TECHNOLOGIES UNIVERSAL

Universal Technologies Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1026

Annual Report 2016

Contents

Highlights of the Year

— Total revenue for the year ended 31 December 2016 amounted to HK$444.35 million, of which HK$137.68 million classified under discontinued operations and HK$306.67 million classified as continuing operations. (2015: HK$224.42 million, of which HK$219.03 million classified under discontinued operations and HK$5.39 million classified as continuing operations.) Revenue from continuing operations for the year ended 31 December 2016 of HK$306.67 million represented an increase of HK$301.28 million or 5,590% as compared with the year ended 31 December 2015. Such increase was mainly attributable to revenue generated from water supply business which was newly acquired by the Group during the last quarter of 2015.

— Net loss attributable to shareholders of the Company for the year ended 31 December 2016 was HK$25.17 million (2015: HK$44.41 million), representing a decrease of 43% as compared with the year ended 31 December 2015. Decrease in net loss was mainly attributable to profit generated from the water supply business.

— Basic and diluted loss per share for the year ended 31 December 2016 amounted to HK$1.19 cents and HK$1.19 cents, respectively (2015: HK$2.12 cents and HK$2.12 cents, respectively).

— The Board of Directors does not recommend payment of any dividend for the year ended 31 December 2016 (2015: HK$Nil).

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Chen Jinyang *(Chairman)*
Chau Cheuk Wah *(Chief Executive Officer)*
Zhou Jianhui
Zhu Fenglian *(appointed on 19 May 2016)*

Non-Executive Director:

Zhang Haimei

Independent Non-Executive Directors:

Dr. Cheung Wai Bun, Charles, *J.P.*
David Tsoi
Chao Pao Shu George
Chan Chun Kau *(resigned on 13 January 2016)*

COMPANY SECRETARY

Tang Chi Wai

AUDIT COMMITTEE

David Tsoi *(Chairman)*
Dr. Cheung Wai Bun, Charles, *J.P.*
Chao Pao Shu George
Chan Chun Kau *(resigned on 13 January 2016)*

AUTHORISED REPRESENTATIVES

Tang Chi Wai
Chen Jinyang

AUDITOR

PKF
Certified Public Accountants

WEBSITE

www.uth.com.hk

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Sheung Wan, Hong Kong

REGISTERED OFFICE

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Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Room 1712-16, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

PRINCIPAL BANKER

Dah Sing Bank

Chairman's Statement

On behalf of the board of directors (the "Board"), I am pleased to present the annual report of Universal Technologies Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016.

As at 31 December 2016, the Group's financial performance improved. The Group recorded total revenue of HK$444.35 million, representing an increase of 98% as compared with last year, and net loss narrowed by 43% to HK$25.17 million as compared with last year, which was mainly attributable to the revenue and profit generated from water supply business. The Group also had a sound financial position with its gearing ratio for the current year and last year maintaining at around 60%.

In respect of business, we strived for achieving long-term sustainable development with stable foundation as basis. During the year, the Group has adjusted its corporate structure and disposed of its payment business which recorded losses and the proceeds from which were used for daily operation and development for new businesses. Moreover, upon completion of the disposal, the Group has shifted its focus to the existing water supply business to enhance the scope and quality of service by the implementation of office automation and leveraging on favorable market conditions, so as to provide our customers with highly efficient services, our water supply business recorded remarkable financial results for the year. On the other hand, the Group continued to expand the scope of value-added service according to market demands so as to implement internal and external strategies.

In respect of management, leveraging on its own management system, the Group endeavored to form a talent management team with strong execution capability and awareness for service, by launching its internal training and promotion system and external talent referral system. In the meantime, we also formulated comprehensive risk management and control as well as financial management systems, with the purpose of strengthening our overall competitiveness and efficiency.

In addition, the Group has realized that the effectiveness of environmental, social and corporate governance is the key element in enhancing shareholder value. The Group is committed to improving its relevant policies to comply with applicable regulatory requirements and international practice. In pursuing its goal, the Company continued to review our resources, reinforce internal training programs and seek for professional advices from experts, so as to protect the interests of the Group and the shareholders of the Company as a whole. As we strived for both sustainable corporate growth and societal development, we endeavored to protect the environment, cherish the natural resources and minimize the impacts of our operation on the environment. As a responsible corporate, the Group has always been dedicated to caring for the society, supporting charities and education and helping the communities where it operates business in different forms, so as to share its fruitful achievements with the society.

PROSPECTS

In 2017, despite the uncertainty of the global economy, the overall outlook is promising. Although the anticipated slowdown in market growth may, to a certain extent, affect our business growth, the regional markets where we operate our business will still be full of opportunities in the medium to long term. Driven by the continuous urbanization in China, demands from cities on water supply will rise further. As a main regional water supplier, the Group's business and projects will continue to benefit from the reform, urbanization and sustainable development plan for enterprises which is geared towards environmental protection as implemented by the PRC government. Besides, the Group is committed to improving its entire operating efficiency, adjusting its business portfolio and strategies to take full advantages of its capability and capturing investment opportunities while combating economic adversities. During the year, the Group initiated an acquisition of asset management license and planned to enter the financial sector in 2017, in order to expand its existing operation and bring new profit streams to the Group.

In the meantime, as for business management and human resources management, the Company will reduce its operating costs and enhance operation efficiency through promoting office automation and lean management; more resources will be put in staff training for improving the overall staff quality so as to achieve enterprise upgrade; and our compliance management will be strengthened and our integrated enterprise competitiveness further enhanced.

Good governance practice is the key to gaining trust and support from stakeholders. In 2017, the Board will continue to improve its own effectiveness and the efficiency of governance. With our market expansion, the Board and the management have focused on the Group's risk management, including its structure and procedures. The Group will endeavor to combine risk management and its corporate objectives and integrate risk monitor and control procedures into each stage of its operation. Meanwhile, we have launched an accountability system in respect of the management for ensuring that further decisions made for investment or business development are all within our risk tolerance level. On the other hand, apart from forming a comprehensive corporate governance structure, the Group implements shareholders' and investors' communication mechanisms to maintain sustainable shareholder value. As always, the Group provides transparent and timely information in respect of its operating performance and major business development to the investors.

Our development over the past year has laid a solid foundation for future growth of the Group in the coming years. I am confident in the future development of the Group and look forward to brighter prospects.

Chairman's Statement

WORD OF THANKS

On behalf of the Board, I would like to express my heartfelt gratitude to every staff and management member for their devoted efforts and contribution over the past year. Also, I would like to express my appreciation to our shareholders, business partners and other parties who pay much attention to our development for their continued support and trust. I look forward to striving for triumphs for the Group and all shareholders in the coming year.

Chen Jinyang
Chairman

Hong Kong, 17 March 2017

FINANCIAL OVERVIEW

Continuing Operations

Revenue and profit for the year

During the current fiscal year, the Group's revenue increased by 5,594% from HK$5,386,000 (2015) to HK$306,671,000 (2016). Loss attributable to shareholders of the Company decreased by 40% from HK$35,720,000 (2015) to HK$21,469,000 (2016). The increase in revenue was mainly due to the revenue generated from the water supply business, which was acquired during the last quarter of 2015. The decrease in net loss was mainly attributable to the contribution in net profit from the water supply business.

Cost of sales/services rendered

During the current fiscal year, the Group recorded cost of sales/services rendered in the amount of HK$194,743,000, representing an increase of HK$191,306,000 as compared with the last fiscal year. The increase of cost of sales/services rendered was mainly attributable to the water supply business newly acquired during the last quarter of 2015.

Other revenue

During the current fiscal year, the Group recorded other revenue of HK$8,993,000, representing an increase of 153% as compared with the last fiscal year, mainly due to the increase in bank interest income.

Other income

During the current fiscal year, the Group recorded other income of HK$12,186,000, representing an increase of HK$11,875,000 as compared with the last fiscal year. The increase of other income was mainly attributable to the gain on early extinguishment of bank loans.

General and administrative expenses

During the current fiscal year, the Group recorded general and administrative expenses of HK$72,793,000, representing an increase of 88% as compared with the last fiscal year. During the current fiscal year, general and administrative fee increased in terms of staff costs, depreciation, exchange loss and other administrative expenses.

Loss on disposal of intangible assets

During the current fiscal year, the Group recorded loss on disposal of intangible assets in the amount of HK$1,333,000, representing an increase of HK$1,333,000 as compared with the last fiscal year. The increase in loss on disposal of intangible assets was mainly attributable to the water supply business.

FINANCIAL OVERVIEW *(continued)*

Increase in fair value of investment properties

The increase in fair value of investment properties changed from HK$1,032,000 (2015) to HK$4,582,000 (2016), representing a year-on-year increase of 344%. The increase in fair value mainly related to the properties located in Shanghai, the People's Republic of China (the "PRC"). Fair value of investment properties were valued by an independent valuer, Graval Consulting Limited engaged by the Group.

Finance costs

During the current fiscal year, the Group recorded finance costs of HK$23,336,000, representing an increase of 826% as compared with the last fiscal year, which was mainly due to (i) the bank loan interests in connection with bank loans obtained during the current fiscal year and (ii) the cross-border guarantee arrangement, being part of the cross-border RMB settlement arranged by a bank during the Group's acquisition of the water supply business in the last quarter of 2015.

Income tax expense

During the current fiscal year, the Group recorded an income tax expense of HK$23,652,000, representing an increase of HK$22,993,000 as compared with the last fiscal year. Such increase was mainly due to the increase in profit of water supply business.

Discontinued Operations

The operating segment of "Payment Solutions" was discontinued during the current fiscal year as a result of the disposal by the Group of the 51% equity interests in International Payment Solutions Holdings Limited (the "Payment Co", together with its subsidiaries and associated companies, the "Payment Co Group"). Details of the discontinued operations are set out in Note 9 to the financial results and position as contained in this annual report.

Property, plant and equipment

The Group's property, plant and equipment decreased by HK$9,689,000 from HK$468,843,000 (as at 31 December 2015) to HK$459,154,000 (as at 31 December 2016). The decrease was mainly due to the disposal of Payment Co Group during the current fiscal year.

Prepaid land lease premium

The Group's prepaid land lease premium decreased from HK$29,649,000 (as at 31 December 2015) to HK$22,313,000 (as at 31 December 2016). The decrease was mainly due to the disposal of Payment Co Group during the current fiscal year.

Goodwill

The Group's goodwill decreased from HK$167,387,000 (as at 31 December 2015) to HK$90,290,000 (as at 31 December 2016). The decrease in goodwill was attributable to the disposal of Payment Co Group during the current fiscal year.

FINANCIAL OVERVIEW *(continued)*

Intangible assets

The Group's intangible assets increased from HK$356,297,000 (as at 31 December 2015) to HK$398,112,000 (as at 31 December 2016). The increase was mainly attributable to the water supply group during the current fiscal year. The intangible assets of water supply group represent the right to operate water supply plants in the PRC under service concession arrangement.

Investment properties

The Group's investment properties decreased by 17% from HK$53,847,000 (as at 31 December 2015) to HK$44,820,000 (as at 31 December 2016). The decrease was mainly attributable to the disposal of Payment Co Group during the current fiscal year.

Deposit paid for acquisition of property, plant and equipment

The Group's deposit paid for the acquisition of property, plant and equipment decreased from HK$37,588,000 (as at 31 December 2015) to HK$13,244,000 (as at 31 December 2016). The decrease was mainly attributable to the disposal of Payment Co Group during the current fiscal year.

Interest in an associate

The Group's interest in an associate decreased from HK$29,542,000 (as at 31 December 2015) to HK$Nil (as at 31 December 2016). The decrease was mainly due to the disposal of Payment Co Group during the current fiscal year.

Debtors

The Group's debtors decreased by 75% from HK$91,559,000 (as at 31 December 2015) to HK$23,154,000 (as at 31 December 2016). The decrease was mainly due to the disposal of Payment Co Group during the current fiscal year.

Deposits, prepayments and other receivables

The Group's deposits, prepayments and other receivables decreased from HK$212,869,000 (as at 31 December 2015) to HK$7,024,000 (as at 31 December 2016). The decrease in deposits, prepayments and other receivables was due to the disposal of Payment Co Group during the current fiscal year.

Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss decreased from HK$1,647,000 (as at 31 December 2015) to HK$Nil (as at 31 December 2016). The decrease in financial assets at fair value through profit or loss was due to the disposal of Payment Co Group during the current fiscal year.

FINANCIAL OVERVIEW *(continued)*

Cash and bank balances and fixed deposits

The Group's cash and bank balances and fixed deposits decreased from HK$700,989,000 (as at 31 December 2015) to HK$437,635,000 (as at 31 December 2016). The decrease in cash and bank balances and fixed deposits was mainly due to the disposal of Payment Co Group during the current fiscal year. As at 31 December 2016, 54% (31 December 2015: 95%) of cash and bank balances was denominated in Renminbi.

Pledged time deposit

The Group's pledged time deposit decreased from HK$281,021,000 (as at 31 December 2015) to HK$262,898,000 (as at 31 December 2016). The decrease in pledge time deposit was due to devaluation of Renminbi during the year.

Bank and other borrowings

The Group's bank and other borrowings increased from HK$661,855,000 (as at 31 December 2015) to HK$710,371,000 (as at 31 December 2016). The increase was mainly attributable to the additional bank loans obtained by the water supply business from banks during the current fiscal year.

Trade payables

The Group's trade payables increased from HK$1,888,000 (as at 31 December 2015) to HK$2,433,000 (as at 31 December 2016). The trade payables were attributable to the water supply business.

Payable to merchants

The Group's payable to merchants decreased from HK$412,844,000 (as at 31 December 2015) to HK$3,008,000 (as at 31 December 2016). The decrease was mainly due to the disposal of Payment Co Group during the current fiscal year.

Deposits received, sundry creditors and accruals

The Group's deposits received, sundry creditors and accruals decreased from HK$271,034,000 (as at 31 December 2015) to HK$193,646,000 (as at 31 December 2016). The decrease was mainly due to the disposal of Payment Co Group during the current fiscal year.

Amounts due to related companies

Amounts due to related companies decreased by 38% from HK$123,796,000 (as at 31 December 2015) to HK$76,499,000 (as at 31 December 2016). The amounts represent advances from related companies. The advances are unsecured, interest-free and repayable within one year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group had net current assets of HK$128,943,000. Current assets comprised inventories of HK$2,606,000, debtors of HK$23,154,000, deposits, prepayments and other receivables of HK$7,024,000, prepaid land lease premium of HK$97,000, fixed deposits of HK$34,643,000, pledged time deposit of HK$262,898,000 and cash and bank balances of HK$402,992,000.

Current liabilities comprised bank and other borrowings of HK$312,195,000, trade payables of HK$2,433,000, payable to merchants of HK$3,008,000, deposits received, sundry creditors and accruals of HK$193,646,000, amounts due to related companies of the HK$76,499,000 and tax payable of HK$16,690,000.

The gearing ratio, which is defined as a percentage of the total liabilities (excluding deferred tax liability) over the total assets (excluding deferred tax assets), of the Group at 31 December 2016 was 57% (2015: 61%).

The Board considers that the Group's existing financial resources are sufficient to fulfill its current commitments and working capital requirements, and the Group should be able to fund its foreseeable expenditures through cash flows from operations. However, if the Group launch any massive scale of expansion or development, additional debt or equity financing may be required.

BUSINESS REVIEW AND PROSPECTS

Review

The year 2016 was full of challenges with the complex and volatile state of world affairs. Weakened market demand, intensified competition as well as various factors influencing political stability, such as changes in the policies of the United States and Brexit, altogether accelerated global economic adjustments. Although the economic growth in the PRC slowed down in consequence of the global economic climate, there is potential for future developments stemming from solid economic infrastructure of the PRC developed over the past years. During the fluctuating economic climate, the Group adhered to its strategic goal of "growth-oriented, loss-mitigation and corporate structure enhancement". The Group recorded a total revenue of HK$444.35 million for the year, of which HK$137.68 million and HK$306.67 million were generated from discontinued operations and continuing operations, respectively, representing an overall growth of 98% when compared to HK$224.42 million last year. The loss attributable to the shareholders of the Company for the year was HK$25.17 million, representing a decrease of 43% when compared to the loss of HK$44.41 million last year. The increase in revenue and the decrease in loss for the year were mainly attributable to the profits generated from the water supply business.

BUSINESS REVIEW AND PROSPECTS *(continued)*

Review *(continued)*

The internet payment market experienced market turmoil during the 2016 fiscal year. Subsequent to the rapid development stage, the internet payment market entered into a matured market stage comprising market players with stable corporate structure and business framework. The third-party payment market has expanded to cover internet payment solutions, the issuance and acceptance of prepaid cards, bank card acceptance, digital television payments and mobile payments. Market competition has intensified as the market coverage has expanded from traditional payment sectors (including online shopping, online ticketing, online games and telecommunications) to other business sectors including online sales of financial products, garment, machinery, direct marketing and logistics. Differences between major payment services providers have become more apparent; and innovative business models and reconstructed finance chains are emerging as a result of the integration of the finance business and the internet. Market players within the third-party payment market are competing not only in terms of technological advancement but also in terms of innovation of business model to compete for market share and profits. Following the renewal of the first batch of payment licenses, it is expected that the payment sector will change dramatically, including increased competitions among banks and oligopoly. In light of such regulatory and market background, the Group's payment business faces several challenging situations. First, the tightening of the regulatory policy reduces the Group's scope of business, under the renewed license granted to the Group, the Group has to withdraw from the bank-card acceptance business in certain areas due to regulatory requirements. Second, the integration of the payment business with traditional corporations causes banks to be a direct competitor against the payment industry, causing pressure and challenges from traditional financial institutions. The third-party payment market in the PRC is considered to be oligopolies. Although there are over 200 license holders in the payment industry, the majority of market share is divided amongst Alipay, Tenpay and Yspay. Under such challenging business environment, the overall performance and financial results of the Group were unsatisfactory despite the Group's efforts to promote corporate development and market penetration, and to expand market segment. After due care and consideration, the management of the Group has decided to dispose the domestic payment business. The disposal was completed on 23 December 2016, and the proceeds of HK$145.65 million were held as bank deposits as working capital for future needs and business development.

In respect of the property investment and management, the Group recorded a substantial increase in the overall rental income for the year, which is mainly attributable to the increase in the properties held for the water supply business.

BUSINESS REVIEW AND PROSPECTS *(continued)*

Review *(continued)*

The Group had maintained a stable growth despite the impact on the Group's water supply business due to macroeconomic developments in the PRC, entry into the overcapacity stage by the manufacturing industry in the PRC and the entry into the excess supply stage by the property industry in the PRC. The profits from the water supply business and other businesses for the year ended 31 December 2016 has achieved the Group's operational goals. Due to the continuous increase in the population in China, the market demand in water supply to the cities is increasing, and the Company has accelerated its pace in construction projects and enhancement in internal management system. As a result of the completion of the second phase and the trial operation of Taihe Water Plant No.2, the expansion of the water supply pipelines networks in the southern Qingyuan City and the completion of various projects during the year, the Group's water supply network expanded and the Group's water supply capacity recorded a new historical high. Meanwhile, in order to increase capacity, control operating costs effectively and promote overall work efficiency, the Group focused on informationisation construction and the Group enhanced the water receiving and integrated operation system, the construction in Wechat platform and the promotion and application of office automation system. In addition, other business operations relating to the water supply business (pipeline repair and maintenance, water meter repair and maintenance and replacement) also brought new profits to the Group.

During year 2016, the Group has implemented a strategy building on "openness, equality, competition and quality" with regards its human resources management. The Group provided regular professional trainings to employees to enhance personal development and to encourage employees to fulfill potentials. The Company has strategically invested appropriate resources to promote, attract and retain talents. As the Group has disposed of its payment business, the total number of employees decreased from 1,004 as at 31 December 2015 to 383 as at 31 December 2016.

The Group believes corporate social responsibility promotes business ethics, corporate governance and integrity, hence the Group's corporate strategies are closely linked with the corporate social responsibility. The Group is committed to sustaining business development in the economic, social and environmental aspects as well as striking an optimal balance between different stakeholders while providing valuable services to the society. The Group's social responsibility policy for the year included stakeholder communications, environment and social aspects. For further details, please refer to the section headed "Environmental, Social and Governance Report" in the Annual Report.

Management Discussion and Analysis

PROSPECTS

Modest global economy recovery is expected in 2017, with varying recovery across regions. Brexit, increase in Federal Reserve interest rate and the economic slowdown in the PRC had created uncertainties on the economic outlook. Even though the global economic volatility has affected Asia, it is nonetheless expected that economies within the emerging Asia, as the leading growing economies globally, will continue to record growth.

According to analysis of the future development and trends of the water supply business, in 2017:

1. the leakage percentage of pipe network in the water supply system of urban area could be reduced further;
2. water price could be increased further;
3. the water pricing structure could be amended;
4. integrated urban-rural construction requires the co-ordination of regional water supply; and
5. informationisation would be the trend of water supply business.

The Group believes business derived from market demand, and corporate shall develop main business according to the market and profitability could be enhanced via ongoing improvement in internal communication, automation, management and infrastructure. The Group have faced some issues on cost increase in 2017, such as cash flow problem related to the commencement of the second phase of the water plant No.2, payment of other project costs, and escalation in financial cost due to increase in government policy charges on water resources. However, the Group believes such cost increase could be offset by adjusting and improving internal management, reduce water waste and other appropriate policies. The Group's focus is on long term strategy of sustainable development rather than short term profit maximization.

In respect of the future plan for 2017, after sale of the subsidiary operating payment services in 2016, the company has sufficient resources to fund operating expenditure and new business development. The Group has initiated an acquisition of asset management license in 2016 and is in the approval procedure. It is expected to expand into a new business sector for the goal of 2017.

Other than business development, the Company recognise that an enterprise has different duties and responsibilities toward environment, social and corporate. As a long term goal, the Company will publish report on environmental, social and corporate to provide all stakeholders with further information to enhance disclosure obligations and promote the corporate image and sustainability of the Group.

"Combining capital, product and our strength to develop and to build our business in the most efficient manner" is our corporate motto. 2017 is going to be our busiest year as we have to finalise several business plan in addition to managing current activities. The Group will devote to sustaining development in its current business operations, increasing capability and capturing business opportunities and the Group will focus on the markets and sectors with competitive advantages. The Group will explore opportunities prudently to develop its business in Asia and other potential markets.

PROSPECTS *(continued)*

The beginning of a new year signifies a new start. In 2017, to achieve a win-win scenario, we will collaborate based on people-oriented, quality competition, integrity and innovative and visionary principles.

REVIEW OF CONTRACTUAL ARRANGEMENTS

In light of the Administrative Provisions on Foreign-invested Telecommunication Enterprises, foreign investors shall not hold more than 50% equity interest of a PRC enterprise providing value-added telecommunication services. The principal businesses of the Universal eCommerce China Limited ("Universal eCommerce China") are classified as value-added telecommunication services which are categorised as a type of business which is subject to foreign investment restriction in the PRC.

Reference is made to the Reorganisation Announcement dated 9 September 2005 in relation to the Reorganisation whereby the Company (through International Payment Solutions (China) Limited ("International Payment Solutions (China)") (formerly known as Universal Media (Shanghai) Limited), a wholly foreign owned enterprise established under the laws of the PRC and an indirect 51% owned subsidiary of the Company) acquired an effective control over the entire interest in Universal eCommerce China (formerly known as *International Payment Solutions (Shanghai) Limited), a limited liability company established under the laws of the PRC whose financial results are accounted for and consolidated in the Group's consolidated accounts through the Structured Contracts and the effective interest attributable to the Group is 51% through the Structured Contracts. As disclosed in the Reorganisation Announcement, at the time of the entering into of the Structured Contracts, (i) operators of value-added telecommunication services in the PRC must obtain a valid Internet Content Provider (ICP) license issued by the Ministry of Information Industry in the PRC or its provincial-level bureau (MII); (ii) PRC laws and regulations limited foreign investment in and only allowed foreign investors to own up to 50% equity interest in businesses providing value-added telecommunication services in the PRC; and (iii) the Group's own PRC subsidiaries were not entitled to apply for such ICP license. Therefore, the Company underwent the Reorganisation so as to acquire an effective control over the entire interest in Universal eCommerce China and entered into the Structured Contracts to recognize and receive all the economic benefits of the businesses and operations of Universal eCommerce China (including the revenues generated from the operation of its businesses and all dividends and distributions accrued thereon). Please refer to the announcement of the Company dated 18 August 2015 containing an update of the details of the Contractual Arrangements.

On 2 November 2016, the Group disposed 51% equity interests of Payment Co and the net shareholders' loans for an aggregate consideration of HK$158 million. The disposal was approved by the shareholders of the Company on 16 December 2016 and completed on 23 December 2016. Upon completion of the disposal, the Group is no longer affected by the said contractual arrangements. Please refer to the announcement of the Company dated 2 November 2016 in relation to the exempted connected transaction and very substantial disposal in relation to the disposal by the Group of 51% equity interest of Payment Co.

