, 3, 5, 6 and 7 on 29th Floor of Tower 1, Phase 2 of KK One North, Binhe Road, Futian Shenzhen, the PRC	Yue (2016) Shenzhen Real Estate Right No. 0132937	Commercial

The Group has 100% interest in the above properties.