EMPLOYEES

As at 31 December 2016, the total number of employees of the Group was 383 (2015: 1,004). The decrease in the total number of employees of the Group was due to the disposal of Payment Co Group during the current fiscal year. The remuneration of the employees (including directors) were determined according to their performance and work experience. In addition to basic salaries, discretionary bonus and share options may be granted to eligible employee by reference to the Group's performance as well as the individual's performance. The Group also provides social security benefits to its staff such as Mandatory Provident Fund Scheme in Hong Kong and the central pension scheme in the PRC.

The dedication and contribution of the Group's staff during the year are greatly appreciated and acknowledged.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 2 November 2016, Universal Cyberworks International Ltd., ("Universal Cyberworks") a wholly-owned subsidiary of the Company and Brilliant Dragon Investment Limited ("Brilliant Dragon") entered into the sale and purchase agreement (the "SP Agreement"), pursuant to which Universal Cyberworks conditionally agreed to sell, and Brilliant Dragon conditionally agreed to acquire, 51% interests in Payment Co and the net shareholders' loans for an aggregate consideration of HK$158.0 million. As at the date of the SP Agreement, Payment Co was beneficially owned as to 51% by Universal Cyberworks and as to 49% by H&R (which was, in turn, 50% owned by Brilliant Dragon). In addition, Ms. Ren Lili was a director of the Payment Co. Accordingly, Brilliant Dragon was a connected person of the Company (at the subsidiary level rather than at the Company's level) and thus the disposal of 51% of Payment Co (the "Disposal") constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that (i) the Board considers that the SP Agreement and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) the Board has approved the SP Agreement and the transactions contemplated thereunder; and (iii) the independent non-executive Directors have confirmed that the terms of the SP Agreement and the transactions contemplated thereunder are fair and reasonable, the SP Agreement and the transactions contemplated thereunder fall within the exemption under Rule 14A.101 of the Listing Rules and are subject to the reporting and announcement requirements but exempted from the circular, independent financial advice and shareholders' approval requirements of Chapter 14A of the Listing Rules. The Disposal was approved by the shareholders of the Company on 16 December 2016 and completed on 23 December 2016. The net proceeds of approximately HK$145,645,000 from the Disposal were, pending utilization, placed with banks as deposits.

CHARGES ON GROUP'S ASSETS

The Group's bank loans at 31 December 2016 were secured by:

(i) charge over a time deposit amounting to RMB235,420,000 (equivalent to approximately HK$262,898,000);

(ii) pledge of trade receivables under service concession arrangement with a carrying amount of RMB20,723,000 (equivalent to approximately HK$23,139,000);

(iii) charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB4,244,000 (equivalent to approximately HK$4,739,000);

(iv) pledge of 49% equity interest in Qingyuan Water Supply Development Company Limited;

(v) pledge of 25% equity interest in Qingyuan Qingxin District Taihe Water Company Limited; and

(vi) guarantee by Dongguan Xinhongcheng Enterprise Management Company Limited and Qingyuan Qingxin District Huike Properties Company Limited, both being the subsidiaries of the Group.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On 20 September 2016, Universal Technologies Capital Holdings Limited ("UTCHL"), a direct wholly-owned subsidiary of the Company, and Ever City Industrial Development Limited ("Ever City") entered into the acquisition agreement (the "Acquisition Agreement"), pursuant to which UTCHL conditionally agreed to acquire from Ever City, and Ever City conditionally agreed to sell, the entire issued share capital of Hooray Asset Management Limited for a total cash consideration of HK$9,000,000. The issued share capital of Ever City is 20% owned by Ms. Zhu (an executive Director of the Company) and 80% owned by Mr. Yang (the spouse of Ms. Zhu). In addition, Ever City was a substantial shareholder of the Company interested in, directly and indirectly through its subsidiary, a total of 520,380,000 shares, representing 24.54% of the issued share capital of the Company as at the date of the Acquisition Agreement. Accordingly, Ever City is a connected person of the Company and the proposed acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. The proposed acquisition is subject to announcement and reporting requirements but exempt from the circular and independent shareholders' approval requirements. The proposed acquisition has not yet completed as at the date of this annual report.

Save as disclosed above, the Group did not have any other detailed plans for material investment or capital assets as at 31 December 2016.

CURRENCY RISK

The Group's core businesses are mainly transacted and settled in Renminbi and the majority of assets and liabilities are denominated in Renminbi ("RMB") and Hong Kong dollar ("HK$"). There are no significant assets and liabilities denominated in other currencies. During the year ended 31 December 2016, the Group did not enter into any arrangements to hedge its foreign currency exposure. Any material fluctuation in the exchange rates of HK$ or RMB may have an impact on the operating results of the Group.

The exchange rate of RMB to HK$ is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group manages foreign currency risk by closely monitoring the movement of the foreign currency rates.

CAPITAL COMMITMENT

As at 31 December 2016, the Group had contracted but not provided for of approximately HK$165,694,000 comprising (i) acquisition of property, plant and equipment of approximately HK$85,854,000 (2015: HK$138,590,000); and (ii) other intangible assets (as defined under the adopted accounting standards) of approximately HK$79,840,000 (2015: HK$111,022,000), both of which being in connection with for the expansion of water treatment capacity and pipeline network, as well as the maintenance capital expenditures in the normal course of business of Qingyuan Water Supply Development Company Limited and Qingyuan Qingxin District Taihe Water Company Limited.

CONTINGENT LIABILITIES

The Directors consider that the Group had no contingent liabilities as at 31 December 2016.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Chen Jinyang

Mr. Chen, aged 46, was appointed as an Executive Director, the Chairman of the Board and an authorized representative of the Group on 18 December 2012, 16 September 2013 and 29 October 2015 respectively. He has substantial experience and knowledge of banking industry and investment business in the PRC.

Mr. Chau Cheuk Wah

Mr. Chau, aged 62, was appointed as the Chief Executive Officer and an Executive Director of the Group on 3 June 2013 and 16 September 2013 respectively. Mr. Chau has 37 years of experience in banking and finance in Hong Kong and China with various global financial institutes. Mr. Chau was graduated from The Chinese University of Hong Kong with a bachelor degree in Business Administration.

Mr. Chau was formerly a director and shareholder of Eastcorp International Limited ("Eastcorp"), the substantial shareholder of the Company. Mr. Chau is a brother of Mr. Chow Cheuk Lap, a former Executive Director and the former Compliance Officer of the Group.

Mr. Zhou Jianhui

Mr. Zhou, aged 52, was appointed as an Executive Director of the Group on 18 December 2012. Mr. Zhou was previously a senior advisor of the Company and joined the Group as a Vice President. Mr. Zhou has substantial experience and knowledge of financial management and investment business in the PRC.

DIRECTORS *(continued)*

Executive Directors *(continued)*

Ms. Zhu Fenglian

Ms. Zhu, aged 53, was appointed as an Executive Director of the Group on 19 May 2016. She graduated from the Department of Chinese of Sun Yat-Sen University, China in 1985 with a Bachelor's degree. She has extensive experience in corporate management. She was formerly the chairperson of Guangdong Boxin Investment Holdings Limited ("Boxin", the shares of which are listed on the Shanghai Stock Exchange with stock code: 600083) from March 2010 to April 2016. She is currently (i) a director of Guangdong Golden Dragon Development Inc. ("GD", the shares of which are listed on the Shenzhen Stock Exchange with stock code: 000712); (ii) the chairperson of Dongguan New Century School; (iii) a director of Ruijin Equity Investment Fund Management (Shenzhen) Company Limited, a wholly-owned subsidiary of the Company; (iv) a director and the general manager of Qinghui Properties Limited ("Qinghui") and Dongguan Xinhongcheng Enterprise Management Company Limited, 49% owned subsidiaries of the Company; (v) a director of Qingyuan Water Supply Development Company Limited, a wholly-owned subsidiary of Qinghui; (vi) a director of Dongguan Hongshun Shiye Development Company Limited which is a shareholder with 2% interest in Qinghui; and (vii) a director of the following companies, namely, Dongguan Jinshun Real Estate Investment Limited, Dongguan Jincheng Real Estate Investment Limited, Dongguan Yuhe Shiye Limited, Dongguan Securities Limited, Zhongshan Securities Co., Ltd., Hooray Securities Limited, Hooray Capital Limited and Hooray Asset Management Limited.

Ms. Zhu and her spouse, Mr. Yang Zhimao ("Mr. Yang", and together with Ms. Zhu, collectively the "Yangs") are the substantial shareholders of the Company. Mr. Yang and Ever City Industrial Development Limited ("Ever City") are deemed to be interested in 520,380,000 shares of the Company, representing 24.54% of the total issued share capital of the Company, which comprises (a) 320,380,000 shares directly held by Ever City; and (b) 200,000,000 shares held by Eastcorp International Limited ("Eastcorp"). Ever City is beneficially owned as to 80% and 20% by Mr. Yang and Ms. Zhu, respectively. Therefore, Ever City is deemed to be a controlled corporation of Mr. Yang. Eastcorp is wholly and beneficially owned by Ever City. Therefore, Eastcorp is deemed to be a controlled corporation of Ever City and Mr. Yang.

DIRECTORS *(continued)*

Non-Executive Director

Ms. Zhang Haimei

Ms. Zhang, aged 49, was appointed as a Non-Executive Director of the Group on 23 December 2015. Ms Zhang is experienced in financial management. Ms. Zhang obtained a diploma in accounting and possesses the qualification of junior level accounting in the PRC.

Ms. Zhang is currently a director and the financial controller of Guangdong Golden Dragon Development Inc. ("GD") whose shares are listed on the Shenzhen Stock Exchange (stock code: 000712); and a member of the supervision committee of Dongguan Securities Limited, a 40% owned associate of GD. Ms. Zhang joined GD in 2003 and has served in various positions in GD including the assistant to Chief Executive Officer of GD and the former manager in the finance department of GD. GD is indirectly owned as to 50.02% of its entire share capital by Mr. Yang Zhimao and his spouse Ms. Zhu Fenglian (the "Yangs"), a substantial shareholder of the Company.

Directors and Senior Management

DIRECTORS *(continued)*

Independent Non-Executive Directors

Dr. Cheung Wai Bun, Charles, *J.P.*

Dr. Cheung, aged 80, is an Independent Non-Executive Director, the Chairman of Remuneration Committee and a member of Audit Committee and Nomination Committee of the Group. He was awarded with Honorary Doctorate Degree in Business Administration by John Dewey University in the United States in 1984. He obtained a master degree in Business Administration and a Bachelor of Science degree in Accounts and Finance from New York University in the United States in 1962 and 1960, respectively. Dr. Cheung is a Director and Vice Chairman of Executive Committee of Metropolitan Bank (China) Ltd. He was formerly an Independent Non-Executive Director and the Chairman of Audit Committees of Shanghai Electric Group Company Limited (stock code: 2727) and was formerly an Independent Non-Executive Director; the Chairman and subsequently the Joint Chairman of the Board of Grand T G Gold Holdings Limited (stock code: 8299). Dr. Cheung was also formerly Independent Non-Executive Director and the Director General of Audit Committee of China Resources Bank of Zhuhai Co. Ltd. Dr. Cheung is currently (i) an Independent Non-Executive Director and the Chairman of Audit Committee of Pioneer Global Group Limited (stock code: 224) and Modern Dental Group Limited (stock code: 3600); (ii) an Independent Non-Executive Director, and the Chairman of Nomination Committee and Audit Committee of China Financial International Investments Limited (stock code: 721); (iii) an Non-Executive Director of Galaxy Entertainment Group Limited (stock code: 027); and (iv) an independent Non-Executive Director and Chairman of Remuneration Committee of Jiayuan International Group Limited (stock code: 2768), all of which are companies listed on the Main Board of the Stock Exchange. Dr. Cheung is an Independent Non-Executive Director and the Chairman of Nomination Committee of Yin He Holdings Limited (formerly named "Zebra Strategic Holdings Limited") (stock code: 8260) listed on GEM board. He is also a Council Member of the Hong Kong Institute of Directors. He was a former visiting professor of School of Business of Nanjing University, China. He is a member of Hospital Governing Committee of both Kowloon Hospital and Hong Kong Eye Hospital and a member of Regional Advisory Committee of Hospital Authority. He was a former director and advisor of the Tung Wah Group of Hospitals. Dr. Cheung was formerly a Chief Executive & Executive Deputy Chairman of Mission Hills Group.

Dr. Cheung was awarded the Directors of the Year Awards 2002 of "Listed Company Non-Executive Director". He was elected Outstanding Director Award by the Chartered Association of Directors, Outstanding Management Award by Chartered Management Association, and Outstanding CEO Award by the Asia Pacific CEO Association in December 2010.

DIRECTORS *(continued)*

Independent Non-Executive Directors *(continued)*

Mr. David Tsoi

Mr. Tsoi, aged 69, was appointed as an Independent Non-Executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Group on 3 June 2013. Mr. Tsoi is the managing director of Alliott, Tsoi CPA Limited. Mr. Tsoi obtained a master's degree in business administration from the University of East Asia, Macau (currently known as University of Macau) in 1986. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Taxation Institute of Hong Kong, the Institute of Chartered Accountants of England and Wales, the Society of Chinese Accountants and Auditors and the CPA Australia, respectively, and a member of Chartered Professional Accountants of British Columbia, Canada. He was formerly an Independent Non-Executive Director of CRRC Corporation Limited (formerly known as CSR Corporation Limited) (stock code: 1766). Mr. Tsoi is currently (i) an Independent Non-Executive Director, Chairman of Audit Committee and Remuneration Committee of MelcoLot Limited (stock code: 8198); (ii) an Independent Non-Executive Director and Chairman of Audit Committee of Enviro Energy International Holdings Limited (stock code: 1102); (iii) an Independent Non-Executive Director of Guru Online (Holdings) Limited (stock code: 8121); (iv) an Independent Non-Executive Director and Chairman of Audit Committee of VPower Group International Holdings Limited (stock code: 1608); and (v) an Independent Non-Executive Director, Chairman of Audit Committee, Nomination Committee and Corporate Governance Committee of Anxin-China Holdings Limited (stock code: 1149), respectively, the shares of which are all listed on the Hong Kong Stock Exchange.

Mr. Chan Chun Kau

Mr. Chan, aged 42, was formerly an Independent Non-Executive Director, the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee of the Group. Mr. Chan resigned from all of the above positions on 13 January 2016. Mr. Chan graduated from the Trinity College, Cambridge University of England with a bachelor degree in computer science and laws. Mr. Chan is a practicing solicitor in Hong Kong and is a partner of Messrs. Cheung and Choy and J.S. Gale & Co. and the sole proprietor of Lawrence Chan & Co. He is also the Company Secretary of China Energy Development Holdings Limited (stock code: 228) and TC Orient Lighting Holdings Limited (stock code: 515), and an Independent Non-Executive Director of Jin Bao Bao Holdings Limited (stock code: 1239), all of which are listed on Hong Kong Stock Exchange. Mr. Chan is experienced in corporate finance and capital markets.

Directors and Senior Management

DIRECTORS *(continued)*

Independent Non-Executive Directors *(continued)*

Mr. Chao Pao Shu George

Mr. Chao, aged 70, was appointed as an Independent Non-Executive Director, a member of Audit Committee, Nomination Committee and Remuneration Committee of the Group on 16 September 2013, and further appointed as Chairman of Nomination Committee of the Group on 13 January 2016.

Mr. Chao is currently an Independent Non-Executive Director, Chairman of Remuneration Committee and member of Audit Committee, Nomination Committee and Corporate Governance Committee of Anxin-China Holdings Limited (stock code: 1149).

Mr. Chao started his career as an air traffic controller in Civil Aviation Department and was graduated in the College of Air Traffic Control in UK. Having progressed in the job, he was promoted to the post of Air Traffic General Manager and was also awarded the honorary position of *J.P.* As a part time job, Mr. Chao joined the then Royal Hong Kong Auxiliary Air Force (which was known as Hong Kong Government Flying Services after 1997). He became a pilot and air traffic controller in the force in the rank of the Squadron Leader and took charge of the whole auxiliary unit after 1997 until retirement. His association with Civil Aviation Administration of China (CAAC) in China started as early as 1970's through bi-lateral meetings (being fluent in Mandarin) and the good working relationship was maintained throughout the years. Mr. Chao was recommended by CAAC to take a position of a Chairmanship in the Asia Pacific United Nation Aviation International Civil Aviation Organisation (ICAO) Meeting and his report still can be seen in the Google under his name. Prior to his retirement, CAAC offered Mr. Chao the job as a consultant of CAAC Peking and he took up the job until now. Presently Mr. Chao is also working as an Air Traffic Control Specialist in Middle South Region of CAAC.

SENIOR MANAGEMENT

Mr. Tang Chi Wai

Mr. Tang, aged 43, has been appointed as financial controller, company secretary and authorised representative of the Group since June 2008. He is responsible for the overall financial and accounting affairs, treasury management and company secretarial matters of the Group. Mr. Tang was awarded a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University. He has over 20 years of extensive experience in auditing, accounting, taxation, company secretarial field, corporate finance and financial management. Mr. Tang is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, a Certified Tax Adviser of the Taxation Institute of Hong Kong, Certified Internal Auditor of the Institute of Internal Auditors, and holder of the Practitioner's Endorsement from the Hong Kong Institute of Chartered Secretaries. Mr. Tang also holds various professional qualifications and memberships. He is a member of the Chinese Institute of Certified Public Accountants, the Institute of Chartered Accountants in English and Wales, the Chartered Institute for Securities & Investment and Hong Kong Securities and Investment Institute. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Association of International Accountants, the Institute of Public Accountants, the Institute of Financial Accountants, the Society of Chinese Accountants & Auditors, the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators, the Taxation Institute of Hong Kong, the Society of Registered Financial Planners, Hong Kong Investor Relations Association and the Hong Kong Institute of Directors. Mr. Tang is an Independent Non-executive Director, Chairman of Audit Committee, member of Remuneration Committee and Nomination Committee of CHerish Holdings Limited (stock code: 2113), a company listed on the Main Board of the Stock Exchange.

Corporate Governance Report

The Company and the Board are devoted to achieve and maintain the highest standards of corporate governance and have adopted the principles of the corporate governance practices of the Rules Governing the listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in the construction of our corporate governance practices. The Board believes that effective corporate governance practices are fundamental to enhancing shareholder value and safeguarding interests of our shareholders and other stakeholders. Accordingly, the Company has adopted sound corporate governance principles that emphasize a quality Board, effective internal control, stringent disclosure practices and transparency and accountability to all stakeholders.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and provisions as set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the “Main Board CG Code”). The Company has complied with all the applicable Code Provisions of the Main Board CG Code except that one Non-Executive Director and One Independent Non-Executive Director was not present at the annual general meeting of the Company which was held on 30 June 2016. This constitutes a deviation from the code provision of A.6.7 which requires that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

The Board periodically reviews the corporate governance practices of the Company to ensure that they meet the requirements of the Main Board CG Code.

UPDATES ON DIRECTOR’S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

With effect from 13 January 2016

1. Mr. Chan Chun Kau resigned as Independent Non-Executive Director, Chairman of Nomination Committee and member of Audit Committee and Remuneration Committee; and

2. Mr. Chao Pao Sun George was appointed as Chairman of Nomination Committee.

With effect from 19 May 2016

1. Ms. Zhu Fenglian was appointed as Executive Director.

Details of above changes are set out in the announcements of the Company dated 13 January 2016 and 19 May 2016.

BOARD OF DIRECTORS

Board Composition

At the date of this annual report, the Board comprises eight Directors, including four Executive Directors, namely, Mr. Chen Jinyang (Chairman), Mr. Chau Cheuk Wah (Chief Executive Officer), Mr. Zhou Jianhui and Ms. Zhu Fenglian; one Non-Executive Director, namely Ms. Zhang Haimei; and three Independent Non-Executive Directors, namely Dr. Cheung Wai Bun, Charles, *J.P.*, Mr. David Tsoi and Mr. Chao Pao Shu George. Throughout the year and up to the date of this report, the Board at all times met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three Independent Non-Executive Directors with at least one Independent Non-Executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. To comply with Rule 3.10A of the Listing Rules, Independent Non-Executive Directors represented at least one-third of the Board throughout the year ended 31 December 2016.

The Company has received annual confirmation of independence from each of the Independent Non-Executive Directors pursuant to Rule 3.13 of the Listing Rules and all Independent Non-Executive Directors are considered to be independent. Brief biographical particulars of the Directors are set out on pages 19 to 25.

Board's Responsibilities and Delegation

The Board is responsible for the approval and monitoring of the Group's overall strategies and policies, approval of business plans, evaluating the performance of the Group and oversight of management. It is also responsible for promoting the success of the Group and its businesses by directing and supervising the Group's affairs. The Board also focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The participation of Non-Executive Directors in the Board brings independent judgement on issues relating to the Company's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered.

The Board delegates day-to-day operations of the Company to Executive Directors and senior management, while reserving certain key matters for Board's approval. Decisions of the Board are communicated to the management through Executive Directors who have attended at Board meetings.

Liability insurance for Directors and senior management officers of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

BOARD OF DIRECTORS *(continued)*

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the required standard of dealings as set out in Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors, the Directors have complied with the above-mentioned required standards of dealings regarding Directors' securities transactions throughout year ended 31 December 2016.

Meetings

Board members attended the Company's Board meetings either in person or through telephone conferencing means in accordance with the provisions of the Company's articles of association. The attendance record of each director at the Board meetings, annual general meeting and extraordinary general meeting held during the year is set out below:

	Number of meeting attended/held		
Directors	**Board meetings**	**AGM**	**EGM**
Mr. Chen Jinyang	11/11	1/1	1/1
Mr. Chau Cheuk Wah	11/11	1/1	1/1
Mr. Zhou Jianhui	11/11	1/1	1/1
Ms. Zhu Fenglian *(appointed on 19 May 2016)*	6/6	0/1	1/1
Ms. Zhang Haimei	11/11	0/1	1/1
Dr. Cheung Wai Bun, Charles, *J.P.*	11/11	0/1	1/1
Mr. David Tsoi	11/11	1/1	1/1
Mr. Chao Pao Shu George	10/11	1/1	1/1
Mr. Chan Chun Kau *(resigned on 13 January 2016)*	1/1	N/A	N/A

Corporate governance functions

The Board is responsible for performing the corporate governance duties as set out below:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

BOARD OF DIRECTORS *(continued)*

Corporate governance functions *(continued)*

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

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report under Appendix 14 to the Listing Rules.

Directors' Continuing Professional Development Programme

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged in-house trainings for Directors and Directors have provided the Company with their respective training records pursuant to the CG Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under provision A.2.1 of the Code, the roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual. The Chairman of the Company is Mr. Chen Jinyang, while the Chief Executive Officer is Mr. Chau Cheuk Wah.

The Chairman plays a leadership role and is responsible for the effective functioning of the Board in accordance with the good corporate governance practice adopted by the Company. He is also responsible for instilling corporate culture and developing strategic plans for the Company. Under provisions A.2.1 and A.2.2 of the Code, the Chairman would ensure that all Directors are properly briefed on issues arising at Board meetings and would be responsible for ensuring that Directors receive adequate information, which must be complete and reliable, in a timely manner. On the other hand, the Chief Executive Officer primarily focuses on developing and implementing objectives and policies approved and delegated by the Board. The Chief Executive Officer is also responsible for the Company's day- to-day management and operations and the formulation of the organisation structure, control systems and internal procedures and processes of the Company for the Board's approval.

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the Directors were appointed for a specific initial term which shall continue thereafter subject to retirement by rotation in accordance with the articles of association of the Company and re-election by shareholders and termination in accordance with the terms of the respective service agreements.

The Articles of Association of the Company provides that any Director appointed by the Board, (i) to fill a casual vacancy in the Board, shall hold office only until the next following general meeting of the Company and shall be subject to re-election at such meeting and (ii) as an addition to the Board shall hold office until the next following general meeting of the Company and shall then be eligible for re-election.

The Articles of Association of the Company also provides that the Company may remove a Director by way of an ordinary resolution at general meeting.

COMPANY SECRETARY

The company secretary of the Company, Mr. Tang Chi Wai, is the financial controller and authorised representative of the Group. Mr. Tang is responsible for the overall financial and accounting affairs, treasury management and company secretarial matters of the Group. Mr. Tang was awarded a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University. He has over 20 years of extensive experience in auditing, accounting, taxation, company secretarial field, corporate finance and financial management. Mr. Tang is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, a Certified Tax Adviser of the Taxation Institute of Hong Kong, Certified Internal Auditor of the Institute of Internal Auditors, and holder of the Practitioner's Endorsement from the Hong Kong Institute of Chartered Secretaries. Mr. Tang also holds various professional qualifications and memberships. He is a member of the Chinese Institute of Certified Public Accountants, the Institute of Chartered Accountants in English and Wales, the Chartered Institute for Securities & Investment and Hong Kong Securities and Investment Institute. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Association of International Accountants, the Institute of Public Accountants, the Institute of Financial Accountants, the Society of Chinese Accountants & Auditors, the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators, the Taxation Institute of Hong Kong, the Society of Registered Financial Planners, Hong Kong Investor Relations Association and the Hong Kong Institute of Directors. Mr. Tang is an Independent Non-executive Director, Chairman of Audit Committee, member of Remuneration Committee and Nomination Committee of CHerish Holdings Limited (stock code: 2113), a company listed on the Main Board of the Stock Exchange.

Mr. Tang supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. He has attained not less than 15 hours of relevant professional training during the year 2016.

REMUNERATION COMMITTEE

The Board established the remuneration committee in July 2006. The major responsibilities of the remuneration committee are to make recommendation to the Board on the Company's policy and structure for remuneration of the Directors and senior management of the Company. The remuneration committee shall determine, with delegated responsibility, the individual remuneration package of each Executive Director and senior management including benefits in kind and pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment). When determining remuneration packages of the Executive Directors and senior management of the Company, the remuneration committee takes into consideration factors such as time commitment, responsibilities, employment condition and remuneration packages of executive directors of comparable companies.

The remuneration committee currently comprises three Independent Non-Executive Directors, Dr. Cheung Wai Bun, Charles, *J.P.*, Mr. David Tsoi and Mr. Chao Pao Shu George and is chaired by Dr. Cheung Wai Bun, Charles, *J.P.*.

The terms of reference of the remuneration committee have been uploaded to the Company's website and the Stock Exchange's website.

The remuneration committee held two meetings for the year ended 31 December 2016. The composition of the remuneration committee during the year as well as the meeting attendance of the committee members are as follows:–

Remuneration Committee	Attendance
Dr. Cheung Wai Bun, Charles, *J.P. (Chairman)*	2/2
Mr. David Tsoi	1/2
Mr. Chan Chun Kau *(resigned on 13 January 2016)*	1/1
Mr. Chao Pao Shu George	2/2

NOMINATION COMMITTEE

The Board established the nomination committee on 29 March 2012. The nomination committee is authorised by the Board 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. The nomination committee is also responsible for reviewing the structure, size and composition of the board.

The Board has adopted its board diversity policy (the "Board Diversity Policy"). All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria based on a range of diversity perspectives, which would include but not be 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.

NOMINATION COMMITTEE *(continued)*

The nomination committee currently comprises three Independent Non-Executive Directors, Dr. Cheung Wai Bun, Charles, *J.P.*, Mr. David Tsoi and Mr. Chao Pao Shu George and is chaired by Mr. Chao Pao Shu George.

The terms of reference (including the nomination procedures and criteria for selection and recommendation of candidates for directorship) of the nomination committee have been uploaded to the Company's website and the Stock Exchange's website.

The nomination committee held two meetings for the year ended 31 December 2016. The composition of the nomination committee during the year as well as the meeting attendance of the committee members are as follows:–

Nomination Committee	Attendance
Mr. Chan Chun Kau *(Chairman) (resigned on 13 January 2016)*	1/1
Dr. Cheung Wai Bun, Charles, *J.P.*	2/2
Mr. David Tsoi	1/2
Mr. Chao Pao Shu George *(appointed as Chairman on 13 January 2016)*	2/2

RISKS MANAGEMENT AND INTERNAL CONTROLS

The Board has the responsibility to maintain an effective risk management and internal control system in order to safeguard the Group's assets and investments and the shareholders' interest and conducts a review on an annual basis. During the year, the Board had conducted review of the effectiveness of the risk management and internal control system of the Company in aspects of the Group's financial, operational, compliance controls and risk management functions before the date of this report through effort of the Audit Committee.

During the year, the Company engaged an external independent consultant to conduct a review on the internal control system and risk management of the Group. The Board has the overall responsibility to maintain the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function and the Board had reached the conclusion that the Group's risk management and internal control system was in place and effective.

ACCOUNTABILITY AND AUDIT

The Board acknowledges its responsibility for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company. The financial statements set out on pages 70 to 157. Financial results of the Company are announced in a timely manner in accordance with statutory and/or regulatory requirements.

ACCOUNTABILITY AND AUDIT *(continued)*

The Board of Directors recognises the importance of integrity of financial information and acknowledges its responsibility for preparing interim and annual financial statements that give a true and fair view of the Company's affairs and its results and cash flows in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance. In presenting the financial information, as well as price-sensitive announcements and other financial disclosures as required by regulations, the board endeavours to present in a timely manner to shareholders and other stakeholders a balanced and understandable assessment of the Company's performance, position and prospects. Accordingly, appropriate accounting policies are selected and applied consistently, and judgments and estimates made by the management for financial reporting purpose are prudent and reasonable. Prior to the adoption of the financial statements and the related accounting policies, the relevant financial information is discussed between the external auditor and the management, and then submitted to the audit committee for review.

The Board considers that the adoption of new or amended financial reporting standards that became effective during the year has not had a significant impact on the Company's financial statements, details of which are disclosed in Note 2(a) on page 77.

The responsibilities of the external auditor with respect to the financial statements for the year ended 31 December 2016 are set out in the Independent Auditor's Report on pages 65 to 69.

AUDITOR'S REMUNERATION

For the year ended 31 December 2016, the remuneration paid and payable to the external auditor of the Group for services provided are set out as follows:

SERVICES RENDERED	**Fee Paid/Payable 2016** HK$'000
Statutory audit services	1,380
Other audit services in connection with very substantial disposal	464
Review of interim results	688
NON-AUDIT SERVICES:–	
Taxation services	80
	2,612

AUDIT COMMITTEE

The Board established the audit committee in October 2001. The audit committee is authorised by the Board to consider the appointment, re-appointment and removal of the external auditor, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process and to discuss with the external auditor the nature and scope of the audit. It is also responsible for reviewing: (i) the interim and annual financial statements before submission to the Board and (ii) the Company's financial control, internal control and risk management systems.

The audit committee monitors the integrity of the Company's financial statements, annual report and accounts and half-year report and reviews significant financial report judgments contained therein. It reviews, makes recommendations and reports to the Board on findings relating to the financial statements, reports and accounts, systems of internal controls and risk management and compliance issues.

The audit committee currently comprises three Independent Non-Executive Directors, Mr. David Tsoi, Dr. Cheung Wai Bun, Charles, *J.P.* and Mr. Chao Pao Shu George and is chaired by Mr. David Tsoi.

The terms of reference of the audit committee have been uploaded to the Company's website and the Stock Exchange's website.

The audit committee held two meetings for the year ended 31 December 2016. The composition of the audit committee during the year as well as the meeting attendance of the committee members are as follows:-

Audit Committee	Attendance
Mr. David Tsoi *(Chairman)*	2/2
Dr. Cheung Wai Bun, Charles, *J.P.*	2/2
Mr. Chan Chun Kau *(resigned on 13 January 2016)*	N/A
Mr. Chao Pao Shu George	2/2

SHAREHOLDERS' RIGHTS

In accordance with the Company's Article 58, the shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

A shareholders' communication policy (the "Policy") was adopted by the Company in March 2012 to maintain an on-going dialogue with Shareholders and encourage them to communicate actively with the Company and also establishing the Policy and reviewing the Policy on a regular basis to ensure its effectiveness.

INVESTOR RELATIONS

There was no amendment made to the constitutional documents of the Company during the year.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public.

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar: Hong Kong Registrars Limited, Room 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Other enquiries or comments raised by any shareholder can be mailed to the Board at the Company's head office in Hong Kong at Room A & B2, 11th Floor, Guangdong Investment Tower, No. 148 Connaught Road Central, Sheung Wan, Hong Kong or sent through email to info@uth.com.hk.

Environmental, Social and Governance Report

SCOPE AND REPORTING PERIOD

This is the first ESG report by the Group, highlighting its Environmental, Social, and Governance (the "ESG") performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

The Group mainly provides water treatment services in Qingyuan city and Taihezhen, Guangdong Province, China. Both source water from local rivers. This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social of the water treatment operations of Qingyuan Water Supply Development Company Limited ("Water Supply Development"), Qingyuan Qingxin District Taihe Water Company Limited ("Taihe Water"), and business operation in the headquarters office in Sheung Wan, Hong Kong, hereafter referred as "the Water Plants and Headquarters", from 1 January 2016 to 31 December 2016, unless otherwise stated.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group to report on for this ESG report, key stakeholders including investors, shareholders and employees have been involved in regular engagement sessions including annual general meetings and regular operational meetings to discuss and to review areas of attention which will help the business meets its potential growth and be prepared for future challenges.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our environmental, social and governance approach and performance. Please give your suggestions or share your views with us via email at info@uth.com.hk.

UNIVERSAL TECHNOLOGIES' SUSTAINABILITY MISSION AND VISION

Mission

The Group strives to provide safe and high quality water for various applications. We focus on continuously improving our water supply, maintaining stringent industrial standards and securing end users' access to reliable and quality freshwater. We are also committed to the core mission of exercising water stewardship and encouraging sustainable use of water resources.

Vision on Environment, Social, and Governance

The Group acknowledges that being a responsible enterprise, it must take into account the impact of its business operation on the environment while enjoying financial stableness. The Group committed to enhancing governance, promoting employee benefits and development, protecting the environment and giving back to society in order to fulfill social responsibility and achieve sustainable growth.

A. ENVIRONMENTAL

Type of emission sources the Water Plants and Headquarters involved in the reporting period was mainly petrol, diesel, electricity, water, hazardous waste, non-hazardous waste (paper and sludge) and mud water. The business does not involve in production-related air pollutions and complies with all water-related national laws and regulations. The water treatment operations carry out laboratory test for raw water (12 parameters), supply water (13 parameters) and pipe network water (13 parameters) each day. While there is weekly laboratory test conducted for raw water (18 parameters), supply water (20 parameters) and pipe network water (20 parameters); monthly laboratory test conducted for surface water (41 parameters), raw water (74 parameters), supply water (78 parameters) and pipe network water (78 parameters). All water standards conform with the Standards for Drinking Water Quality (GB5749-2006) and Water Quality Standards for Urban Water Supply (CJ/T206-2005). Supply water also passes the half-yearly laboratory test (106 parameters) carried out by qualified water quality testing laboratories.

Total floor area coverage of the Water Plants and Headquarters was 27,617m^2.

1. Greenhouse Gas Emission

Scope of Greenhouse Gas Emissions	Emission Sources	Emission[2] (in tonnes of CO_2e)	Total Emission (in percentage)
Scope 1			
Direct Emission	Petrol consumed by Group owned vehicles[1]	69	0.26%
	Diesel consumed by Group owned vehicles[1]	22	0.08%
Scope 2			
Indirect Emission	Purchased Electricity[3]	26,591.76	99.66%
Scope 3			
Other Indirect Emission	Paper Consumption	0.25	0.00%
Total		**26,683.01**	

Note1: Group-owned vehicles include only Group-owned vehicles in the Water Plants and Headquarters.

Note2: Emission factors were made reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note3: Combined margin emission factor (average) of 0.88 t-CO_2/MWh was used for purchased electricity in Mainland China.

There were 26,683.01 tonnes (91 tonnes from direct emission and 26,592.01 tonnes from indirect emission) of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, nitrous oxides and methane) emitted from operation of the Water Plants and Headquarters in the reporting period. The annual emission intensity was 0.97 tCO_2e/m^2.

A. ENVIRONMENTAL *(continued)*

2. Emission Sources and Saving Initiatives

(i) Direct Emission

A total of 25,612.85 litres of petrol and 8,097.22 litres of diesel was used for the Group-owned vehicles in the reporting period, contributing to 113.81 kg of nitrogen oxides, 0.51 kg of sulphur oxides, 10.48 kg of particulate matter emissions and 92.51 tonnes of carbon dioxide equivalent emission.

(ii) Electricity

The electricity consumption by the Water Plants and Headquarters was 30 million kWh (energy intensity of 1,094.29 kWh/m^2), which included electricity for daily operations and water treatment. The Water Plants and Headquarters proactively explore opportunities to electricity consumption reduction and equipment optimization. For example, Water Supply Development evaluated energy consumption data of its pressure stations and implemented an optimization project, which reduced energy consumption by 32%, while Taihe Water implemented several initiatives:

- Replacing its water supply pumps with energy-efficient pumps;
- Reducing use of sand filter and backwashing processes;
- Installing street light timer for better control of energy use; and
- Upgrading equipment and system to reduce electricity consumption.

In office area, lights are turned off during lunch time and before leaving work to reduce unnecessary electricity consumption.

(iii) Water

The water treatment operations source raw water directly from the local Beijiang River and its tributary with licences and approvals from the local government. They source a total of 115 million m^3 of water and supply up to 111 million m^3 of water to the local and adjacent community. The difference of source water and supply water is mainly due to water treatment backwashing process, mud water discharge and water loss during tank washing process. The Water Plants continuously put efforts in reducing water loss. For example, pumps conditions are regularly maintained and replaced to minimize deterioration.

A. ENVIRONMENTAL *(continued)*

2. Emission Sources and Saving Initiatives *(continued)*

(iv) Waste

Hazardous Waste

Hazardous wastes (3,983 tonnes in total) generated from the water treatment operation include polyaluminium chloride ("PAC"), hydrochloric acid, sodium chlorate and sodium hypochlorite. They are used for flocculation, pH adjustment, disinfection and purification. When disposed improperly, hazardous waste poses potential hazard to human health and the environment. Therefore, hazardous materials used by the water treatment operation are handled carefully according to relevant specifications and collected by licensed collectors. The Water Plants provide guidelines for handling hazardous materials and regularly organizes emergency drills for chemical spillage. Below shows the summary of hazardous waste generated from the water treatment operation.

Hazardous Waste Type	Waste Generated (in tonnes)
PAC	2,358
Hydrochloric acid	325
Sodium chlorate	100
Sodium hypochlorite	1,200
Total	3,983

Non-hazardous Waste

There were no packaging materials used for the Group's business operation. A total of 0.25 tonnes of paper has been used for daily office operations such as documents printing and deliverables packaging. The Group understands high paper consumption piles pressures on the Earth's natural forests and endangered wildlife. Therefore, it practices paper saving initiatives, such as encouraging employees to use duplex printing for internal documents and adopt environmentally friendly photocopy habit.

Small amount of sludge was generated from filtration of mud water, which was then collected by licensed collectors.

(v) Mud Water

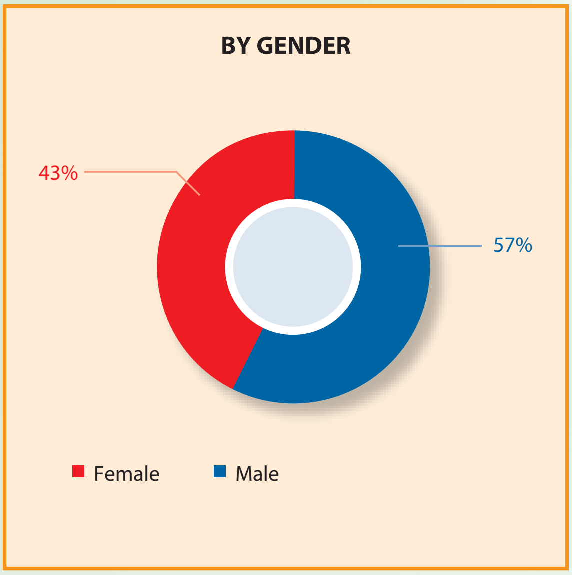
The water treatment operation generated 5.12 million m^3 of tank-washing mud water in 2016. Mud water is filtered before discharge to nearby waterbodies. Measures have been implemented to reduce mud water generation.

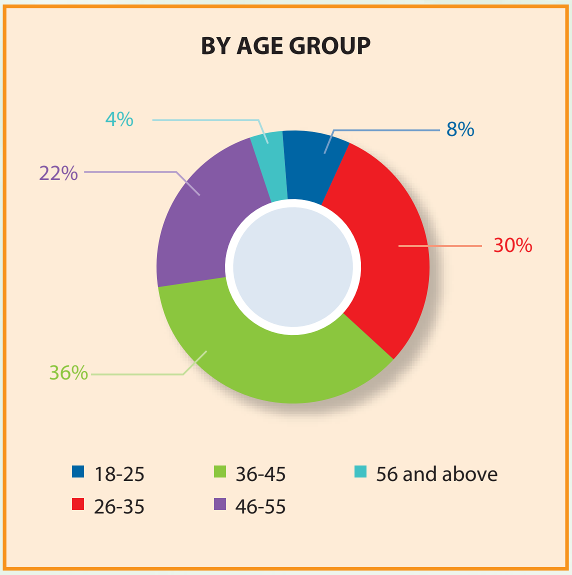
B. SOCIAL

1. Employment and Labour Practices

(1) Employment

The Water Plants and Headquarters had a total number of 346 employees as at 31 December, 2016, in which 100% was working as full time staff. Employees are from Hong Kong and different provinces in Mainland China. The following graphs show the total workforce by gender and age group.





B. SOCIAL *(continued)*

1. Employment and Labour Practices *(continued)*

(1) Employment *(continued)*

Remuneration and Benefits

The Group complies with all applicable employment and labour laws of the People's Republic of China ("PRC") and Hong Kong. It offers competitive remuneration, promotional opportunity, compensation and benefit packages to attract and retain talents. The Enterprise Management Department is responsible for establishing and reviewing policies for remuneration and welfare of employees, the general manager is responsible for approving, supervising and implementing the policies, while the Financial Department is responsible for execution of the policies. The Group ensures that packages are appealing to employees with reasonable return provided, based on their performances, duties and market values. Appropriate procedures have been established in employment contract to settle any dispute.

Employees are entitled to discretionary bonus, mandatory provident fund, compensation salary, medical insurance, directors and officers liability insurance and the basic social insurance in Mainland China (including pension, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance). Additional subsidies are provided to specialised workers (such as electricians, welders, fitters and laboratory technicians), night-time workers, and workers who have their regular meals delayed due to shift work. Various types of paid leave are provided including annual leave, sick leave, maternity leave, paternity leave and compassionate leave.

Awards and Penalty System

The Group believes that rewards presentation is a means to show recognition and appreciation to employees. One-off rewards are presented to employees with positive attitude to work, while outstanding awards are presented quarterly and annually to high-performing employees. These provide employees a sense of accomplishment and satisfaction at work. On the other hand, disciplinary action and cash penalty would be taken if an employee has committed an act of serious misconduct or deceitful behaviours.

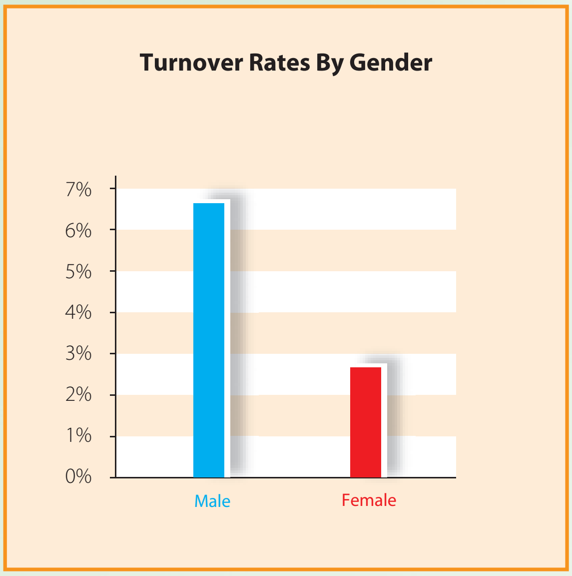
B. SOCIAL *(continued)*

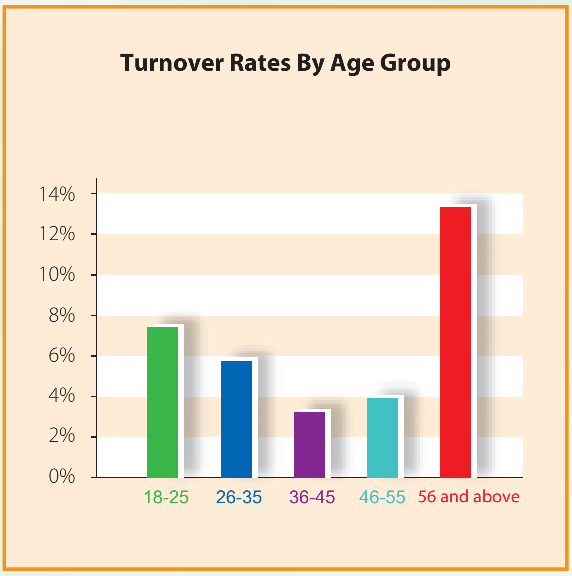
1. Employment and Labour Practices *(continued)*

(1) Employment *(continued)*

Turnover

The annual turnover rates (categorized by different age groups and employment categories) in the reporting period are as follows.





B. SOCIAL *(continued)*

1. Employment and Labour Practices *(continued)*

(1) Employment (continued)

(i) Employee Health and Safety

The Group complies with all applicable health and safety laws of the PRC and Hong Kong and is committed to equipping employees with proper Personal Protective Equipment (PPE), delivering health and safety knowledge, and providing trainings to employees in accordance to national standards. The water treatment operations allocated responsible person for safety management, established a safety management system and targeted at zero occupational disease incidents. Employees who deal with hazardous materials should carry out body check before start of work and regularly throughout their work period. Employees diagnosed with occupational diseases will immediately be transferred to other posts which are not exposed to relevant risks of occupational disease. Annual body check is also provided to frontline workers who handle chemicals, toxic substances, radioactive sources, and drinking water.

Occupational Health and Safety Data

	2016
Work related fatality	0
Work injury cases >3 days	0
Work injury cases <3 days	1
Lost days due to work injury	2.5

Apart from maintaining safe and healthy working environment, it also ensures manageable workload of employees and two-way communication through open office spaces and regular team meetings. Some offices are also decorated with plants to improves indoor air quality.

B. SOCIAL *(continued)*

1. Employment and Labour Practices *(continued)*

(1) *Employment* *(continued)*

(ii) *Development and Training*

Employees are valuable assets of the Group. The Group believes that trainings are precious opportunities for employees' continuous development and work efficiency enhancement. Hence, the Group provides comprehensive trainings to its employees. To ensure every employee meets standards of safe and quality production, employees are only qualified to work after passing the post-training examinations in trainings (such as induction training, specialised training and training for new technologies). The Group also conducts annual safety examination to ensure employees meet the required safety standards.

Type of training	Description
Induction Trainings	• Familiarize newly recruited employees with the Group's work environment • Introduce background information, culture, regulations, and code of the Group • Include topics on basic safety knowledge, operation procedures and protective equipment
Internal Trainings	• Provide employees with duty-related trainings • Include topics on management, general operation, plant management and customer services
External Trainings	• Strengthen employees' skills by external organizations • Include topics on office management, office secretary, human resources management and financial management
Transferal Trainings	• Assist employees to transfer from one position to the other with relevant skills
Specialised Training	• Provide laboratory technicians, electricians, welders, lifting machines operators and mobile machinery operators with professional safety skills and knowledge
Trainings for New Technologies	• Train employees on operation procedures of the newly introduced technologies, processes, products and equipment
Personal Development Trainings	• Encourage employees to participate external trainings for self development

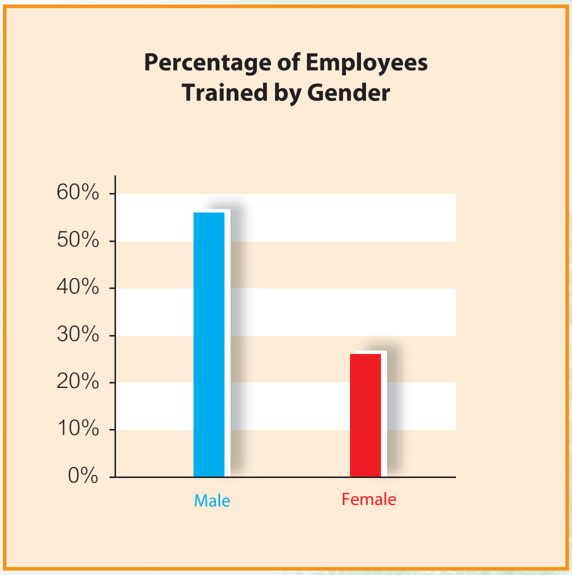
B. SOCIAL *(continued)*

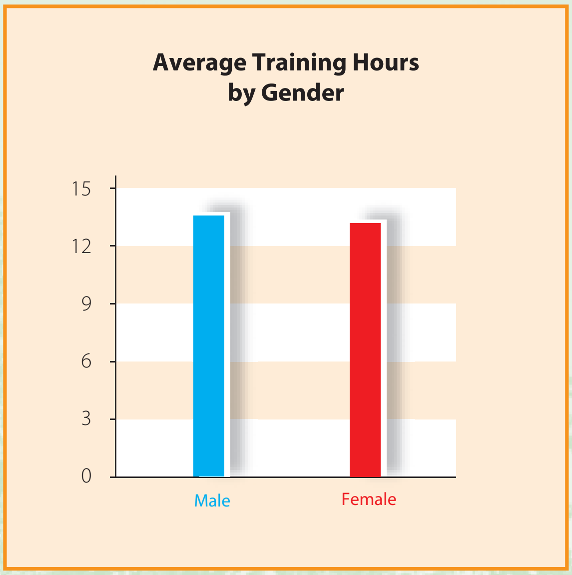
1. Employment and Labour Practices *(continued)*

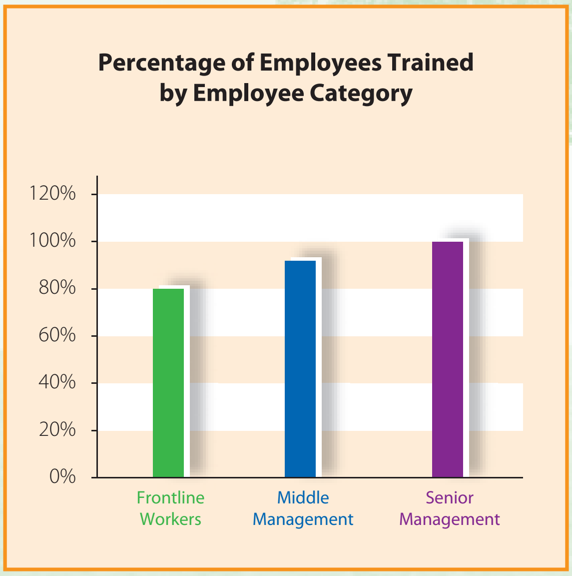
(1) Employment (continued)

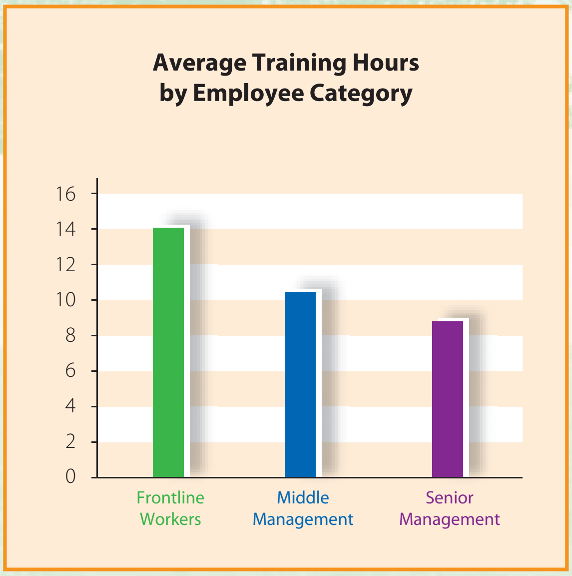
(ii) Development and Training (continued)

The total training hours conducted by the Water Plants and Headquarters in 2016 was 3,825 hours. The graphs below show the percentage of employees trained and average training hours by gender and by employee category.









B. SOCIAL *(continued)*

1. Employment and Labour Practices *(continued)*

(1) Employment *(continued)*

(iii) Employment Communication

The Group encourages equal communication between frontline workers and the management, and promotes harmonious relationships in the workplace. The Human Resources Department is responsible for enhancing communication among employees, protecting labour's welfare and dealing with complaints. The Group's policies and important announcement are circulated among employees through intranet, notice boards and meetings. Activities such as hiking, sports competition, singing competition, talent show and parties are organized internally to strengthen bonding among employees. The Group also organizes overseas exchange programmes which enable outstanding employees to learn and exchange ideas with overseas peers within the field.

The management values opinion from employees. Surveys are conducted regularly through questionnaires and face-to-face discussions. Opinion and recommendations collected will be considered as important factors in future decision making processes.

(iv) Labour Standard

In pursuant to the Labour Law of the PRC and the Employment Ordinance of the Laws of Hong Kong, there were no child nor forced labour in the Group's operation. The recruitment process is strictly abided by the guidelines of recruitment procedures in the employees' handbook. The Human Resources Department ensures accuracy of provided information by checking employee candidates' identity card, educational certificates, employee registration form and photos. Candidates or employees providing false certificates is in breach of the Group's policies, and will be dismissed without any compensation.

(v) Equal Opportunity

Equal opportunities are given to employees in respect of recruitment, training and development, job advancement, and compensation and benefits. The employees are not discriminated against or deprived of such opportunities on the basis of gender, ethnic background, religion, colour, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable laws in the PRC and Hong Kong.

B. SOCIAL *(continued)*

2. Operating Practices

(i) Supply Chain Management

The Group has an organized procurement system to ensure smooth production and operation, optimize allocation of resources and continuous improvement of the system. There were 81 suppliers from different provinces of Mainland China in the reporting period.

Procurement is carried out by tendering. Procurement items are first reviewed and approved by the Management Committee before tendering. Tender documents will be prepared by the Procurement Department, audited by the Management Committee and reviewed by the Legal Department. At least three written quotations should be obtained to support procurement decisions. Quotations are kept in record. Procurement contract will be established with successful tenders and signed by the legal representative from the operation. Successful tenders are required to provide a third-party testing report or a sample report of the purchased items.

The Management Committee reviews and evaluates suppliers annually to produce a list of qualified suppliers and a blacklist of substandard suppliers.

(ii) Product Responsibility

Quality Assurance and Complaints

To maintain high quality of service, the Group attaches high importance to communication with end-users. Apart from keeping public informed of the Group's latest development through its official website, during incidents of emergency (such as sudden cut-off of water supply), the public is informed of the updates through text messages and social network platforms.

It is also essential to provide channels for customers to voice opinion and raise complaints. End-users can raise complaints through the government hotline or the operations' direct line. The Group's business operation does not involve in sales, shipping and recalling of products. The Water Plants received 83 complaints on water supply services in the reporting period. The complaints are mainly due to low water pressure which are usually derived from the absence of secondary water supply, malfunctioning valves and damage caused by adjacent construction activities. Technicians were sent on-site for inspection and repair. All complaints have been followed up and resolved.

B. SOCIAL *(continued)*

2. Operating Practices *(continued)*

(ii) Product Responsibility *(continued)*

Intellectual Property

Employees acknowledged and agreed in the employment contract that any intellectual property rights including without limitation any patent, trade mark, service mark, design right, domain name, trade or business name, copyright and/or all other right or form of protection of a similar nature or having equivalent or similar effect to any of these subsisting anywhere in the world (the "Intellectual Property Rights") created, developed or otherwise arising or existing as a result of, or during the course of, the performance by employees of their duties hereunder, shall belong solely to the Group and to the extent that any such Intellectual Property Rights shall have vested or accrued or be deemed to have vested or accrued in or to employees, such Intellectual Property Rights shall be immediately transferred from employees to the Group, appointing the Group as their attorney to take any action, including without limitation executing and/or delivering any documents (whether under hand or under seal) necessary or desirable in the view of the Group to give effect to the above.

Confidentiality

Employees dealing with trade secrets warrant not to disclose the above information by signing the confidentiality contract. They shall use their best endeavours to prevent any unauthorised access, use, publication or disclosure of trade secret or confidential information related to the business and finance of the Group. All documents (including correspondence, lists of customers, notes, memoranda, plans, drawings and other documents of whatsoever nature), computer software, computer hardware, computer files, hard copy files, models or samples made or compiled by or delivered to employees during their employment and concerning the business, finance or affairs of any subsidiary in the Group are and shall remain exclusively the property of the Group and shall not be removed from the premises of the Group in any way without the prior written approval of the Group. Employees violating the confidentiality-related clauses can be dismissed.

B. SOCIAL *(continued)*

2. Operating Practices *(continued)*

(iii) Anti-corruption

The Group commits to managing all business without undue influence and has regarded honesty, integrity, and fairness as its core values. All directors and employees are required to strictly follow the Group's policy to prevent potential bribery, extortion, fraud and money laundering. The Group also established a guideline for employees in Procurement Department, which prohibits them to obtain improper interests or benefits from suppliers.

The Group has whistle-blowing policy and procedure for employees raising possible improprieties. Concerns raised under the procedure will be taken seriously and the confidentiality of employees raising concerns will be respected until formal investigation is started. Thereafter the identity of the person who has raised the concern may be divulged only in the interest of conducting a fair and thorough investigation. The Chairman/Chief Executive or his designate will conduct initial investigating meeting and discuss the concerns raised and seek to establish the facts and further action to be taken. In the case of a concern raised against the Chairman/Chief Executive, the employee can lodge it to the independent non-executive Directors, who shall form a committee of three to investigate the case in accordance to the procedure. The Board will be responsible for monitoring, producing and publishing results, and undertaking periodic revisions. The Group complies with all applicable laws on prohibiting corruption and bribery of the PRC and Hong Kong. There were no concluded legal cases regarding corrupt practices brought against the Group or its employees during the reporting period.

3. Community

(i) Community Investment

The Group focuses on its community investment and contribution on poverty alleviation.

6.30 Guangdong Poverty Alleviation Day

The Guangdong Poverty Alleviation Day takes place every year on 30 June. In 2016, the Group donated a sum of RMB 100,000 to a village called Jiu Lang Cun in Donghuazhen, Qingyuan for poverty alleviation.

B. SOCIAL *(continued)*

3. Community *(continued)*

(i) Community Investment *(continued)*

Hand-in-Hand Book Donation Activity

Responding to the government's call to build a civilized city, Taihe Water's 'Leadership Group for Civilized City Construction in Qingxin District' organized a book donation activity. The Activity took place in June to September 2016. It aimed to promote values and ethics among the young generation through books distribution in schools and the society. The Group invested approximately RMB 4,000 in the Activity and donated 200 books to students and teenagers.

FUTURE DIRECTIONS FROM THE GROUP

The Group will continuously improve to provide reliable and high quality water to end users, hold its value on environmental protection and corporate social responsibility, and maintain a position at the forefront of the industry.

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	KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity.	37
	KPI A1.3	Total hazardous waste produced and, where appropriate, intensity.	38-39
	KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	39
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	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	38-39
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	KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	39
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Environmental, Social and Governance Report

HKEx Reporting Guide Index			Page
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Employment and Labour Practices			
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Recommended Disclosures	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	46
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Aspect B6: Product Responsibility			
"Comply or explain" Provisions	General Disclosure Information on: a) the policies b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		47-48
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	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	48
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	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	48

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Information on:
a) the policies
b) compliance with relevant laws and regulations that have a significant impact on the issuer

relating to bribery, extortion, fraud and money laundering.</td><td>49</td></tr>
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Directors' Report

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was investment holding and those of the principal subsidiaries are set out in note 43 to the consolidated financial statements.

BUSINESS REVIEW

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2016, and an indication of likely future development in the Group's business, can be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this Annual Report. The above sections form part of this report of the Directors.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2016 and the state of affairs of the Company and of the Group at 31 December 2016 are set out in the consolidated financial statements on pages 70 to 157.

No interim dividend was declared and paid during the year (2015: HK$Nil).

The Board of Directors does not recommend the payment of a final dividend in respect of the year ended 31 December 2016 (2015: HK$Nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 158. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND PREPAID LAND LEASE PREMIUM

The Group purchased property, plant and equipment amounting to HK$74,969,000 during the year.

Details of movements in property, plant and equipment and prepaid land lease premium of the Group during the year are set out in notes 14 and 15 to the consolidated financial statements respectively.

INVESTMENT PROPERTIES

At 31 December 2016, the investment properties of the Group were revalued by an independent valuer on an open market value basis at HK$44,820,000.

Details of movements in investment properties of the Group during the year are set out in note 16 to the consolidated financial statements.

BANK AND OTHER BORROWINGS

At 31 December 2016, the Group has secured bank loan, and unsecured government loan amounting to HK$710,371,000. Details of bank and other borrowings are set out in note 30 to the consolidated financial statements.

SHARE CAPITAL

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

RESERVES

Details of movements in reserves of the Company during the year are set out in note 33 to the consolidated financial statements.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

On 20 September 2016, Universal Technologies Capital Holdings Limited ("Capital Holdings"), a direct wholly-owned subsidiary of the Company, and Ever City Industrial Development Limited ("Ever City") entered into an acquisition agreement (the "Acquisition Agreement") pursuant to which Capital Holdings conditionally agreed to acquire from Ever City, and Ever City agreed to sell, the entire issued share capital of Hooray Asset Management Limited for a total cash consideration of HK$9,000,000 ("Proposed Acquisition"). The issued share capital of Ever City is 20% owned by Ms. Zhu (an executive Director of the Company) and 80% owned by Mr. Yang (the spouse of Ms. Zhu). In addition, as at the date of the agreement, Ever City is a substantial shareholder of the Company interested in, directly and indirectly through its subsidiary, 520,380,000 Shares, representing 24.54% of the issued share capital of the Company. Accordingly, Ever City is a connected person of the Company and the Proposed Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Ms. Zhu considered herself to have a material interest in the Proposed Acquisition and has abstained from voting on the board resolution in respect of the Acquisition Agreement.

Save as disclosed above, there was no transactions, arrangements or contracts 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, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2016.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Chen Jinyang *(Chairman)*
Chau Cheuk Wah *(Chief Executive Officer)*
Zhou Jianhui
Zhu Fenglian *(appointed on 19 May 2016)*

Non-Executive Director:

Zhang Haimei

Independent Non-Executive Directors:

Dr. Cheung Wai Bun, Charles, *J.P.*
David Tsoi
Chan Chun Kau *(resigned on 13 January 2016)*
Chao Pao Shu George

In accordance with article 87 of the Company's Articles of Association, Mr. Chen Jinyang, Mr. Chau Cheuk Wah, Dr. Cheung Wai Bun, Charles, *J.P.* and David Tsoi shall retire from office by rotation, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and top five highest paid individuals of the Group are set out in note 7 to the consolidated financial statements.

Directors' Report

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsidising at the end of the year are set out below:

Share Options

The GEM share option schemes adopted by the Company on 12 October 2001 were terminated, upon the listing of the shares of the Company being transferred from GEM to the Main Board of the Stock Exchange on 22 June 2010. The Board adopted a new share option scheme ("New Share Option Scheme") which is compliance with the Listing Rules and obtained the approval of the shareholders in accordance with the Listing Rules at the Company's extraordinary general meeting held on 12 August 2010.

The purpose of the New Share Option Scheme is to enable the Company to grant options to participants an incentive or rewards for their contributions to the Group.

The New Share Option Scheme was adopted for a period of ten years commencing from 12 August 2010 and will remain in force until 11 August 2020, after which period no further options will be offered or granted but the provisions of the scheme shall remain in full force and effect in all other respects with regard to options granted during the life of the scheme. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The subscription price for shares in respect of any option granted shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option but in any case the subscription price for shares shall be at least not lower than the higher of (i) the closing price of the share as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing prices of the share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share of the Company.

At 31 December 2016, the number of shares in respect of which options had been granted and outstanding under the New Share Option Scheme was 60,000,000, representing approximately 2.8% of the issued share capital of the Company.

A summary of the movements of the share options granted under the New Share Option Schemes during the year is as follows:–

					Number of share options						
Grantees	Date of grant	Vesting period	Exercise period	Exercise price	Outstanding at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2016	Market value per share at date of grant of option	Market value per share on exercise of option
Directors of the Group	25 November 2013	Fully vested on 25 November 2013	25 November 2013 to 11 August 2020	HK$0.465	70,000,000	–	–	(10,000,000)	60,000,000	HK$0.460	–

Note: The Company received a consideration of HK$1.00 from each of the grantees of the New Share Option Schemes.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, the interests or short positions of the Directors and chief executives or their associates of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO")) which (i) are required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules were as follows:–

	Interests in ordinary shares						
Name of directors	Personal interests	Family interests	Corporate interests	Total interests in ordinary shares	Total interests in underlying shares (note 1)	Aggregate interests	% of the Company's issued share
Executive Directors:							
Mr. Chen Jinyang (note 1)	–	–	–	–	20,000,000	20,000,000	0.94%
Mr. Chau Cheuk Wah (note 1)	–	–	–	–	20,000,000	20,000,000	0.94%
Mr. Zhou Jianhui (note 1)	6,000,000	–	–	6,000,000	20,000,000	26,000,000	1.23%
Ms. Zhu Fenglian (note 2)	–	520,380,000	–	520,380,000	–	520,380,000	24.54%
Non-Executive Director:							
Ms. Zhang Haimei	–	–	–	–	–	–	–
Independent Non-Executive Directors:							
Dr. Cheung Wai Bun, Charles, *J.P.*	–	–	–	–	–	–	–
Mr. David Tsoi	–	–	–	–	–	–	–
Mr. Chao Pao Shu George	–	–	–	–	–	–	–

Notes:

1. The interests of Mr. Chen Jinyang, Mr. Chau Cheuk Wah, and Mr. Zhou Jianhui in underlying shares of the Company represent the interests in share options granted to them under the share option schemes of the Company.

   Details of the interests in the share options of the Company are separately disclosed in the section headed "Share Options".

2. Ms. Zhu Fenglian is the spouse of Mr. Yang Zhimao ("Mr. Yang") and is deemed to be interested in the 520,380,000 shares attributable to Mr. Yang and his controlled corporation, Ever City Industrial Development Limited ("Ever City"). For more details on the deemed interest of Mr. Yang and Ever City, please refer to Note 1 to the section headed "Persons who have an Interest or a Short Position which is Discloseable under Divisions 2 and 3 of Part XV of the SFO and Substantial Shareholding".

3. There were no debt securities nor debentures issued by the Group at any time during the year ended 31 December 2016.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Save as disclosed above, so far as the Directors are aware as at 31 December 2016, none of the Directors or chief executives or their associates of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the Model Code.

The Directors confirmed that as at 31 December 2016 and for the year ended 31 December 2016:–

(i) the Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings according to the Model Code; and

(ii) all the Directors complied with the required standard of dealings and the Company's code of conduct regarding Directors' securities transactions.

PERSONS WHO HAVE AN INTEREST OR A SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDING

So far as is known to any Director or chief executive of the Company, as at 31 December 2016, persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or who have direct or indirect interest in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Company were as follows:–

Long positions in the shares of the Company

Name	Type of interests	Number of shares	Approximate percentage of interests
Ever City Industrial Development Limited (note 1)	Beneficial owner and interest in controlled corporation	520,380,000	24.54%
Mr. Yang Zhimao and Ms. Zhu Fenglian (note 1)	Interest in controlled corporation/ Family Interest	520,380,000	24.54%
Eastcorp International Limited (note 1)	Beneficial owner	200,000,000	9.43%
Ng Tin Shui	Beneficial owner	240,000,000	11.32%
Tang Wing Hung (note 2)	Interest in controlled corporation	160,440,000	7.57%
Passion Ease Limited (note 2)	Beneficial owner	160,440,000	7.57%
Ho Shui Chee	Beneficial owner	149,170,000	7.03%

PERSONS WHO HAVE AN INTEREST OR A SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDING *(continued)*

Notes:

1. Ms. Zhu Fenglian is the spouse of Mr. Yang. Mr. Yang and Ever City are deemed to be interested in 520,380,000 shares, comprising (a) 320,380,000 shares directly held by Ever City; and (b) 200,000,000 shares held by Eastcorp International Limited ("Eastcorp"). Ever City is beneficially owned as to 80% by Mr. Yang and 20% by Ms. Zhu Fenglian, and is therefore regarded as a controlled corporation of Mr. Yang. Eastcorp is wholly and beneficially owned by Ever City and is therefore regarded as a controlled corporation of both Ever City and Mr.Yang.

2. These 160,440,000 shares are held by Passion Ease Limited, which is in turn 100% owned by Tang Wing Hung. Tang Wing Hung is deemed to be interested in the entire shareholding held by his controlled corporation, Passion Ease Limited.

Save as disclosed above, so far as is known to any Director or chief executive of the Company, as at 31 December 2016, no other persons had notified the Company of any interest or short position in the shares or underlying shares of equity derivatives of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or any direct or indirect interest in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Company.

MANAGEMENT SHAREHOLDERS' INTERESTS

Save as disclosed under the sections headed "Directors' and chief executives' interests or short positions in shares, underlying shares and debentures" and "Persons who have an interest or a short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholding" above, as at 31 December 2016, no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

PERMITTED INDEMNITY PROVISIONS

A permitted indemnity provision that provides for indemnity against liability incurred by directors and chief executives of the Group is currently in force and was in force throughout the year ended 31 December 2016.

CONNECTED TRANSACTIONS

On 20 September 2016, Universal Technologies Capital Holdings Limited ("Capital Holdings"), a direct wholly-owned subsidiary of the Company, and Ever City Industrial Development Limited ("Ever City") entered into the Acquisition Agreement pursuant to which Capital Holdings conditionally agreed to acquire from Ever City, and Ever City agreed to sell, the entire issued share capital of Hooray Asset Management Limited for a total cash consideration of HK$9,000,000. The issued share capital of Ever City is 20% owned by Ms. Zhu (an executive Director of the Company) and 80% owned by Mr. Yang (the spouse of Ms. Zhu). In addition, as at the date of the agreement, Ever City is a substantial shareholder of the Company interested in, directly and indirectly through its subsidiary, 520,380,000 Shares, representing 24.54% of the issued share capital of the Company. Accordingly, Ever City is a connected person of the Company and the proposed acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The proposed acquisition is subject to announcement and reporting requirements but exempt from the circular and independent shareholders' approval requirements. The acquisition was not yet completed as at the date of the report.

On 2 November 2016, Universal Cyberworks International Ltd. ("Universal Cyberworks "), a wholly-owned subsidiary of the Company and Brilliant Dragon Investment Limited ("Brilliant Dragon ") entered into the Sale and Purchase Agreement, pursuant to which Universal Cyberworks conditionally agreed to sell, and Brilliant Dragon conditionally agreed to acquire, 51% interests in International Payment Solutions Holdings Limited ("International Payment Solutions Holdings") and the Net Shareholders Loans for the aggregate Consideration of HK$158.0 million. As at the date of the agreement, International Payment Solutions Holdings is beneficially owned as to 51% by the Company and as to 49% by H and R Group Limited (which is, in turn, 50% owned by the Brillant Dragon). In addition, Ms. Ren Lili is a director of International Payment Solutions Holdings. Accordingly, Brilliant Dragon is a connected person of the Company (at the subsidiary level rather than at the Company's level) and thus the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that (i) the Board considers that the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) the Board has approved the Sale and Purchase Agreement and the transactions contemplated thereunder; and (iii) the independent non-executive Directors have confirmed that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, the Sale and Purchase Agreement and the transactions contemplated thereunder fall within the exemption under Rule 14A.101 of the Listing Rules and are subject to the reporting and announcement requirements but exempted from the circular, independent financial advice and shareholders' approval requirements of Chapter 14A of the Listing Rules.The disposal was approved by the independent shareholders of the Company on 16 December 2016 and completed on 23 December 2016.

COMPETITION AND CONFLICT OF INTERESTS

During the year and up to the date of this annual report, to the best knowledge of the directors, none of the directors had any interests in businesses that compete or are likely to compete, either directly or indirectly, with the Group.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 5% of the total sales for the year and sales to the largest customer included therein amounted to approximately 1%. Purchases from the Group's five largest suppliers accounted for approximately 10% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 8%.

To the best knowledge of the Directors, neither the Directors, their associates, nor any shareholders, who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float under the Listing Rules up to the date of this annual report.

CORPORATE GOVERNANCE REPORT

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 26 to 35 of the Annual Report.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 December 2016. The Audit Committee has also reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control, risk management and financial reporting matters.

AUDITOR

A resolution to re-appoint the retiring auditor, Messrs. PKF, is to be proposed at the forthcoming general meeting.

On behalf of the Board

Chen Jinyang
Chairman

Hong Kong, 17 March 2017

PKF

大信梁學濂（香港）會計師事務所

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Universal Technologies Holdings Limited and its subsidiaries (together the "Group") set out on pages 70 to 157, 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, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and intangible assets	
Refer to notes 17 and 18 in the consolidated financial statements. The Group has goodwill of HK$90,290,000 and intangible assets of HK$398,112,000 respectively relating to the water supply business segment. No impairment has been made over these balances. Given the nature of these assets, the assessment of impairment involves significant estimation uncertainty, subjective assumptions and application of significant judgement. In the annual impairment review, management has concluded that there is no impairment in respect of the goodwill and intangible assets. This conclusion was based on a value-in-use model that required significant management judgment with respect to the discount rate and underlying cash flows, in particular future revenue growth.	Our audit procedures in relation to management's impairment assessment included: — Obtain an understanding of the Group's procedures and method of estimation, including any control activities applied, significant assumptions made and management's assessment of estimation uncertainty; — Re-calculate the estimation made by the management; — Review outcome of estimation made in prior period; — Evaluate whether the method of estimation and assumptions made are appropriate; — Test the data used by the management in the estimation; — Review subsequent events relevant to the estimation; — Determine whether indication of possible management bias exists; and — Evaluate the recognition and measurement criteria used and disclosure made by management.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 THE 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 of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

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

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

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

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

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

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

We communicate with 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 this independent auditor's report is Ms. Tsui Kar Lam, Karen.

PKF
Certified Public Accountants
Hong Kong

17 March 2017

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Continuing operations			
Revenue	4	**306,671**	5,386
Cost of sales/services rendered		**(194,743)**	(3,437)
Gross profit		**111,928**	1,949
Other revenue	4	**8,993**	3,559
Other income	5	**12,186**	311
General and administrative expenses		**(72,793)**	(38,778)
Profit/(loss) from operations		**60,314**	(32,959)
Increase in fair value of investment properties		**4,582**	1,032
Impairment loss on debtors		**(33)**	—
Impairment loss on other receivables		**(130)**	—
Loss on disposal of intangible assets		**(1,333)**	—
Finance costs	6(a)	**(23,336)**	(2,521)
Profit/(loss) before income tax	6	**40,064**	(34,448)
Income tax expense	8	**(23,652)**	(659)
Profit/(loss) for the year from continuing operations		**16,412**	(35,107)
Discontinued operations			
Loss for the year from discontinued operations	9	**(21,112)**	(27,441)
Loss for the year		**(4,700)**	(62,548)
Attributable to:–			
Shareholders of the Company		**(25,171)**	(44,412)
Non-controlling interests		**20,471**	(18,136)
Loss for the year		**(4,700)**	(62,548)
Loss per share (in cents)	12		
From continuing and discontinued operations			
– Basic		**(1.19)**	(2.12)
– Diluted		**(1.19)**	(2.12)
From continuing operations			
– Basic		**(1.01)**	(1.71)
– Diluted		**(1.01)**	(1.71)
From discontinued operations			
– Basic		**(0.18)**	(0.41)
– Diluted		**(0.18)**	(0.41)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Loss for the year	**(4,700)**	(62,548)
Other comprehensive (loss)/income:–		
Items that may be reclassified subsequently to profit or loss:–		
Exchange differences arising on translation of:–		
— Financial statements of subsidiaries established in the People's Republic of China	**(12,552)**	(22,374)
— Financial statements of an associate established in the People's Republic of China	**110**	(68)
— Release of exchange reserve upon disposals of subsidiaries	**6,297**	—
Other comprehensive loss for the year, net of tax	**(6,145)**	(22,442)
Total comprehensive loss for the year	**(10,845)**	(84,990)
Total comprehensive loss attributable to:–		
Shareholders of the Company	**(9,111)**	(49,242)
Non-controlling interests	**(1,734)**	(35,748)
	(10,845)	(84,990)

Consolidated Statement of Financial Position

At 31 December 2016

	Note	**2016 HK$'000**	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**459,154**	468,843
Prepaid land lease premium	15	**22,216**	29,364
Investment properties	16	**44,820**	53,847
Intangible assets	17	**398,112**	356,297
Goodwill	18	**90,290**	167,387
Interest in an associate	19	**—**	29,542
Deferred tax assets	10(a)	**—**	202
Deposit paid for acquisition of property, plant and equipment	20	**13,244**	37,588
Other receivables	23	**—**	227
		1,027,836	1,143,297
CURRENT ASSETS			
Inventories	21	**2,606**	3,011
Debtors	22	**23,154**	91,559
Deposits, prepayments and other receivables	23	**7,024**	212,642
Financial assets at fair value through profit or loss	24	**—**	1,647
Prepaid land lease premium	15	**97**	285
Fixed deposits		**34,643**	63,218
Pledged time deposit	30	**262,898**	281,021
Cash and bank balances	25	**402,992**	637,771
		733,414	1,291,154
DEDUCT:			
CURRENT LIABILITIES			
Bank and other borrowings	30	**312,195**	413,873
Trade payables	26	**2,433**	1,888
Payable to merchants	27	**3,008**	412,844
Deposits received, sundry creditors and accruals	28	**193,646**	271,034
Amounts due to related companies	29	**76,499**	123,796
Tax payable		**16,690**	12,959
		604,471	1,236,394
NET CURRENT ASSETS		**128,943**	54,760

Consolidated Statement of Financial Position

At 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,156,779**	1,198,057
DEDUCT:			
NON-CURRENT LIABILITIES			
Bank and other borrowings	30	**398,176**	247,982
Deferred tax liabilities	10(a)	**65,385**	65,034
		463,561	313,016
NET ASSETS		**693,218**	885,041
REPRESENTING:–			
CAPITAL AND RESERVES			
Share capital	31(a)	**21,205**	21,205
Reserves	33	**487,203**	496,314
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**508,408**	517,519
NON-CONTROLLING INTERESTS		**184,810**	367,522
TOTAL EQUITY		**693,218**	885,041

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 17 MARCH 2017

CHEN JINYANG
DIRECTOR

CHAU CHEUK WAH
DIRECTOR

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Profit/(loss) before income tax			
— Continuing operations		**40,064**	(34,448)
— Discontinued operations	9	**(20,975)**	(25,966)
Adjustments for:-			
Interest on bank deposits		**(15,121)**	(8,360)
Other interest income		**—**	(29)
Interest expenses		**26,168**	4,874
Dividend income		**(16)**	—
Depreciation		**41,874**	19,611
Amortisation of prepaid land lease premium		**794**	302
Amortisation of intangible assets		**19,141**	477
Share of results of an associate		**41**	3
Loss on disposal of property, plant and equipment		**83**	590
Increase in fair value of investment properties		**(4,582)**	(1,206)
(Gain)/loss on change in fair value of financial assets		**(320)**	85
Loss/(gain) on disposal of financial assets		**505**	(524)
Gain on disposals of subsidiaries	35(a)	**(2,000)**	—
Bad debt written off		**—**	126
Impairment loss on debtors		**70**	58
Impairment loss on other receivables		**673**	—
Loss on disposal of intangible assets		**1,333**	—
Write-down of inventories		**505**	883
Gain on early extinguishment of bank loans		**(11,609)**	—
Unrealised exchange loss		**18,123**	—
Gain on bargain purchase		**(166)**	—
Operating profit/(loss) before working capital changes		**94,585**	(43,524)
Increase in inventories		**(868)**	(34)
Increase in debtors		**(252,041)**	(7,367)
(Increase)/decrease in other deposits, prepayments and other receivables		**(49,256)**	11,031
Increase/(decrease) in trade payables		**545**	(19)
Increase/(decrease) in payable to merchants		**366,552**	(10,031)
Increase in deposits received, sundry creditors and accruals		**4,816**	34,960
Decrease in loan to an officer		**—**	12,362
Decrease in amounts due to a related companies		**(47,297)**	(17,288)
Cash from/(used in) operations		**117,036**	(19,910)
Bank interest received		**13,384**	8,360
Tax paid		**(20,489)**	(5,936)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		**109,931**	(17,486)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received		**16**	—
Other interest income received		**—**	29
Payments to acquire property, plant and equipment		**(67,702)**	(22,083)
Proceeds from disposal of property, plant and equipment		**722**	501
Payments to acquire investment properties		**(30,799)**	—
Payments to acquire intangible assets		**(83,872)**	(431)
Proceeds from disposal of intangible assets		**46**	—
Deposit paid for acquisition of property, plant and equipment		**—**	(23,373)
Capital injection into an associate		**—**	(29,613)
Payments to acquire financial assets at fair value through profit and loss		**(27,871)**	(16,032)
Proceeds from disposal of financial assets at fair value through profit and loss		**28,668**	14,974
Net cash inflow/(outflow) from acquisition of subsidiaries	34	**103**	(119,374)
Net cash (outflow)/inflow from disposals of subsidiaries	35(a) & (b)	**(302,467)**	1,246
Proceeds from disposal of partial interests in a subsidiary	35(c)	**—**	14,147
NET CASH USED IN INVESTING ACTIVITIES		**(483,156)**	(180,009)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from shares issued under share option scheme		**—**	23,250
Proceeds from new bank loans		**499,812**	400,391
Increase in pledged time deposit		**—**	(281,021)
Interest paid		**(35,534)**	(4,942)
Repayment of bank loans		**(323,078)**	(59,685)
Dividend paid to non-controlling shareholder of a subsidiary		**(20,866)**	(11,328)
NET CASH FROM FINANCING ACTIVITIES		**120,334**	66,665
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(252,891)**	(130,830)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		**(10,463)**	(18,491)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		**700,989**	850,310
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER		**437,635**	700,989
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**402,992**	637,771
Fixed deposits		**34,643**	63,218
		437,635	700,989

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to shareholders of the Company												
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Special reserve HK$'000	Exchange reserve HK$'000	Share options reserve HK$'000	Statutory reserve HK$'000	Other reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1.1.2015	20,705	490,194	481	1,093	10,754	7,937	4,796	25,947	(58,040)	50,810	554,677	201,581	756,258
Acquisitions of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	187,982	187,982
Change in ownership interests in a subsidiary that do not result in a loss of control	–	–	–	–	–	–	–	–	162	–	162	13,707	13,869
Shares issued under share option scheme	500	23,150	–	–	–	–	(400)	–	–	–	23,250	–	23,250
Dividend paid to non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	(11,328)	(11,328)	–	(11,328)
Total comprehensive loss for the year	–	–	–	–	–	(4,830)	–	–	–	(44,412)	(49,242)	(35,748)	(84,990)
Transferred to statutory reserve	–	–	–	–	–	–	–	4,297	–	(4,297)	–	–	–
At 31.12.2015 and 1.1.2016	21,205	513,344	481	1,093	10,754	3,107	4,396	30,244	(57,878)	(9,227)	517,519	367,522	885,041
Acquisitions of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	316	316
Disposals of subsidiaries	–	–	–	–	–	–	–	(30,722)	57,878	(27,156)	–	(160,428)	(160,428)
Lapse of share options granted in prior years	–	–	–	–	–	–	(399)	–	–	399	–	–	–
Dividend paid to non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(20,866)	(20,866)
Total comprehensive income/(loss) for the year	–	–	–	–	–	16,060	–	–	–	(25,171)	(9,111)	(1,734)	(10,845)
Transferred to statutory reserve	–	–	–	–	–	–	–	5,478	–	(5,478)	–	–	–
At 31.12.2016	21,205	513,344	481	1,093	10,754	19,167	3,997	5,000	–	(66,633)	508,408	184,810	693,218

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 27 March 2001 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. The address of the registered office is Room A & B2, 11/F, Guangdong Investment Tower, No. 148 Connaught Road Central, Sheung Wan, Hong Kong.

Pursuant to the reorganisation to rationalise the structure of the Company and its subsidiaries in the preparation for the listing of the Company's shares on The Growth Enterprise Market ("GEM") operated by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in October 2001, the Company became the holding company of the companies now comprising the Group. The shares of the Company were listed on GEM on 26 October 2001.

On 22 June 2010, the listing of shares of the Company was transferred to the Main Board of the Stock Exchange.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below:–

(a) Initial application of Hong Kong Financial Reporting Standards

In the current year, the Group initially applied the following Hong Kong Financial Reporting Standards:

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	Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKAS 28, HKFRS 10 and HKFRS 12	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Annual Improvements (2012-2014)	Amendments to HKFRS 5, HKFRS 7 and HKAS 19

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Initial application of Hong Kong Financial Reporting Standards *(continued)*

The initial application of these financial reporting standards does not necessitate material changes in the Group's accounting policies and retrospective adjustments of the comparatives presented in the consolidated financial statements.

HKFRS 14 "Regulatory Deferral Accounts" is not applicable to the Group.

(b) Measurement basis

The consolidated financial statements are prepared under the historical cost basis as modified by revaluation of investment properties and financial assets at fair value through profit or loss as explained in the accounting policies set out below.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

The results of subsidiaries acquired or disposed of during the year are dealt with in the consolidated statement of profit or loss from the dates of acquisition or to the dates of disposal respectively. All significant intra-group transactions and balances have been eliminated on consolidation.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the shareholders of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Basis of consolidation *(continued)*

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less provision for impairment losses. Income from subsidiaries is recognised in the Company's financial statements when the shareholder's right to receive payment is established.

(e) Associate

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in financial and operating policy decisions.

The results and assets and liabilities of an associate are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, the consolidated statement of profit or loss includes the Group's share of the post-acquisition results of the associates and the consolidated statement of financial position includes the Group's share of the net assets of the associate, as reduced by any identified impairment losses.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss.

(f) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the key management that makes strategic decisions.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Foreign currency translation

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

Foreign currency transactions of the Group are initially recorded in the functional currency using the exchange rates prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of the reporting period and the exchange differences arising are recognised in profit or loss. Non-monetary items carried at fair value denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined and the exchange differences arising are recognised in profit or loss except for the exchange component of a gain or loss that is recognised directly in equity.

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 at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Such translation differences are reclassified from equity to profit or loss when in which the foreign operation is disposed of.

(h) Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less aggregate depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the plant and equipment have been put into operation, such as repairs and maintenance, is charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the plant and equipment, the expenditure is capitalised as an additional cost of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Property, plant and equipment and depreciation *(continued)*

Depreciation is calculated to write off the cost of property, plant and equipment less any estimated residual value, on a straight-line basis over their estimated useful lives as follows:–

Leasehold land	— unexpired term of the lease
Leasehold buildings	— 15 years – 47 years
Leasehold improvement	— Shorter of 5 years and the unexpired term of the lease
Plant and machinery	— 5 years – 20 years
Office equipment, computer and other equipment	— 5 years
Furniture and fixtures	— 3 years – 5 years
Motor vehicles	— 3 years – 5 years
Water pipelines	— 15 years – 20 years

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

Construction in progress represents buildings and water pipelines under construction and is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment when the construction work is completed and ready for use.

Gain or loss arising from the retirement or disposal of a plant and equipment is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss on the date of retirement or disposal.

(i) Prepaid land lease payments

Prepaid land lease payments represent up-front payments to acquire the land use rights/leasehold land. They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 2(j).

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Lease

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating 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 and recognised as an expense on the straight-line basis over the lease term.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the periods of the respective leases.

(k) Investment property

Property that is held for long-term rental yields or for capital appreciation or both, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases is classified and accounted for as investment property when the rest definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the consolidated financial statements.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Intangible assets

(i) Research and development expenditure

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

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

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

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

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

(ii) Computer software and technology

Computer software and technology is recognised when the project under development expenditure was completed. Amortisation is calculated using the straight-line basis over their estimated economic lives of three years.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Intangible assets *(continued)*

(iii) Domain name

Domain name recognised and measured at fair value at the acquisition date. Domain name has an indefinite useful life and is carried at cost less accumulated impairment losses.

(iv) Rights to operate water supply plants in the People's Republic of China (the "PRC") under service concession arrangement

The Group acquired the rights to operate certain water supply plants in the PRC under service concession arrangement through business combination. The cost of the rights acquired in a business combination is fair value at the date of acquisition. Amortisation for the rights to operate certain water supply plants with finite useful lives is provided on straight-line basis over their estimated useful lives of 10 to 20 years. Both period and method of amortisation are reviewed annually.

(m) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(n) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Financial assets at fair value through profit or loss

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value.

Financial assets at fair value through profit or loss are either investments held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

(p) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. Net realisable value represents the estimated selling price less direct selling costs.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Service concession arrangements

The Group entered into a service concession arrangement with government authority in Qingyuan, the PRC, on a build-operate-transfer ("BOT") basis under its water supply segment. The service concession arrangement generally involve the Group as an operator (i) constructing water supply plants for those arrangements on a BOT basis; and (ii) operating and maintaining the water supply plants at a specified level of serviceability on behalf of the relevant governmental authority for a period of 20 years from 21 November 2006 to 21 November 2026 (the "Service Concession Periods"), and the Group will be paid for its services over the relevant Service Concession Periods at prices stipulated through a pricing mechanism.

The Group is generally entitled to use all the property, plant and equipment of the water supply plants, however, the relevant governmental authority as grantors will control and regulate the scope of services the Group must provide with the water supply plants, and retain the beneficial entitlement to any residual interest in the water supply plants at the end of the term of the Service Concession Periods.

The service concession arrangement is governed by a contract entered into between the Group and the relevant governmental authority in the PRC that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations levied on the Group to restore the water supply plants to a specified level of serviceability at the end of the Service Concession Periods, and arrangements for arbitrating disputes.

The Group recognises the consideration received or receivable in exchange for the construction services rendered as an intangible asset (note 17) as the Group receives a right to charge users of the water supply service.

Service concession arrangements are accounted for as follows if:–

(i) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and

(ii) the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

The Group's rights over the infrastructure

Infrastructure constructed by the Group under service concession arrangement is not recognised as property, plant and equipment of the Group because the contractual service arrangement does not convey the right to control the use of the infrastructure to the Group. The operator has access to operate the infrastructure to provide the public service on behalf of the grantor in accordance with the terms specified in the contract.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Service concession arrangements *(continued)*

Consideration received or receivable by the Group for the construction services

Consideration received or receivable by the Group for the construction services rendered under service concession arrangement are recognised at their fair value as a financial asset or an intangible asset.

A financial asset (loan and receivable) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law.

An intangible asset (concession intangible asset) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (concession intangible asset) is accounted for in accordance with the policy set out in note 2(l)(iv).

Construction or upgrade services

Revenue and costs relating to construction and upgrade services are accounted for in accordance with the policy set out in note 2(r).

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Service concession arrangements *(continued)*

Operating services

Revenue relating to operating services are accounted for in accordance with the policy set out in note 2(aa).

Contractual obligations to restore the infrastructure to a specified level of serviceability

The Group has contractual obligations which it must fulfill as a condition of its licence, that is (a) to maintain the water supply plants that it operates to a specified level of serviceability and/or (b) to restore the plants to a specified condition before they are handed over the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the water supply plants are recognised and measured in accordance with the policy set out in note 2(z).

(r) Construction contracts

Contract revenue comprises the agreed contact amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss.

(t) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(u) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(v) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(w) 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Income tax

Income tax expense for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Income tax *(continued)*

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(k), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

(y) Employee benefits

Salaries, annual bonuses, annual leave entitlements and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

Obligations for contributions to retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the PRC central pension scheme, are recognised as an expense in profit or loss as incurred.

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Employee benefits *(continued)*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(z) Provisions and contingent liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) Recognition of revenue

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:–

(i) Revenue from the provision of enterprise solutions services is recognised on a straight-line basis over the period in which the work is performed.

(ii) Revenue from sale of goods is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer.

(iii) Handling income from online payment platform transaction is recognised when the transaction is authorised and completed.

(iv) Annual fee income of online payment platform services is recognised on a straight-line basis over the years of the services.

(v) Revenue arising from water supply is recognised based on water supplied as recorded by meters read during the period.

(vi) Water supply related installation, construction and maintenance income is recognised when services are rendered.

(vii) Revenue from long-term construction contracts is recognised by reference to the percentage of completion of the contract at the reporting date (note 2(r)).

(viii) Set up fee income of online payment platform services is recognised at the time when the services are rendered.

(ix) Interest income is recognised on a time proportion basis using the effective interest method.

(x) Dividend income is recognised at the time when the shareholders' right to receive payment has been established.

(xi) Rental income receivable under operating lease is recognised on a straight-line basis over the terms of the relevant lease.

(xii) Building management service income is recognised over the relevant period in which the services are rendered.

(xiii) Consultancy service fee income is recognised over the relevant period in which the services are rendered.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(ab) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:–

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(ac) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(ad) Hong Kong Financial Reporting Standards in issue but not yet effective

The following Hong Kong Financial Reporting Standards in issue at 31 December 2016 have not been applied in the preparation of the Group's consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1 January 2016:–

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 16	Leases
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKAS 28 and HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions

The Group is required to initially apply amendments to HKAS 7 and HKAS 12 in its annual consolidated financial statements beginning on 1 January 2017, to initially apply HKFRS 15, HKFRS 9 and Amendments to HKFRS 2 in its annual consolidated financial statements beginning on 1 January 2018, and to initially apply HKFRS 16 in its annual consolidated financial statements beginning on 1 January 2019. The effective date of amendments to HKAS 28 and HKFRS 10 is yet to be determined.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 2 to the consolidated financial statements, management had made the following estimates and assumptions that have the most significant effect on the amounts recognised in the consolidated financial statements.

(i) Inventories

In note 2(p) to the consolidated financial statements describes that inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses.

The Group does not have a general provisioning policy on inventory based on ageing given the nature of inventories that are not subject to frequent wear and tear and frequent technological changes. However, operational procedures have been in place to monitor this risk as majority of working capital is devoted to inventories. The sales and marketing managers review the inventory ageing listing on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made in the consolidated financial statements for any obsolete and slow-moving items. In addition, physical count on all inventories are carried out on a periodical basis in order to determine whether allowance need to be made in respect of any obsolete and defective inventories identified. In this regards, the directors of the Group are satisfied that this risk is minimal and adequate provision for obsolete and slow-moving inventories has been made in the consolidated financial statements.

(ii) Depreciation

The management determines the estimated useful lives and related depreciation of the property, plant and equipment as set out in note 2(h) to the consolidated financial statements. The estimate is based on projected lifecycles of the assets. Management will increase the depreciation expense where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using straight-line method.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

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

(iii) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cashgenerating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the end of the reporting period was HK$90,290,000 (2015: HK$167,387,000). Details of the impairment loss calculation are provided in note 18 to the consolidated financial statements.

(iv) Estimation of fair value of investment properties

Investment properties were revalued at 31 December 2016 based on the appraised market value by an independent valuer. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period. The carrying amount of investment properties at 31 December 2016 was HK$44,820,000 (2015: HK$53,847,000).

(v) PRC enterprise income tax and deferred tax

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgment based on currently enacted tax laws, regulations and other related policies are required in determining the provision of income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will have impact on the income tax and deferred tax provisions in the year in which the differences realise.

(vi) Construction contracts

As explained in accounting policies stated in notes 2(r) and 2(aa), revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimated of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. However, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the reporting date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts record to date.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(b) Critical judgements

In the process of applying the Group's accounting policies, judgements that can significantly affect the amounts recognised in the consolidated financial statements are made in determining:–

(i) whether the significant risks and rewards of ownership of goods have been transferred to the buyer;

(ii) whether there is an indication of impairment of assets;

(iii) the expected manner of recovery of the carrying amount of assets;

(iv) whether the discount rates used to calculate the recoverable amount of goodwill and other assets are appropriate for the purpose of impairment review; and

(v) the valuation method used to calculate the fair value of share options at the measurement date.

4. REVENUE AND OTHER REVENUE

The Group is principally engaged in investment holding, provision of payment solutions and related services, system integration and technical platform services, property investment, building management and water supply and related services. The payment solutions and related services, system integration and technical platform services of the Group were regarded as discontinued operations. Revenue for the year represents revenue recognised from the provision of payment handling income net of tax, the net invoiced value of goods sold, rental and building management service income and water supply and related services income. An analysis of the Group's revenue and other revenue is set out below:–

	Continuing operations		**Discontinued operations**		**Total**	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Payment solutions and related services income	**—**	32	**136,812**	218,882	**136,812**	218,914
Rental and building management service income	**2,268**	10	**864**	149	**3,132**	159
Water supply and related services income	**304,403**	5,344	**—**	—	**304,403**	5,344
Revenue	**306,671**	5,386	**137,676**	219,031	**444,347**	224,417
Interest on bank deposits	**8,753**	3,559	**6,368**	4,801	**15,121**	8,360
Other interest income	**—**	—	**—**	29	**—**	29
Government subsidy	**240**	—	**158**	6,367	**398**	6,367
Consultancy service income	**—**	—	**36,895**	1,808	**36,895**	1,808
Dividend income	**—**	—	**16**	—	**16**	—
Other revenue	**8,993**	3,559	**43,437**	13,005	**52,430**	16,564
Total revenue	**315,664**	8,945	**181,113**	232,036	**496,777**	240,981

5. OTHER INCOME

	Continuing operations 2016 HK$'000	Continuing operations 2015 HK$'000	Discontinued operations 2016 HK$'000	Discontinued operations 2015 HK$'000	Total 2016 HK$'000	Total 2015 HK$'000
Gain on disposal of financial assets at fair value through profit or loss	—	—	—	524	—	524
Gain on change in fair value of financial assets at fair value through profit or loss	—	—	320	—	320	—
Gain on early extinguishment of bank loans	11,609	—	—	—	11,609	—
Others	577	311	998	174	1,575	485
	12,186	311	1,318	698	13,504	1,009

6. PROFIT/(LOSS) BEFORE INCOME TAX

(a) Finance costs

	Continuing operations 2016 HK$'000	Continuing operations 2015 HK$'000	Discontinued operations 2016 HK$'000	Discontinued operations 2015 HK$'000	Total 2016 HK$'000	Total 2015 HK$'000
Profit/(loss) before income tax is arrived at after charging/(crediting):–						
Interest on bank loan expenses	32,490	2,552	3,044	2,390	35,534	4,942
Less: interest capitalised included in property, plant and equipment and other intangible assets (note)	(9,366)	(68)	—	—	(9,366)	(68)
Bank charges	212	37	366	517	578	554
	23,336	2,521	3,410	2,907	26,746	5,428

Note:

The capitalisation rate was ranged from 4.29% to 5.64% (2015: 6% to 6.13%).

6. PROFIT/(LOSS) BEFORE INCOME TAX *(continued)*

(b) Other items

	Continuing operations 2016 HK$'000	Continuing operations 2015 HK$'000	Discontinued operations 2016 HK$'000	Discontinued operations 2015 HK$'000	Total 2016 HK$'000	Total 2015 HK$'000
Auditor's remuneration						
— Audit services	1,380	1,310	—	—	1,380	1,310
— Other services	1,152	2,540	—	—	1,152	2,540
	2,532	3,850	—	—	2,532	3,850
Cost of inventories sold	2,423	3,437	156	77	2,579	3,514
Staff costs (including directors' remuneration)						
— Salaries and other benefits	37,391	14,350	104,660	109,893	142,051	124,243
— Pension scheme contributions	2,966	169	21,822	20,987	24,788	21,156
	40,357	14,519	126,482	130,880	166,839	145,399
Bad debts written off	—	126	—	—	—	126
Depreciation	33,307	1,844	8,567	17,767	41,874	19,611
Impairment loss on debtors	33	—	37	58	70	58
Impairment loss on other receivables	130	—	543	—	673	—
Write-down of inventories	—	—	505	883	505	883
Amortisation of intangible assets	18,944	279	197	198	19,141	477
Amortisation of prepaid land lease premium	621	114	173	188	794	302
(Gain)/loss on change in fair value of financial assets at fair value through profit or loss	—	—	(320)	85	(320)	85
Minimum operating lease rentals	2,797	3,264	18,272	18,645	21,069	21,909
Sale proceeds of intangible assets	(46)	–	–	–	(46)	–
Less: carrying amounts of intangible assets	1,379	–	–	–	1,379	–
Loss on disposal of intangible assets	1,333	—	—	—	1,333	—
Sale proceeds of property, plant and equipment	(6)	(6)	(716)	(495)	(722)	(501)
Less: carrying amounts of property, plant and equipment	78	178	727	913	805	1,091
Loss on disposal of property, plant and equipment	72	172	11	418	83	590
Loss/(gain) on disposal of financial assets at fair value through profit or loss	—	—	505	(524)	505	(524)
Exchange loss	20,957	3,898	1,066	1,045	22,023	4,943
Gain on early extinguishment of bank loans	(11,609)	—	—	—	(11,609)	—
Gain on bargain purchase	—	—	(166)	—	(166)	—
Rental income less direct outgoings of HK$1,203,000 (2015: HK$10,000)	(1,196)	—	(733)	(149)	(1,929)	(149)

7. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance, is as follows:–

	Year ended 31 December 2016					
Name of director	Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000 (note i)	Pension scheme contributions HK$'000	Sub-total HK$'000	Share based payment HK$'000	Total HK$'000
Mr. Zhou Jianhui	60	1,560	18	1,638	—	1,638
Mr. Chen Jinyang	60	1,560	—	1,620	—	1,620
Dr. Cheung Wai Bun, Charles, *J.P.*	360	—	—	360	—	360
Mr. Chau Cheuk Wah	60	2,145	18	2,223	—	2,223
Mr. Chao Pao Shu, George	240	—	—	240	—	240
Mr. David Tsoi	240	—	—	240	—	240
Mr. Chan Chun Kau (note v)	9	—	—	9	—	9
Ms. Zhang Haimei (note iv)	300	—	—	300	—	300
Ms. Zhu Fenglian (note vi)	37	890	—	927	—	927
	1,366	6,155	36	7,557	—	7,557

7. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS *(continued)*

(a) Directors *(continued)*

	Year ended 31 December 2015					
Name of director	Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000 (note i)	Pension scheme contributions HK$'000	Sub-total HK$'000	Share based payment HK$'000	Total HK$'000
Mr. Chen Runqiang (note ii)	50	1,194	—	1,244	—	1,244
Mr. Zhou Jianhui	60	1,560	18	1,638	—	1,638
Mr. Chen Jinyang	60	1,560	—	1,620	—	1,620
Mr. Chow Cheuk Lap (note iii)	59	1,411	—	1,470	—	1,470
Dr. Cheung Wai Bun, Charles, *J.P.*	360	—	—	360	—	360
Mr. Chau Cheuk Wah	60	2,145	18	2,223	—	2,223
Ms. Fan Man Yee, Alice (note iii)	235	—	—	235	—	235
Mr. Chao Pao Shu, George	240	—	—	240	—	240
Mr. David Tsoi	240	—	—	240	—	240
Mr. Chan Chun Kau (note v)	240	—	—	240	—	240
Ms. Zhang Haimei (note iv)	7	—	—	7	—	7
	1,611	7,870	36	9,517	—	9,517

Notes :–

i. Salaries, allowances and other benefits in kind included basic salaries, housing and other allowances, benefits in kind and employee share option benefits. The employee share option benefits represent fair value at the date the share options were granted and accepted under the scheme amortised to the statement of profit or loss during the year disregarding whether the options have been exercised or not.

ii. Resigned on 29 October 2015.

iii. Resigned on 23 December 2015.

iv. Appointed on 23 December 2015.

v. Resigned on 13 January 2016.

vi. Appointed on 19 May 2016.

No directors waived any emolument during the year.

7. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS *(continued)*

(b) Five highest paid individuals

Among the five highest paid individuals of the Group, of which four (2015: five) are directors of the Company and the details of their remuneration have already been disclosed above.

The emoluments and designated band of the remaining highest paid individual (2015: Nil) was as follows:–

	2016 **HK$'000**	2015 HK$'000
Salaries, allowances and other benefits in kind	**780**	—
Pension scheme contributions	**18**	—
	798	—

	2016	2015
HK$		
Nil to 1,000,000	**1**	—
1,000,001 to 1,500,000	**—**	—
	1	—

During the year, no share option (2015: Nil) was granted to the above highest paid employees in respect of their services to the Group.

During the year, no emolument was paid by the Group to the five highest paid employees, including the directors of the Company, as an inducement to join, or upon joining the Group.

8. INCOME TAX EXPENSE

(a) Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the year.

The Company's subsidiaries operating in the PRC are subject to the tax rate at 25% (2015: 25%).

During the year, pursuant to relevant laws and regulations in the PRC and with approval from tax authorities in charge, one of the Groups' subsidiaries qualified as a High and New Technology Enterprise and was entitled to the preferential tax rate of 15% for three years from 2016 to 2018 (2015: a subsidiary in the PRC is entitled to preferential tax treatments. The subsidiary is entitled to tax concessions whereby the profit for the first two financial years beginning with the first profit-making year is exempted from income tax in the PRC and the profit for each of the subsequent three years is taxed at 50% of the applicable tax rate.)

(b) The income tax expense represents the sum of the current tax and deferred tax and is made up as follows:–

	Continuing operations		**Discontinued operations**		**Total**	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current tax:						
Current year	**21,476**	387	**410**	1,476	**21,886**	1,863
Under/(over)-provision in respect of previous years	**6**	—	**(273)**	21	**(267)**	21
	21,482	387	**137**	1,497	**21,619**	1,884
Deferred taxation (Note 10(a)):						
Current year	**2,170**	272	**—**	(22)	**2,170**	250
	23,652	659	**137**	1,475	**23,789**	2,134

8. INCOME TAX EXPENSE *(continued)*

(c) The income tax expense for the year can be reconciled to the (loss)/profit per consolidated statement of profit or loss as follows :–

2016	**Continuing operations**			**Discontinued operations**			
	HK	**PRC**	**Sub-total**	**HK**	**PRC**	**Sub-total**	**Total**
	HK$000	**HK$000**	**HK$000**	**HK$000**	**HK$000**	**HK$000**	**HK$000**
(Loss)/profit before income tax	**(36,260)**	**76,324**	**40,064**	**(14,754)**	**(6,221)**	**(20,975)**	**19,089**
Applicable tax rate (%)	**16.5**	**25**	**N/A**	**16.5**	**25**	**N/A**	**N/A**
Tax on (loss)/profit before income tax, calculated at the applicable tax rate	**(5,983)**	**19,081**	**13,098**	**(2,434)**	**(1,555)**	**(3,989)**	**9,109**
Tax effect of non-deductible expenses in determining taxable profit	**4,224**	**9,351**	**13,575**	**28**	**9,555**	**9,583**	**23,158**
Tax effect of non-taxable income in determining taxable profit	**(1,935)**	**(8,035)**	**(9,970)**	**(358)**	**(8,560)**	**(8,918)**	**(18,888)**
Tax effect of unrecognised decelerated/ (accelerated) depreciation allowance	**144**	**5**	**149**	**182**	**(97)**	**85**	**234**
Tax effect of unrecognised tax loss	**3,550**	**3,244**	**6,794**	**2,582**	**1,067**	**3,649**	**10,443**
Under/(over)-provision in respect of previous year	**—**	**6**	**6**	**—**	**(273)**	**(273)**	**(267)**
Income tax expense	**—**	**23,652**	**23,652**	**—**	**137**	**137**	**23,789**

2015	Continuing operations			Discontinued operations			
	HK	PRC	Sub-total	HK	PRC	Sub-total	Total
	HK$000	HK$000	HK$000	HK$000	HK$000	HK$000	HK$000
(Loss)/profit before income tax	(34,481)	33	(34,448)	(17,674)	(8,292)	(25,966)	(60,414)
Applicable tax rate (%)	16.5	25	N/A	16.5	25	N/A	N/A
Tax on (loss)/profit before income tax, calculated at the applicable tax rate	(5,689)	8	(5,681)	(2,917)	(2,073)	(4,990)	(10,671)
Tax effect of non-deductible expenses in determining taxable profit	1,986	298	2,284	—	5,746	5,746	8,030
Tax effect of non-taxable income in determining taxable profit	(513)	(298)	(811)	—	(70)	(70)	(881)
Tax effect of unrecognised (accelerated)/ decelerated depreciation allowance	(143)	—	(143)	137	(103)	34	(109)
Tax effect of unrecognised tax loss	4,360	650	5,010	2,779	229	3,008	8,018
Tax effect of tax concession	—	—	—	—	(2,274)	(2,274)	(2,274)
Under-provision in respect of previous year	—	—	—	—	21	21	21
Income tax expense/(credit)	1	658	659	(1)	1,476	1,475	2,134

9. DISCONTINUED OPERATIONS

On 2 November 2016, the Group and Brilliant Dragon Investment Limited ("Brilliant Dragon") entered into the Sale and Purchase Agreement ("SP Agreement"), pursuant to which the Group conditionally agreed to sell and Brilliant conditionally agreed to acquire 51% equity interest of International Payment Solutions Holdings Limited ("Payment Co.") and net shareholders loans at a total consideration of HK$158,000,000. Upon completion of the disposal, Payment Co. and its subsidiaries ceased to be subsidiaries of the Group. The SP Agreement and the transaction contemplated thereunder were approved at the extraordinary general meeting of the Company held on 16 December 2016. Details of the disposal are set out in the Company's announcement dated 2 November 2016 and the Company's circular dated 30 November 2016.

Following completion of the disposal of the entire equity interest of Payment Co. (Note 35(a)), details of which are set out in the announcement of the Company dated 23 December 2016, the Group no longer continued to carry on business in provision of payment solutions.

The results from discontinued operations for the year are as follows:–

	Note	**2016** **HK$'000**	2015 HK$'000
Revenue	4	**137,676**	219,031
Cost of services rendered		**(156)**	(77)
Gross profit		**137,520**	218,954
Other revenue	4	**43,437**	13,005
Other income	5	**1,318**	698
General and administrative expenses		**(201,467)**	(255,829)
Loss from operations		**(19,192)**	(23,172)
Gain on bargain purchase		**166**	—
Increase in fair value of investment properties		**—**	174
Impairment loss on debtors		**(37)**	(58)
Impairment loss on other receivables		**(543)**	—
Share of results of an associate	19	**41**	(3)
Finance costs	6(a)	**(3,410)**	(2,907)
Gain on disposals of subsidiaries		**2,000**	—
Loss before income tax	6	**(20,975)**	(25,966)
Income tax expense	8	**(137)**	(1,475)
Loss for the year from discontinued operations		**(21,112)**	(27,441)
Loss for the year from discontinued operations attributable to:–			
Shareholders of the Company		**(3,702)**	(8,692)
Non-controlling interests		**(17,410)**	(18,749)
		(21,112)	(27,441)

9. DISCONTINUED OPERATIONS *(continued)*

The net cash flows incurred by discontinued operations for the year are as follows:–

	2016 HK$'000	2015 HK$'000
Cash flows from discontinued operations		
Net cash generated from/(used in) operating activities	**47,772**	(10,367)
Net cash used in investing activities	**(39,550)**	(50,236)
Net cash (used in)/generated from financing activities	**(27,914)**	35,082
Net cash outflow	**(19,692)**	(25,521)

10. DEFERRED TAXATION

(a) The following is deferred tax assets/(liabilities) recognised by the Group and movements hereon during the current year and prior year:–

	Impairment loss on debtors HK$'000	**Accelerated depreciation allowances of property, plant and equipment and revaluation of investment properties** HK$'000	**Temporary differences on intangible assets recognised under service concession arrangement** HK$'000	**Total** HK$'000
At 1.1.2015	146	(1,401)	—	(1,255)
Acquisitions of subsidiaries — Note 34(c)	—	(41,295)	(22,258)	(63,553)
Credited/(charged) to profit or loss — Note 8(b)	66	(312)	(4)	(250)
Exchange adjustments	(10)	184	52	226
At 31.12.2015 and 1.1.2016	202	(42,824)	(22,210)	(64,832)
Disposals of subsidiaries — Note 35(a)	(189)	527	—	338
Charged to profit or loss — Note 8(b)	—	(1,616)	(554)	(2,170)
Exchange adjustments	(13)	614	678	1,279
At 31.12.2016	**—**	**(43,299)**	**(22,086)**	**(65,385)**

10. DEFERRED TAXATION *(continued)*

(a) *(continued)*

Represented by:–

	2016 HK$'000	2015 HK$'000
Deferred tax assets	**—**	202
Deferred tax liabilities	**(65,385)**	(65,034)
	(65,385)	(64,832)

(b) The components of unrecognised deductible/(taxable) temporary difference of the Group are as follows:–

	2016 HK$'000	2015 HK$'000
Deductible temporary difference — note (i)		
Decelerated tax allowances	**—**	416
Unutilised tax losses	**167,144**	191,556
Taxable temporary difference — note (ii)	**167,144**	191,972
Accelerated tax allowances	**(139)**	—
	167,005	191,972

Notes:–

(i) Deductible temporary difference has not been recognised in these consolidated financial statements owing to the absence of objective evidence in respect of availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary difference. Included in unrecognised tax losses are losses of HK$19,093,000 (2015: HK$27,742,000) that will expire within five years from the date of incurrence. Other losses can be carried forward indefinitely.

(ii) Taxable temporary difference has not been recognised in these consolidated financial statements owing to its immateriality.

(c) As at 31 December 2016, temporary difference relating to the undistributed profits of the Company's subsidiaries in the PRC was RMB69,241,000 (equivalent to approximately HK$77,315,000) (2015: RMB79,741,000 (equivalent to approximately HK$95,187,000)). The related deferred tax liabilities of approximately HK$3,866,000 (2015: HK$4,759,000) have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of the subsidiaries and the directors have determined that these retained profits are not likely to be distributed in the foreseeable future.

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2016 (2015: Nil).

12. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year is based on the following data:–

	Continuing operations		Discontinued operations		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Loss						
Loss for the year attributable to shareholders of the Company	**(21,469)**	(35,720)	**(3,702)**	(8,692)	**(25,171)**	(44,412)

	2016	2015
Number of shares:		
Weighted average number of ordinary shares in issue for the purpose of calculation of basic loss per share	**2,120,448,858**	2,091,133,790
Effect of diluted potential ordinary shares as a result of the share options granted (Note)	**—**	—
Weighted average number of ordinary shares in issue for the purpose of calculation of diluted loss per share	**2,120,448,858**	2,091,133,790

Note:–

The computation of diluted loss per share for both years does not assume the conversion of the Company's outstanding share options since their exercise of those share options would result a reduction in loss per share for the year which is regarded as anti-dilutive.

13. RETIREMENT BENEFIT COSTS

Since 1 December 2000, the Group had joined a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all eligible employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with rules of MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group's contribution to such scheme for the year ended 31 December 2016 amounted to HK$428,000 (2015: HK$432,000).

13. RETIREMENT BENEFIT COSTS *(continued)*

The Company's subsidiaries in the PRC have participated in a central pension scheme. Contributions are made by the subsidiaries to the scheme based on certain percentage of the applicable payroll costs. The Group has no obligation other than the above-mentioned contributions.

The Group's contribution to the state-sponsored retirement plan for the year ended 31 December 2016 amounted to HK$24,360,000 (2015: HK$20,724,000).

14. PROPERTY, PLANT AND EQUIPMENT

	Properties held under medium-term lease HK$'000	Water pipeline HK$'000	Plant and machinery HK$'000	Leasehold improvement HK$'000	Office equipment, computer and other equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
For the year ended 31.12.2015									
Opening net book value	12,570	—	—	5,386	10,962	792	8,276	—	37,986
Exchange adjustments	(604)	(489)	(23)	(366)	(83)	—	(302)	(290)	(2,157)
Additions	—	53	898	7,022	3,395	90	3,584	7,109	22,151
Transfer from CIP	—	1,413	—	—	—	—	—	(1,413)	—
Disposals	—	—	—	—	(100)	(114)	(877)	—	(1,091)
Depreciation	(440)	(430)	(41)	(3,668)	(11,850)	(271)	(2,911)	—	(19,611)
Acquisitions of subsidiaries — Note 34(c)	92,049	208,068	8,912	1,505	1,851	—	762	118,418	431,565
Closing net book value	103,575	208,615	9,746	9,879	4,175	497	8,532	123,824	468,843
At 31.12.2015									
Cost	105,060	209,045	9,787	22,476	49,613	1,022	13,910	123,824	534,737
Aggregate depreciation	(1,485)	(430)	(41)	(12,597)	(45,438)	(525)	(5,378)	—	(65,894)
Net book value	103,575	208,615	9,746	9,879	4,175	497	8,532	123,824	468,843

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

	Properties held under medium-term lease HK$'000	Water pipeline HK$'000	Plant and machinery HK$'000	Leasehold improvement HK$'000	Office equipment, computer and other equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
For the year ended 31.12.2016									
Opening net book value	103,575	208,615	9,746	9,879	4,175	497	8,532	123,824	468,843
Exchange adjustments	(1,554)	(15,823)	(595)	(303)	(468)	–	(108)	(7,230)	(26,081)
Additions	–	–	1,274	1,536	3,421	–	–	68,738	74,969
Transfer from CIP	–	66,776	–	–	–	–	–	(66,776)	–
Disposals	–	–	(19)	(36)	(23)	–	(727)	–	(805)
Depreciation	(5,883)	(22,613)	(2,037)	(3,817)	(4,522)	(254)	(2,748)	–	(41,874)
Disposals of subsidiaries — Note 35(a)	(4,943)	–	–	(6,258)	(1,306)	(173)	(3,218)	–	(15,898)
Closing net book value	91,195	236,955	8,369	1,001	1,277	70	1,731	118,556	459,154
At 31.12.2016									
Cost	97,950	259,048	10,019	3,087	1,679	415	2,670	118,556	493,424
Aggregate depreciation	(6,755)	(22,093)	(1,650)	(2,086)	(402)	(345)	(939)	–	(34,270)
Net book value	91,195	236,955	8,369	1,001	1,277	70	1,731	118,556	459,154

As at 31 December 2016, none of the Group's property, plant and equipment were pledged to secure the Group bank and other borrowings (2015: HK$42,858,000) (note 30).

As at 31 December 2016, the Group's buildings and structure with a net carrying amount of approximately HK$1,274,000 (2015: HK$1,460,000) was in the process of obtaining the construction plan permits, construction commencement permits and construction completion reports. These structures have erected on land for which the relevant land use right certificates have not been obtained by the Group. Based on the legal opinion from the Group's legal advisor, who is a registered law firm in the PRC, the directors of the Group consider that the risk for the structure will be demolished is relatively low and there is no legal obstacle for the Group to obtain the relevant certificates and permits mentioned above. In accordance with the relevant regulations, the directors of the Group estimated the fine of approximately HK$65,000 (2015: HK$69,000) and had made a provision accordingly.

As at 31 December 2016, the Group's construction in progress with a net carrying amount of approximately HK$840,000 (2015: HK$6,822,000), and its water pipeline with a net carrying amount of approximately HK$1,976,000 (2015: HK$13,816,000) was in the process of obtaining the construction plan permits. Based on the legal opinion from the Group's legal advisor, who is a registered law firm in the PRC, the directors of the Group consider that the risks for the structure will be demolished or that the Group will be punished for non-compliance are relatively low and there is no legal obstacle for the Group to obtain the relevant permits mentioned above.

15. PREPAID LAND LEASE PREMIUM

The Group's interests in land lease premium represents prepaid operating lease payments and its net book value is analysed as follows:–

	2016 **HK$'000**	2015 HK$'000
Outside Hong Kong, held under medium-term lease	**22,313**	29,649
Less: Current portion	**(97)**	(285)
Non-current portion	**22,216**	29,364
Representing:–		
Opening net book value	**29,649**	9,706
Acquisitions of subsidiaries — Note 34(c)	**—**	20,797
Disposals of subsidiaries — Note 35(a)	**(5,341)**	—
Exchange adjustments	**(1,201)**	(552)
Amortisation of prepaid land lease premium	**(794)**	(302)
Closing net book value	**22,313**	29,649

The Group's prepaid land lease payments represent up-front payments to acquire long term interest in usage of land situated in the PRC, which are held under medium term leases.

16. INVESTMENT PROPERTIES

	HK$'000
At 1.1.2015	32,539
Increase in fair value recognised in the consolidated statement of profit or loss	1,206
Acquisitions of subsidiaries — Note 34(c)	21,932
Exchange adjustments	(1,830)
At 31.12.2015 and 1.1.2016	53,847
Increase in fair value recognised in the consolidated statement of profit or loss	4,582
Transfer from deposit paid for acquisition of investment properties	15,877
Additions	30,799
Disposals of subsidiaries — Note 35(a)	(56,606)
Exchange adjustments	(3,679)
At 31.12.2016	**44,820**

16. INVESTMENT PROPERTIES *(continued)*

Notes :–

(a) The Group's properties interest held under operating leases to earn rentals or for long-term capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. These properties are located at the PRC and held under medium-term lease.

(b) The Group's investment properties were revalued at 31 December 2016. The valuation was carried out by an independent firm of surveyors, Graval Consulting Limited, who have among their staff, Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. Management had discussed with the surveyors on the valuation assumptions and valuation results when the valuation was performed at the end of the reporting period.

(c) The fair value of the Group's investment properties measured at the end of the reporting period is categorised as Level 3 of fair value hierarchy as defined in HKFRS 13.

(d) Information about Level 3 fair value measurement:-

	Valuation techniques	Unobservable input	Range	Weighted average
Residential properties in PRC	Market comparison approach	Premium (discount) on quality of the buildings	-12% to 10%	-1%
Commercial properties in PRC	Income capitalisation approach	Prevailing market rents	RMB1 to RMB30 per square meter per month	RMB15.5 per square meter per month
		Capitalisation rates	6.7% to 10%	8.35%

(e) The fair value of investment properties located at the PRC was determined using market comparison approach by reference to recent sales price of comparable properties on a price per square metre basis, adjusted by quality and location of the Group's investment properties compared to the recent sales. The fair value measurement is positively correlated to risk-adjusted discount rates.

(f) The Group also applied income capitalisation approach as valuation technique. This approach is based on the capitalisation of net income with due allowance for outgoings and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation are referenced to valuers' view of recent lettings, within the subject properties and other comparable properties. The higher the capitalisation rates, the lower the fair value. The higher the prevailing market rents, the higher the fair value. The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

(g) Fair value adjustment of investment properties is recognised in the line item "Increase in fair value of investment properties" on the face of the consolidated statement of profit or loss.

17. INTANGIBLE ASSETS

	Development cost HK$'000	Computer software and technology HK$'000	Domain name HK$'000	(Note (a)) Other intangible asset HK$'000	Total HK$'000
At 1.1.2015					
Cost	9,874	7,140	2,682	—	19,696
Accumulated amortisation	—	(6,650)	—	—	(6,650)
Accumulated impairment loss	(8,796)	—	—	—	(8,796)
Net book value	1,078	490	2,682	—	4,250
For the year ended 31.12.2015					
Opening net book value	1,078	490	2,682	—	4,250
Acquisitions of subsidiaries — Note 34(c)	—	—	—	352,996	352,996
Additions	—	—	—	431	431
Amortisation	—	(198)	—	(279)	(477)
Exchange adjustments	(57)	(19)	—	(827)	(903)
Closing net book value	1,021	273	2,682	352,321	356,297
At 31.12.2015					
Cost	9,326	6,762	2,682	352,599	371,369
Accumulated amortisation	—	(6,489)	—	(278)	(6,767)
Accumulated impairment loss	(8,305)	—	—	—	(8,305)
Net book value	1,021	273	2,682	352,321	356,297
For the year ended 31.12.2016					
Opening net book value	**1,021**	**273**	**2,682**	**352,321**	**356,297**
Disposals of subsidiaries — Note 35(a)	**(955)**	**(113)**	**(2,682)**	**—**	**(3,750)**
Additions	**—**	**48**	**—**	**85,923**	**85,971**
Amortisation	**—**	**(198)**	**—**	**(18,943)**	**(19,141)**
Disposals	**—**	**—**	**—**	**(1,379)**	**(1,379)**
Exchange adjustments	**(66)**	**(10)**	**—**	**(19,810)**	**(19,886)**
Closing net book value	**—**	**—**	**—**	**398,112**	**398,112**
At 31.12.2016					
Cost	**—**	**—**	**—**	**417,998**	**417,998**
Accumulated amortisation	**—**	**—**	**—**	**(18,569)**	**(18,569)**
Accumulated impairment loss	**—**	**—**	**—**	**(1,317)**	**(1,317)**
Net book value	**—**	**—**	**—**	**398,112**	**398,112**

17. INTANGIBLE ASSETS *(continued)*

Notes : –

(a) Pursuant to a concession agreement between a subsidiary, Qingyuan Qingxin District Taihe Water Company Limited ("Taihe Water") and a relevant authority in the PRC dated 21 November 2006, Taihe Water obtained the right to operate certain water supply plants located at Qingyuan City of Guangdong Province in the PRC for a period of 20 years on a BOT basis. Taihe Water is entitled to use all the property, plant and equipment of the water supply plants.

(b) As at 31 December 2016, land use right held by the Group under service concession arrangement with a net carrying amount of RMB4,244,000 (equivalent to approximately HK$4,739,000) (2015: RMB4,355,000 (equivalent to approximately HK$5,198,000)) was pledged to secure the Group's bank and other borrowing (note 30).

18. GOODWILL

	HK$'000
Cost:–	
At 1.1.2015	77,122
Acquisitions of subsidiaries — Note 34(c)	90,290
At 31.12.2015 and 1.1.2016	167,412
Disposals of subsidiaries — Note 35(a)	(77,122)
At 31.12.2016	**90,290**
Impairment loss:–	
At 1.1.2015	25
Disposals of subsidiaries — Note 35(a)	(25)
At 31.12.2015, 1.1.2016 and 31.12.2016	**—**
Net book value:–	
At 31.12.2016	**90,290**
At 31.12.2015	167,387

18. GOODWILL *(continued)*

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:–

	2016	2015
	HK$'000	HK$'000
Platform payment services	**—**	43,050
Internet based remittance services	**—**	33,352
Water supply services	**90,290**	90,290
Others	**—**	720
	90,290	167,412

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For water supply service segment, the recoverable amount of the CGUs is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year and ten-year period. A discount factor at a rate was 15.4% to 16.33% (2015: 17.03% to 17.46%) was applied in the value in use model. Cash flows beyond the five-year and ten-year period are extrapolated using 3% to 8% (2015: 3.87% to 6.6%) average growth rate.

For the year ended 31 December 2015

For platform payment services and internet based remittance services segments, the recoverable amount of the CGUs is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. A discount factor at a rate was 18.52% was applied in the value in use model. Cash flows beyond the five-year period are extrapolated using the growth rate with 3%.

For others segment, the recoverable amount of the CGUs is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. A discount factor at a rate was 13.11% was applied in the value in use model. Cash flows beyond the five-year period are extrapolated using nil growth rate.

19. INTEREST IN AN ASSOCIATE

	2016 **HK$'000**	2015 HK$'000
Cost of unlisted investment in an associate	—	29,613
Share of post-acquisition losses and reserves	—	(71)
	—	29,542

Name of companies	**Place of establishment and business**	**Particulars of registered capital**	**Attributable equity interest held by the Company indirectly**	**Group's effective interest**	**Principal activities**
Shanghai Renda Commercial Factoring Company Limited	People's Republic of China	RMB50,000,000	49.5%	25.245%	Provision of factoring services

Shanghai Renda Commercial Factoring Company Limited is a strategic business partner of the Group.

The associate is accounted for using the equity method in the consolidated financial statements.

The associate was newly incorporated on 23 September 2015 and disposed through the disposal of IPSH (Note 35(a)) on 23 December 2016.

The summarised financial information in respect of Shanghai Renda Commercial Factoring Company Limited are set out below:–

	2016 **HK$'000**	2015 HK$'000
Current assets	—	59,687
Current liabilities	—	(12)
Net assets	—	59,675
Group's share of net assets of an associate	—	29,542

19. INTEREST IN AN ASSOCIATE *(continued)*

	For the period from 1.1.2016 to 23.12.2016 HK$'000	For the period from 23.9.2015 to 31.12.2015 HK$'000
Revenue	**3,915**	—
Profit/(loss) for the period	**164**	(10)
Other comprehensive loss for the period	**(3,838)**	(140)
Total comprehensive loss for the period	**(3,674)**	(150)
Group's share of results of an associate for the period	**41**	(3)

20. DEPOSIT PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2016, the Group paid a deposit of approximately HK$13,244,000 (2015: HK$37,588,000) to acquire property, plant and equipment. Capital commitment of such acquisition is disclosed in note 37 to the consolidated financial statements.

21. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	**587**	332
Finished goods	**2,019**	4,753
Less: write-down of inventories	**—**	(2,074)
	2,606	3,011

22. DEBTORS

	2016	2015
	HK$'000	HK$'000
Trade debtors	**24,004**	94,118
Less: impairment loss — Note 22(c)	**(850)**	(2,559)
	23,154	91,559

Notes:–

(a) Apart from payment solutions business, the credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with debtors, credit evaluations of customers are performed periodically. For payment solutions business, as the Group is playing the role as an agent on behalf of the merchants for collection of payments, there is no significant credit risk.

(b) An aging analysis of debtors is set out below:–

	2016	2015
	HK$'000	HK$'000
0 – 6 months	**22,937**	90,900
7 – 12 months	**51**	350
1 – 2 years	**166**	309
	23,154	91,559
Neither past due nor impaired	**22,988**	91,250
Past due but not impaired	**166**	309
	23,154	91,559

Debtors that were neither past due nor impaired relate to tenants and a wide range of customers for service providers of payment solutions business and water supply service for whom there were no recent history of default.

As at 31 December 2016, debtors that were past due but not impaired included an amount of HK$166,000 which was related to numbers of independent customers of water supply service which had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

22. DEBTORS *(continued)*

Notes:- *(continued)*

(c) The movement in the impairment loss on accounts receivable during the year is as follows:–

	2016 HK$'000	2015 HK$'000
At 1 January	**2,559**	2,510
Impairment loss recognised	**70**	58
Disposals of subsidiaries	**(1,578)**	—
Exchange adjustments	**(201)**	(9)
At 31 December	**850**	2,559

(d) As at 31 December 2016, the receivables under service concession arrangement with a carrying amount of RMB20,723,000 (equivalent to approximately HK$23,139,000) (2015: RMB18,278,000 (equivalent to approximately HK$21,818,000)) were pledged to secure bank loans granted to the Group (Note 30).

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Utilities and deposits	**2,696**	4,398
Prepayments	**1,115**	4,394
Secured loans receivable — Note 23(a)	**—**	55,495
Unsecured loans receivable — Note 23(b)	**—**	112,744
Interest receivable	**1,737**	119
Amounts due from former subsidiaries — Note 23(c)	**—**	14,590
Amount due from non-controlling shareholder of a subsidiary	**—**	13,419
Other receivables	**1,601**	8,911
	7,149	214,070
Less: impairment loss on other receivables — Note 23(d)	**(125)**	(1,201)
	7,024	212,869
Less: non-current portion	**—**	(227)
Current portion	**7,024**	212,642

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

Notes:–

(a) During the year ended 31 December 2015, the secured loans receivable were interest bearing at 2% per month and repayable within one year.

(b) During the year ended 31 December 2015, all unsecured loans receivable were interest-free. Except for an amount of HK$227,000 which was repayable after one year, the remaining balance was repayable within one year.

(c) The amounts are interest-free, unsecured and repayable on demand.

(d) The movement in the impairment loss on other receivables during the year is as follows:–

	2016 **HK$'000**	2015 HK$'000
At 1 January	**1,201**	1,938
Impairment loss recognised	**673**	—
Written off	**(428)**	(693)
Disposals of subsidiaries	**(1,242)**	—
Exchange adjustments	**(79)**	(44)
At 31 December	**125**	1,201

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 **HK$'000**	2015 HK$'000
Listed securities, at market value		
Equity securities — PRC	**—**	1,647

25. CASH AND BANK BALANCES

As at 31 December 2016, cash and bank balances of the Group denominated in Renminbi amounted to HK$218,928,000 (2015: HK$608,174,000). Renminbi is not freely convertible into foreign currencies. Subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks authorised to conduct foreign exchange business.

26. TRADE PAYABLES

	2016 HK$'000	2015 HK$'000
An aging analysis of trade payables is set out below:–		
0 – 12 months	2,433	1,888

27. PAYABLE TO MERCHANTS

	2016 HK$'000	2015 HK$'000
An aging analysis of trade payables is set out below:–		
0 – 12 months	—	409,827
Over one year	3,008	3,017
	3,008	412,844

28. DEPOSITS RECEIVED, SUNDRY CREDITORS AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Deposits received and receipts in advance	11,440	18,977
Accruals	11,485	27,404
Sundry creditors	52,908	67,951
Construction fee payable	95,967	114,932
Dividend payable to non-controlling shareholder of a subsidiary	—	18,258
Other tax payable	21,846	23,512
	193,646	271,034

29. AMOUNTS DUE TO RELATED COMPANIES

The amounts are interest-free, unsecured and repayable within one year.

30. BANK AND OTHER BORROWINGS

As at 31 December 2016, the bank and other borrowings were analysed as follows :–

	Note	2016 HK$'000	2015 HK$'000
Bank loans, secured	(a)	**706,595**	597,096
Bank loan, unsecured		**—**	59,685
Government loans, unsecured		**3,776**	5,074
		710,371	661,855
Due for payment :–			
— Within one year		**312,195**	413,873
— Within two to five years		**126,410**	126,351
— Over five years		**271,766**	121,631
		710,371	661,855

30. BANK AND OTHER BORROWINGS *(continued)*

Note:–

(a) The Group had the following banking facilities :–

	At 31 December	
	2016	2015
	HK$'000	HK$'000
Total banking facilities granted	**1,172,430**	829,323
Less: banking facilities utilised by the Group	**(706,595)**	(656,781)
Unutilised banking facilities	**465,835**	172,542

As at 31 December 2016, these banking facilities were secured by :–

i. charges over a time deposit amounting to RMB235,420,000 (equivalent to approximately HK$262,898,000);

ii. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB4,244,000 (equivalent to approximately HK$4,739,000) (note 17);

iii. pledge of trade receivables under service concession arrangement with a carrying amount of RMB20,723,000 (equivalent to approximately HK$23,139,000) (note 22);

iv. pledge of 49% equity interest in Qingyuan Water Supply Development Company Limited;

v. pledge of 25% equity interest in Qingyuan Qingxin District Taihe Water Company Limited;

vi. guarantee by Dongguan Xinghongcheng Enterprise Management Company Limited and Qingyuan Qingxin District Huike Properties Company Limited, both being subsidiaries of the Group;

vii. guarantee by Dongguan New Century Science and Education Development Limited and Mr. Yang Zhimao; and

viii. guarantee by the non-controlling shareholder of a subsidiary.

30. BANK AND OTHER BORROWINGS *(continued)*

Note:– *(continued)*

(a) The Group had the following banking facilities :– *(continued)*

As at 31 December 2015, these banking facilities were secured by :–

i. charges over a time deposit amounting to RMB235,420,000 (equivalent to approximately HK$281,021,000);

ii. charges over property, plant and equipment with aggregate carrying amounts of RMB35,904,000 (equivalent to approximately HK$42,858,000) (note 14);

iii. charges over a land use right under service concession arrangement with aggregate carrying amounts of RMB4,355,000 (equivalent to approximately HK$5,198,000) (note 17);

iv. pledge of trade receivables under service concession arrangement with a carrying amount of RMB18,278,000 (equivalent to approximately HK$21,818,000) (note 22);

v. pledge of 49% equity interest in Qingyuan Water Supply Development Company Limited;

vi. pledge of 25% equity interest in Qingyuan Qingxin District Taihe Water Company Limited;

vii. guarantee by Dongguan Xinghongcheng Enterprise Management Company Limited and Qingyuan Qingxin District Huike Properties Company Limited, both being subsidiaries of the Group;

viii. guarantee by Dongguan New Century Science and Education Development Limited and Mr. Yang Zhimao; and

ix. guarantee by the non-controlling shareholder of a subsidiary.

31. SHARE CAPITAL

(a) Share capital

	Note	The Group and the Company Number of shares	HK$'000
Ordinary share of HK$0.01 each			
Authorised:–			
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016		5,000,000,000	50,000
Issued and fully paid:–			
At 1 January 2015		2,070,448,858	20,705
Shares issued under share option scheme	(i)	50,000,000	500
At 31 December 2015, 1 January 2016 and 31 December 2016		**2,120,448,858**	**21,205**

Note :–

(i) During the year ended 31 December 2015, 50,000,000 share options were exercised by the eligible option holders, resulting in the issue of 50,000,000 shares of HK$0.01 each of the Company at a total consideration of HK$23,250,000.

(b) Capital management

The Group's equity capital management objectives are to safeguard the Group's ability to continue as a going concern and to provide an adequate return to shareholders commensurately with the level of risk. To meet these objectives, the Group manages the equity capital structure and makes adjustments to it in the light of changes in economic conditions by paying dividends to shareholders, issuing new equity shares, and raising or repaying debts as appropriate.

The Group's equity capital management strategy was to maintain a reasonable proportion in total liabilities and total assets. The Group monitors equity capital on the basis of gearing ratio, which is calculated as total liabilities over total assets. The gearing ratios at 31 December 2016 and at 31 December 2015 were as follows:–

	2016 **HK$'000**	2015 HK$'000
Total liabilities	**1,002,647**	1,484,376
Total assets	**1,761,250**	2,434,249
Gearing ratio	**56.93%**	60.98%

32. SHARE OPTIONS

Pursuant to the Company transferred the listing of its share from GEM to the Main Board of the Stock Exchange on 22 June 2010, the Company adopted a new share option scheme which is compliance with the Listing Rules at the Company's extraordinary general meeting held on 12 August 2010 ("New Share Option Scheme"). The three share option schemes adopted on 12 October 2001 ("GEM Share Option Schemes") have been terminated and no further options under such schemes have been granted thereunder upon the adoption of the New Share Option Scheme. The outstanding options granted under the GEM Share Option Schemes shall continue to be subject to the provision of the GEM Share Option Schemes.

The purpose of the New Share Option Scheme is to enable the Company to grant options to participants an incentive or rewards for their contributions to the Group.

The New Share Option Scheme was adopted for a period of ten years commencing from 12 August 2010 and will remain in force until 11 August 2020, after which period no further options will be offered or granted but the provisions of the scheme shall remain in full force and effect in all other respects with regard to options granted during the life of the scheme.

The subscription price of the New Share Option Scheme shall be determined by the Board in its absolute discretion, but in any event shall not be less than the higher of (i) the closing price of the share as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing prices of the share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share of the Company.

32. SHARE OPTIONS *(continued)*

(a) A summary of the movements of share options granted under the New Share Option Scheme during each of the two years ended 31 December 2016 is as follows:–

			Number of share options				
Date of grant	Exercise period	Exercise price	Outstanding at 1 January 2015	Exercised during the year	Outstanding at 31 December 2015 and 1 January 2016	Lapsed during the year	Outstanding at 31 December 2016
25 November 2013	25 November 2013 to 11 August 2020	HK$0.465	120,000,000	(50,000,000)	70,000,000	(10,000,000)	60,000,000

(b) The number and weighted average of exercise prices of share options are as follows:–

	2016		2015	
	Weighted average of exercise price HK$	**Number of options**	Weighted average of exercise price HK$	Number of options
Outstanding at the beginning of the year	**0.465**	**70,000,000**	0.465	120,000,000
Exercised during the year	**—**	**—**	0.465	(50,000,000)
Lapsed during the year	**0.465**	**(10,000,000)**	—	—
Outstanding at the end of year	**0.465**	**60,000,000**	0.465	70,000,000
Exercisable at the end of year	**0.465**	**60,000,000**	0.465	70,000,000

There was no share option exercised during the year ended 31 December 2016. The weighted average share price at the dates of exercise for the share options exercised during the year ended 31 December 2015 was HK$0.806.

The options outstanding at 31 December 2016 had an exercise price of HK$0.465 (2015: HK$0.465) and a weighted average remaining contractual life of 3.6 years (2015: 4.6 years).

32. SHARE OPTIONS *(continued)*

(c) Fair value of share options granted

120,000,000 share options under the New Share Option Scheme were granted during the year ended 31 December 2013.

Fair value of share options granted during the year ended 31 December 2013 was as follows:–

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share option granted is measured based on Binomial Option Pricing Model.

Fair value at measurement date	HK$0.03997
Share price	HK$0.460
Exercise price	HK$0.465
Expected volatility	65.89%
Expected dividend yield	1.41%
Risk-free interest rate	1.44%

The expected volatility is based on the historic volatility (calculated based on the expected life of the share options), adjusted for any expected changes to future volatility due to public available information. Expected dividends are based on historical dividends. Changes in subjective input assumptions could materially affect the fair value estimate. Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants. However, the management has taken into consideration of historical staff turnover pattern for the estimation of expected option life.

33. RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:–

	Share premium HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1.1.2015	497,758	481	4,796	(67,016)	436,019
Shares issued under share option scheme	23,150	—	(400)	—	22,750
Total comprehensive loss for the year	—	—	—	(31,100)	(31,100)
At 31.12.2015 and 1.1.2016	520,908	481	4,396	(98,116)	427,669
Lapse of share options granted in prior years	—	—	(399)	399	—
Total comprehensive loss for the year	—	—	—	(23,497)	(23,497)
At 31.12.2016	**520,908**	**481**	**3,997**	**(121,214)**	**404,172**

Notes:–

(i) The share premium of the Company includes (i) shares issued at premium and (ii) the difference between the nominal value of the ordinary shares issued by the Company and the net asset values of the subsidiaries at the date they were acquired through an exchange of shares pursuant to the reorganisation completed in 2001. Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Capital redemption reserve represents the nominal value of the shares repurchased which has been paid out of the distributable reserves of the Company.

(iii) As at 31 December 2016, in the opinion of the Directors, the reserves of the Company available for distribution to shareholders amounted to HK$399,694,000 (2015: HK$422,792,000) subject to the restrictions as stated above.

(iv) The special reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the share capital of a subsidiary acquired pursuant to the reorganisation completed in 2001.

(v) The subsidiary established in the PRC was required by PRC Company Law to appropriate 10% of its statutory after-tax profit to a statutory reserve fund until the balance of the fund reached 50% of share capital and thereafter any further appropriation was optional. The statutory reserve fund could be utilised to offset prior years' losses or to increase share capital on the condition that the statutory reserve fund must be maintained at a maximum of 25% of the share capital after such issuance. During the year, the Board of Directors of the subsidiary resolved to appropriate HK$5,478,000 (2015: HK$4,297,000) from retained profits to statutory reserve fund.

34. ACQUISITIONS OF SUBSIDIARIES

(a) On 14 February 2016, IPS E-Commerce Hongkong Limited, a non-wholly owned subsidiary with 34.43% effective interest held by the Group, acquired 100% equity interests in H & R International Investment Limited ("HRI"), a company incorporated in Hong Kong, at a cash consideration of HK$2. The Group holds 34.43% effective interest in HRI indirectly.

The fair value of the identifiable assets and liabilities of the subsidiary acquired as at its date of acquisition is as follows:–

	HK$'000
Deposits paid for acquisition of investment properties	7,670
Other receivables	1,899
Cash and bank balances	103
Other payables and accruals	(9,200)
	472
Non-controlling interests	(310)
Net assets	162
Goodwill arising on acquisition	
Consideration for acquisition	—
Less: Fair value of identifiable net assets acquired	(162)
Gain on bargain purchase	(162)
Net cash outflow arising on acquisition	
Cash consideration paid	—
Less: Cash and cash equivalents acquired	103
Net cash inflow on acquisition	103

The Group recognised gain on bargain purchase of HK$162,000 because the fair value of net assets acquired exceeded purchase consideration.

The newly acquired business contributed a revenue of HK$225,000 to the Group and contributed a loss of HK$43,000 to the Group for the period between the date of acquisition and the end of reporting period.

If the acquisition had been completed on 1 January 2016, total Group's revenue for the year would have been HK$137,676,000, and loss for the year would have been HK$22,975,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the 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 intended to be a projection of future results.

On 23 December 2016, the Group disposed of its entire equity interest of HRI which is one of the subsidiaries in IPSH (Note 35(a)).

34. ACQUISITIONS OF SUBSIDIARIES *(continued)*

(b) On 14 February 2016, IPS E-Commerce Hongkong Limited, a non-wholly owned subsidiary with 34.43% effective interest held by the Group, acquired 100% equity interests in Speed International Technology Company Limited ("Speed"), a company incorporated in Hong Kong, at a cash consideration of HK$2. The Group holds 34.43% effective interest in Speed indirectly.

The fair value of the identifiable assets and liabilities of the subsidiary acquired as at its date of acquisition is as follows:–

	HK$'000
Deposits paid for acquisition of investment properties	8,207
Other receivables	5
Other payables and accruals	(8,202)
	10
Non-controlling interests	(6)
Net assets	4
Goodwill arising on acquisition	
Consideration for acquisition	—
Less: Fair value of identifiable net assets acquired	(4)
Gain on bargain purchase	(4)
Net cash outflow arising on acquisition	
Cash consideration paid	—
Less: Cash and cash equivalents acquired	—
Net cash inflow on acquisition	—

The Group recognised gain on bargain purchase of HK$4,000 because the fair value of net assets acquired exceeded purchase consideration.

The newly acquired business contributed revenue of HK$276,000 to the Group and contributed a loss of HK$4,000 to the Group for the period between the date of acquisition and the end of reporting period.

If the acquisition had been completed on 1 January 2016, total Group's revenue for the year would have been HK$137,676,000, and loss for the year would have been HK$22,975,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the 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 intended to be a projection of future results.

On 23 December 2016, the Group disposed of its entire equity interest of Speed which is one of the subsidiaries in IPSH (Note 35(a)).

34. ACQUISITIONS OF SUBSIDIARIES

(c) On 23 December 2015, the Group acquired 49% equity interests in Qinghui Properties Limited and its subsidiaries (the "Qinghui Group"), companies incorporated in the PRC, at a cash consideration of RMB224,420,000 (equivalent to HK$268,519,000).

The fair values of the identifiable assets and liabilities of the Qinghui Group acquired as at the date of acquisition was as follows:-

	HK$'000
Property, plant and equipment — Note 14	431,565
Prepaid land lease premium — Note 15	20,797
Investment properties — Note 16	21,932
Intangible assets — Note 17	352,996
Deposits paid for acquisition of property, plant and equipment	14,123
Inventories	2,358
Debtors	18,720
Deposits, prepayments and other receivables	6,773
Amount due from a related company	67
Cash and bank balances	149,145
Trade payables	(1,907)
Deposits received, sundry creditors and accruals	(131,867)
Amounts due to related companies	(126,801)
Bank and other borrowings — current portion	(73,339)
Tax payable	(6,234)
Bank and other borrowings — non-current portion	(248,564)
Deferred tax liability — Note 10(a)	(63,553)
	366,211
Non-controlling interests	(187,982)
	178,229
Goodwill arising on acquisition	
Consideration for acquisition	268,519
Less: Fair value of identifiable net assets acquired	(178,229)
	90,290
Net cash outflow arising on acquisition	
Cash consideration paid	(268,519)
Less: Cash and cash equivalents acquired	149,145
	(119,374)

34. ACQUISITIONS OF SUBSIDIARIES *(continued)*

(c) (continued)

Acquisition-related costs amounting to HK$7,000,000 was recognised as an expense in current year, within the "general and administrative expenses" line item in the consolidated statement of profit or loss.

The Group recognised a goodwill of HK$90,290,000 arising from acquisition of the Qinghui Group because the purchase consideration exceeded the fair value of net assets acquired.

The newly acquired business contributed a revenue of HK$5,351,000 to the Group and contributed a profit of HK$1,203,000 to the Group for the period between the date of acquisition and 31 December 2015.

Had the acquisition been completed on 1 January 2015, the Group's revenue for the year would have been HK$588,710,000, and the profit for the year would have been HK$4,273,000. The proforma financial information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been completed on 1 January 2015 nor is intended to be a projection of future results.

35. DISPOSAL OF INTERESTS IN SUBSIDIARIES

(a) Disposal of equity interest of International Payment Solutions Holdings Limited ("IPSH")

On 23 December 2016, the Group disposed of the entire equity interests of IPSH at a consideration of HK$158,000,000.

	HK$'000
Net assets disposed of:–	
Property, plant and equipment — Note 14	15,898
Prepaid land lease premium — Note 15	5,341
Investment properties — Note 16	56,606
Intangible assets — Note 17	3,750
Goodwill — Note 18	77,097
Interest in an associate	27,725
Deferred tax assets — Note 10(a)	189
Deposits paid for acquisition of property, plant and equipment	21,871
Inventories	768
Debtors	320,376
Deposits, prepayments and other receivables	258,069
Financial assets at fair value through profit or loss	604
Cash and bank balances	460,467
Bank loans	(65,506)
Payable to merchants	(776,388)
Deposits received, sundry creditors and accruals	(149,942)
Tax payable	(6,079)
Deferred tax liabilities — Note 10(a)	(527)
Net assets disposed of	250,319
Less: Non-controlling interests	(160,428)
	89,891

35. DISPOSAL OF INTERESTS IN SUBSIDIARIES *(continued)*

(a) Disposal of equity interest of International Payment Solutions Holdings Limited ("IPSH") *(continued)*

	HK$'000
Gain on disposals of subsidiaries	
Consideration received	158,000
Less: Net assets disposed of	(89,891)
Less: Shareholder loans	(47,407)
Less: Exchange reserve realised on disposal	(6,297)
Less: Direct expenses in relation to the disposal	(2,929)
Less: Tax effect	(9,476)
	2,000
Net cash outflow arising on disposal of subsidiary	
Cash consideration received	158,000
Less: Cash and bank balances disposed of	(460,467)
	(302,467)

(b) Disposal of equity interest of Universal Unipass Limited ("Unipass")

On 27 January 2015, the Group disposed of its entire equity interest in Unipass at a consideration of RMB991,000 (equivalent to HK$1,246,000).

The net assets of Unipass as at the date of disposal included other receivables of RMB991,000 (equivalent to HK$1,246,000).

35. DISPOSAL OF INTERESTS IN SUBSIDIARIES *(continued)*

(c) Disposal of interests in a subsidiary without loss of control

On 23 December 2015, the Group disposed of 9.99% equity interests in a subsidiary at a consideration of RMB11,383,000 (equivalent to HK$14,147,000). The carrying amount of the non-controlling interests in this subsidiary on the date of disposal was HK$13,707,000. The Group recognised an increase in noncontrolling interests of HK$13,707,000 and in equity attributable to shareholders of the Company of HK$162,000. The effect of changes in the ownership interests of this subsidiary on the equity attributable to shareholders of the Company during the year is summarised as follows:–

	HK$'000
Consideration received from non-controlling interests	14,147
Carrying amount of non-controlling interests disposed of	(13,707)
Income tax effect	(278)
Changes recognised on disposal within equity	162

36. OPERATING LEASE ARRANGEMENTS

As lessor

As at 31 December 2016, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:–

	2016 **HK$'000**	2015 HK$'000
Within one year	**842**	576
After one year but within five years	**875**	108
	1,717	684

The Group leases its investment properties under operating leases. The leases were negotiated for terms ranging from one to five years.

As lessee

As at 31 December 2016, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:–

	2016 **HK$'000**	2015 HK$'000
Within one year	**2,229**	18,844
After one year but within five years	**59**	16,298
	2,288	35,142

Operating lease payments represent rentals payable by the Group for the use of servers and office premises. Leases are negotiated for a term ranging from one to five years with fixed monthly rentals.

37. CAPITAL COMMITMENTS

Capital expenditure contracted but not provided for is as follows:–

	2016 **HK$'000**	2015 HK$'000
Property, plant and equipment	**85,854**	138,590
Other intangible assets	**79,840**	111,022
	165,694	249,612

38. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS

The Group's policy is to prudently manage daily operations and invest surplus funds managed by the Group in a manner which satisfy liquidity requirements, safeguard financial assets, manage risks while optimising the returns.

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

(a) Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group manages credit risk by setting up credit control policy and periodic evaluation of credit performance of the other parties, measured by the extent of past due or default.

In respect of debtors arising from trading business, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and obtaining information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors are due with 60 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group was not exposed to significant credit risk from debtors arising from online platform as the transactions of which are made in cash or via reliable major credit cards by limiting the amount of credit exposure to these financial institutions and the merchants. In addition, the Group is playing the role as an agent on behalf of the merchants for collection of payment.

Carrying amounts of financial assets at 31 December 2016, which represented the amounts of maximum exposure to credit risk, were as follows:–

	2016	2015
	HK$'000	HK$'000
Debtors	**23,154**	91,559
Deposits and other receivables	**5,909**	208,475
Fixed deposits	**34,643**	63,218
Pledged time deposit	**262,898**	281,021
Cash and bank balances	**402,992**	637,771
	729,596	1,282,044

The Directors are satisfied with the credit quality of financial assets.

38. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Group to meet its financial obligations, measured by the gearing ratio.

Maturities of the non-derivative financial liabilities of the Group at 31 December 2016 were as follows:–

	2016				
	Carrying amount HK$'000	**Total contractual undiscounted cash flows HK$'000**	**Less than 1 year or on demand HK$'000**	**In 2 to 5 years HK$'000**	**Over 5 years HK$'000**
Total amounts of contractual undiscounted obligations:–					
Bank and other borrowings	**710,371**	**856,866**	**339,488**	**193,121**	**324,257**
Trade payables	**2,433**	**2,433**	**2,433**	**—**	**—**
Payable to merchants	**3,008**	**3,008**	**3,008**	**—**	**—**
Sundry creditors and accruals	**182,876**	**182,876**	**182,876**	**—**	**—**
Amounts due to related companies	**76,499**	**76,499**	**76,499**	**—**	**—**
	975,187	**1,121,682**	**604,304**	**193,121**	**324,257**

	2015				
	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Less than 1 year or on demand HK$'000	In 2 to 5 years HK$'000	Over 5 years HK$'000
Total amounts of contractual undiscounted obligations:–					
Bank and other borrowings	661,855	748,854	441,882	162,868	144,104
Trade payables	1,888	1,888	1,888	—	—
Payable to merchants	412,844	412,844	412,844	—	—
Sundry creditors and accruals	254,802	254,802	254,802	—	—
Amounts due to related companies	123,796	123,796	123,796	—	—
	1,455,185	1,542,184	1,235,212	162,868	144,104

38. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Carrying amounts of financial assets and financial liabilities at 31 December 2016 exposed to currency risk were as follows:-

	2016	2015
	HK$'000	HK$'000
Financial assets denominated in foreign currencies:-		
Deposits and other receivables	**1,903**	133
Fixed deposits	**7,137**	—
Pledged time deposit	**262,898**	—
Cash and bank balances	**1,368**	1,401
	273,306	1,534
Financial liabilities denominated in foreign currencies:-		
Payable to merchants	**(124)**	—
	(124)	—
Net financial assets exposed to currency risk	**273,182**	1,534

38. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(c) Currency risk *(continued)*

The Group's net financial assets exposed to currency risk were primarily denominated in the following currencies:–

	2016	2015
	HK$'000	HK$'000
Singapore dollars	**—**	1
United States dollars	**1,505**	1,482
Renminbi	**271,677**	44
Other currencies	**—**	7
	273,182	1,534

The Group operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising from Renminbi, primarily with respect to the Hong Kong dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. At present, the Group does not intend to seek to hedge its exposure to foreign exchange risk profile as there were insignificant fluctuation in exchange rate between Hong Kong dollars and Renminbi.

Since Hong Kong dollars is pegged to United States dollars, material fluctuations in the exchange rates of Hong Kong dollars against United States dollars are remote. Should Hong Kong dollars at 31 December 2016 devalue by 10% against all foreign currencies except United States dollars, the carrying amount of the net financial assets of the Group exposed to currency risk at 31 December 2016 determined in accordance with HKAS 21 "The Effects of Changes in Foreign Exchange Rates" would be increased, and hence the equity at 31 December 2016 would be increased by HK$27,168,000 (2015: HK$5,000); and loss for the year ended 31 December 2016 would be decreased by HK$27,168,000 (2015: HK$5,000).

38. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(d) Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument traded in the market will fluctuate because of changes in market prices. The Group manages market prices risk, when it is considered significant, by entering into appropriate derivatives contracts.

The Group has no significant exposure to market price risk.

(e) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

38. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(e) Interest rate risk *(continued)*

The following table details the fixed/variable rate financial assets/liabilities in which the Group is exposed to interest rate risk. The Group does not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of the Group is closely monitored by the management and may enter into appropriate swap contracts, when it is considered significant and cost-effective, to manage the interest rate risk.

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates as at 31 December 2016 and 2015:–

	At 31 December 2016		At 31 December 2015	
	Effective interest rate		Effective interest rate	
	%	**HK$'000**	%	HK$'000
Fixed rate financial assets				
Fixed deposits	**0.5%–2.2%**	**34,643**	0.66%–0.4%	63,218
Pledged time deposit	**2.4%**	**262,898**	2.6%	281,021
Secured loans receivable	**—**	**—**	24%	55,495
Fixed rate financial liabilities				
Bank and other borrowings	**2.9%**	**(262,870)**	3.1%	(281,021)
Variable rate financial assets				
Bank balances	**0.01%–0.35%**	**227,101**	0.01%–0.385%	603,203
Variable rate financial liabilities				
Bank and other borrowings	**3.3%–5.39%**	**(447,501)**	3.3%–6.765%	(380,834)
		(185,729)		341,082

It is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, the Group's loss for the year ended 31 December 2016 would be increased (2015: decreased) and respective accumulated losses would be increased (2015: decreased) by approximately HK$1,662,000 (2015: HK$2,198,000).

The sensitivity analysis above has been determined based on the exposure to interest rate for both derivatives and non-derivative instruments at the end of reporting period. The analysis is prepared assuming the amount of asset and liability outstanding at the end of reporting period was outstanding for the whole year. 100 basis points increase are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonable possible change in interest rates.

38. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(continued)*

(f) Fair values

(i) Financial instruments carried at fair value

For financial instruments carried at fair value, the financial instruments should be measured by the three level hierarchy as defined in HKFRS 13. The fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:–

- Level 1: fair value measured using unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2: fair value measured using observable inputs and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3: fair value measured using significant unobservable inputs.

As at 31 December 2016, no financial instruments of the Group carried at fair value (2015: financial assets at fair value through profit or loss of HK$1,647,000) listed on the Shanghai Stock Exchange (see note 24). These instruments fall into Level 1 of the fair value hierarchy described above.

During the year ended 31 December 2016, there were no significant transfers between financial level instruments in level 1 and level 2.

(ii) Fair value of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2016 and 2015.

39. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) On 21 June 2015, Shenzhen Huanye Universal Technologies Limited (an indirect wholly-owned subsidiary of the Company) ("Shenzhen Huanye") and Dongguan Hongshun Shiye Development Company Limited ("Hongshun Shiye") entered into the sale and purchase agreement pursuant to which Shenzhen Huanye has conditionally agreed to acquire and Hongshun Shiye conditionally agreed to sell 49% of the entire equity interest in Qinghui Group (the "Acquisition"), at cash consideration of RMB224,420,000 (equivalent to approximately HK$268,519,000). Hongshun Shiye is beneficially and wholly-owned by Mr. Yang Zhimao and his spouse Ms. Zhu Fenlian ("Yangs"), who also own the entire issued share capital of Ever City Industrial Development Limited, which is a substantial shareholder of the Company. Accordingly, Hongshun Shiye is a connected person of the Company under Rule 14A.07 of the Listing Rules and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting announcement and the Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. The Acquisition was approved by the independent shareholders of the Company on 18 December 2015 and completed on 23 December 2015.

(b) On 23 December 2015, the Group disposed of 9.99% equity interests in a subsidiary to Shanghai Chiyi Investment Partnership ("Shanghai Chiyi") at a consideration of RMB11,383,000 (equivalent to HK$14,147,000). Shanghai Chiyi is a connected person of the Company in which a director of Shanghai Chiyi is also a director of the subsidiary of the Company. The disposal was completed on 23 December 2015.

(c) Apart from the transaction as disclosed in notes 23, 29 and 30 to the financial statements, the Group had other material transaction with its related party during the year as following:–

Particulars	Relationship	2016 HK$'000	2015 HK$'000
Consultancy services income	Common director	—	470
Construction costs	Related party	—	436
Rental income	Common shareholder	582	13
	Related party	486	9
Rental fee	Common director	—	5,389
Building management fee	Common director	—	844

(d) Key management compensation

	2016 HK$'000	2015 HK$'000
Fees for key management personnel	577	289
Salaries, allowances and other benefits in kind	11,574	10,927
Pension scheme contributions	333	278
	12,484	11,494

40. CONTINGENT LIABILITIES

As at 31 December 2016, the Group had no contingent liabilities.

41. SEGMENT REPORTING

The chief operating decision-maker has been identified as the key management. This key management reviews the Group's internal reporting in order to assess performance and allocate resources.

The Group has presented the following two reportable segments.

(a) Water supply and related services

This segment engaged in supply of tap water to various districts of Qingyuan City, Guangdong Province. The water supply business currently operates three water treatment plants, which source raw water from local river sources. All the water treatment plants have obtained licenses and approvals from the local government to source raw water from the local river sources.

(b) Properties investment (formerly known as "Industry park")

This segment engaged in development, leasing and management of land, commercial and residential properties. Currently the Group's activities in this regard are carried out in the PRC.

The payment solutions, system integration and technical platform services of the Group were regarded as discontinued operations (Note 9).

Others include supporting units of Hong Kong operation and the net result of other subsidiaries in Hong Kong and the PRC. These operating segments have not been aggregated to form a reportable segment.

41. SEGMENT REPORTING *(continued)*

The key management assesses the performance of the segments based on the results, assets and liabilities attributable to each reportable segment on the following basis:–

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment assets and liabilities excluded deferred tax assets, financial assets at fair value through profit or loss, deferred tax liability and other corporate assets and liabilities.

The measure used for reporting segment profit is "adjusted EBIT", i.e. "adjusted earnings before interest and taxes", where "interest" is regarded as including investment income. To arrive at adjusted EBIT, the Group's earnings are further adjusted for items not specifically attributed to individual segments such as share of results of an associate.

41. SEGMENT REPORTING *(continued)*

(a) Segments results, assets and liabilities

The following tables present the information for the Group's reporting segments:-

	Continuing operations								Discontinued operations			
	Reportable Segments											
	Water supply and related services		Properties investment (formerly known as "Industry park")		Others		Total		Payment solutions and related services, system intregrating and technical platform services		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$000	HK$000	**HK$000**	HK$000	**HK$000**	HK$000	**HK$000**	HK$000	**HK$000**	HK$000	**HK$000**	HK$000
Reportable segment revenue												
Revenue from external customers	**304,918**	5,351	**1,753**	3	**–**	32	**306,671**	5,386	**137,676**	219,031	**444,347**	224,417
Other revenue	**1,174**	7	**129**	459	**7,690**	3,093	**8,993**	3,559	**43,437**	13,005	**52,430**	16,564
Total revenue	**306,092**	5,358	**1,882**	462	**7,690**	3,125	**315,664**	8,945	**181,113**	232,036	**496,777**	240,981
Reportable segment profit/(loss)	**100,378**	1,704	**(5,192)**	(678)	**(43,865)**	(37,546)	**51,321**	(36,520)	**(25,734)**	(34,367)	**25,587**	(70,887)
Interest on bank deposits											**15,121**	8,360
Other interest income											**–**	29
Government subsidy											**398**	6,367
Dividend income											**16**	–
Profit/(loss) from operations											**41,122**	(56,131)
Gain on bargain purchase											**166**	–
Increase in fair value of investment properties											**4,582**	1,206
Impairment loss on debtors	**(33)**	–	**–**	–	**–**	–	**(33)**	–	**(37)**	(58)	**(70)**	(58)
Impairment loss on other receivables	**(100)**	–	**–**	–	**(30)**	–	**(130)**	–	**(543)**	–	**(673)**	–
Loss on disposal of intangible assets	**(1,333)**	–	**–**	–	**–**	–	**(1,333)**	–	**–**	–	**(1,333)**	–
Gain on disposals of subsidiaries											**2,000**	–
Share of results of an associate											**41**	(3)
Finance costs											**(26,746)**	(5,428)
Profit/(loss) before income tax											**19,089**	(60,414)
Income tax expense											**(23,789)**	(2,134)
Loss for the year											**(4,700)**	(62,548)
Attributable to:												
– Shareholders of the Company											**(25,171)**	(44,412)
– Non-controlling interests											**20,471**	(18,136)
											(4,700)	(62,548)
Depreciation for the year	**31,127**	538	**958**	145	**1,222**	1,161	**33,307**	1,844	**8,567**	17,767	**41,874**	19,611
Amortisation	**19,253**	280	**312**	113	**–**	–	**19,565**	393	**370**	386	**19,935**	779
Capital expenditure incurred during the year	**156,285**	8,494	**7**	–	**33**	1,978	**156,325**	10,472	**35,414**	12,110	**191,739**	22,582
Reportable segment assets	**1,191,277**	1,069,550	**75,265**	85,255	**494,708**	415,749	**1,761,250**	1,570,554	**–**	862,048	**1,761,250**	2,432,602
Unallocated assets											**–**	1,849
Total assets											**1,761,250**	2,434,451
Reportable segment liabilities	**637,757**	560,819	**265,713**	281,593	**82,246**	80,876	**985,716**	923,288	**–**	543,027	**985,716**	1,466,315
Unallocated liabilities											**82,316**	83,095
Total liabilities											**1,068,032**	1,549,410

There was no revenue arising from transactions with any customers which was individually more than 10 percent of the Group's revenue in both years.

41. SEGMENT REPORTING *(continued)*

(b) Geographical information

	PRC		Hong Kong/overseas		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue						
Continuing operations						
Revenue from external customers	**306,671**	5,354	**—**	32	**306,671**	5,386
Other revenue	**1,315**	466	**7,678**	3,093	**8,993**	3,559
Discontinued operations						
Revenue from external customers	**136,087**	218,742	**1,589**	289	**137,676**	219,031
Other revenue	**43,437**	12,976	**—**	29	**43,437**	13,005
Total revenue	**487,510**	237,538	**9,267**	3,443	**496,777**	240,981
Non-current assets						
Continuing operations	**978,736**	963,203	**49,100**	50,290	**1,027,836**	1,013,493
Discontinued operations	**—**	124,398	**—**	5,204	**—**	129,602
Total non-current assets	**978,736**	1,087,601	**49,100**	55,494	**1,027,836**	1,143,095

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets (excluding deferred tax assets) is based on the physical location of the assets, in the case of property, plant and equipment, investment properties and prepaid land lease premium, the location of the operation to which they are allocated; in the case of intangible assets and goodwill, and the location of operation; in the case of interest in an associate, deposit paid for acquisition of property, plant and equipment and other receivables.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,243**	2,193
Interests in subsidiaries		**573,322**	603,437
		574,565	605,630
CURRENT ASSETS			
Deposits, prepayments and other receivables		**1,358**	1,094
Fixed deposits		**24,505**	—
Cash and bank balances		**175,806**	69,061
		201,669	70,155
DEDUCT:–			
CURRENT LIABILITIES			
Sundry creditors and accruals		**4,447**	3,102
Amounts due to subsidiaries		**346,410**	223,809
		350,857	226,911
NET CURRENT LIABILITIES		**(149,188)**	(156,756)
NET ASSETS		**425,377**	448,874
REPRESENTING:–			
CAPITAL AND RESERVES			
Share capital	31(a)	**21,205**	21,205
Reserves	33	**404,172**	427,669
TOTAL EQUITY		**425,377**	448,874

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The details of the principal subsidiaries at 31 December 2016 are as follows:-

Name of company	Place of incorporation/establishment and operation	Particulars of issued share capital/registered capital	Attributable equity interest held by the Company Directly	Attributable equity interest held by the Company Indirectly	Group's effective interest	Principal activities
Universal Cyberworks International Limited	British Virgin Islands	2 ordinary shares of US$1 each	100% (2015: 100%)	–	100% (2015: 100%)	Investment holding
Universal Technologies Investment Limited	Hong Kong	HK$1,000,000	–	100% (2015: 100%)	100% (2015: 100%)	Investment holding
Universal Property Holdings Limited	Hong Kong	10,000 ordinary shares of HK$1 each	–	100% (2015: 100%)	100% (2015: 100%)	Investment holding
Shenzhen Huanye Universal Technologies Limited *	People's Republic of China	RMB10,000,000	–	100% (2015: 100%)	100% (2015: 100%)	Investment holding
Qinghui Properties Limited (note)	People's Republic of China	RMB410,000,000	–	49% (2015: 49%)	49% (2015: 49%)	Investment holding
Dongguan Xinhongcheng Enterprise Management Company Limited	People's Republic of China	RMB15,000,000	–	49% (2015: 49%)	49% (2015: 49%)	Investment holding
Qingyuan Jingyu Properties Company Limited	People's Republic of China	RMB1,000,000	–	49% (2015: 49%)	49% (2015: 49%)	Properties investment
Qingyuan Jinhong Industrial Company Limited	People's Republic of China	RMB1,000,000	–	49% (2015: 49%)	49% (2015: 49%)	Properties investment
Qingyuan Kaipeng Properties Company Limited	People's Republic of China	RMB1,000,000	–	49% (2015: 49%)	49% (2015: 49%)	Properties investment
Qingyuan Water Supply Development Company Limited ("Water Supply Development")	People's Republic of China	RMB98,521,440	–	49% (2015: 49%)	49% (2015: 49%)	Provision of water supply business
Qingyuan Jincheng Water Testing Company Limited	People's Republic of China	RMB1,600,000	–	49% (2015: 49%)	49% (2015: 49%)	Provision of water quality testing service

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Name of company	Place of incorporation/establishment and operation	Particulars of issued share capital/registered capital	Attributable equity interest held by the Company Directly	Attributable equity interest held by the Company Indirectly	Group's effective interest	Principal activities
Qingyuan Qingxin District Huike Properties Company Limited	People's Republic of China	RMB2,000,000	–	49% (2015: 49%)	49% (2015: 49%)	Investment holding
Qingyuan Qingxin District Taihe Water Company Limited ("Taihe Water")	People's Republic of China	RMB23,254,000	–	49% (2015: 49%)	24.99% (2015: 24.99%)	Provision of water supply business

* The subsidiaries are registered as Wholly Foreign Owned Enterprises under PRC Laws.

Note:–

As disclosed in the Circular in respect of the acquisition of the Qinghui Group dated 3 December 2015, upon completion of the acquisition, the articles of association of Qinghui Properties Limited ("Qinghui") will be amended so that:–

(i) no resolutions relating to amending the articles of association; increase or decrease of the registered capital; merger, dissolution, winding-up or changing the company form of Qinghui shall be passed unless consents from the shareholders representing two thirds or more of the voting rights have been obtained;

(ii) save for the aforesaid, the board of directors shall be delegated with the authority to deal with all other matters in relation to Qinghui and such delegation shall not be revoked unless the shareholders of the Qinghui representing two thirds or more of the voting rights agree;

(iii) the vendor has right to appoint one director to the board of directors of Qinghui and the Group has right to appoint two directors to the board of directors of Qinghui;

(iv) no resolutions relating to management, operational activities, profit distribution or return on investment shall be passed unless more than 50% of directors agree; and

(v) any amendments to the articles of the association of Qinghui will require the approval from the shareholders of Qinghui representing two thirds or more of the voting right.

In light of the above amendments, the Group can gain control of Qinghui and accordingly, each member of Qinghui and its subsidiaries are treated as subsidiaries of the Group.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

The following table lists out the information relating to Water Supply Development and Taihe Water, a subsidiary of the Group which has material non-controlling interests (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2016		2015
	Water Supply Development	**Taihe Water**	ECPAY
NCI Percentage	**51%**	**75.01%**	32.49%

	2016		2015
	HK$'000	**HK$'000**	HK$'000
Current assets	**217,135**	**58,788**	600,640
Non-current assets	**381,988**	**311,553**	31,451
Current liabilities	**(190,220)**	**(110,066)**	(461,733)
Non-current liabilities	**(242,381)**	**(158,369)**	—
Net assets	**166,522**	**101,906**	170,358
Carrying amount of NCI	**84,926**	**76,440**	83,475

	2016		2015
	HK$'000	**HK$'000**	HK$'000
Revenue	**174,980**	**138,106**	322,737
Profit/(loss) for the year	**44,765**	**13,570**	(2,961)
Other comprehensive loss	**(11,698)**	**(6,750)**	(10,890)
Total comprehensive income/(loss) for the year	**33,067**	**6,820**	(13,851)
Profit/(loss) allocated to NCI	**22,830**	**10,179**	(1,451)
Cash flows generated from operating activities	**21,026**	**54,958**	86,462
Cash flows used in investing activities	**(59,955)**	**(83,723)**	(11,045)
Cash flows generated from/(used in) financing activities	**77,040**	**64,134**	(100,086)

44. COMPARATIVE AMOUNTS

The comparative statement of profit or loss and other comprehensive income has been re-presented as if the operations discontinued during the current year had been discontinued at the beginning of the comparative period (Note 9).

Five Years Financial Summary

For the year ended 31 December 2016

RESULTS

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**444,347**	224,417	317,148	189,847	126,719
(Loss)/profit for the year	**(4,700)**	(62,548)	37,734	(24,865)	14,146
Attributable to:					
Shareholders of the Company	**(25,171)**	(44,412)	32,694	(34,085)	6,989
Non-controlling interests	**20,471**	(18,136)	5,040	9,220	7,157
	(4,700)	(62,548)	37,734	(24,865)	14,146

ASSETS AND LIABILITIES

	At 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS	**1,027,836**	1,143,297	178,823	374,843	368,942
CURRENT ASSETS	**733,414**	1,291,154	1,131,325	791,392	677,458
DEDUCT:					
CURRENT LIABILITIES	**604,471**	1,236,394	552,489	474,616	536,285
NET CURRENT ASSETS	**128,943**	54,760	578,836	316,776	141,173
	1,156,779	1,198,057	757,659	691,619	510,115
DEDUCT:					
NON-CURRENT LIABILITIES	**(463,561)**	(313,016)	(1,401)	(17,350)	(15,072)
NET ASSETS	**693,218**	885,041	756,258	674,269	495,043