SFUND
广州基金

SFUND INTERNATIONAL HOLDINGS LIMITED
廣州基金國際控股有限公司

(Formerly known as Hanbo Enterprises Holdings Limited 恒寶企業控股有限公司)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1367)

2017
Annual Report

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Jia Bowei *(Chairman)*
Mr. Lam Kwan Sing *(Chief Executive Officer)*
Mr. Liu Zhijun *(Appointed on 7 July 2017)*
Ms. Yi Sha *(Appointed on 25 May 2017)*
Mr. Wong Nga Leung
Mr. Hon Ming Sang

Independent Non-Executive Directors

Mr. Fok Ho Yin, Thomas
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

AUDIT COMMITTEE

Mr. Fok Ho Yin, Thomas *(Chairman)*
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

REMUNERATION COMMITTEE

Mr. Fok Ho Yin, Thomas *(Chairman)*
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

NOMINATION COMMITTEE

Mr. Fok Ho Yin, Thomas *(Chairman)*
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

COMPLIANCE COMMITTEE

Mr. Lam Kwan Sing *(Chairman)*
Mr. Jia Bowei
Mr. Wong Nga Leung
Mr. Hon Ming Sang
Mr. Fok Ho Yin, Thomas
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

COMPANY SECRETARY

Mr. Hon Ming Sang *(Appointed on 7 July 2017)*
Ms. Man Tsz Sai, Lavender *(Resigned on 7 July 2017)*

AUTHORISED REPRESENTATIVES

Mr. Lam Kwan Sing
Mr. Hon Ming Sang *(Appointed on 7 July 2017)*
Ms. Man Tsz Sai, Lavender *(Resigned on 7 July 2017)*

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 904-5
9/F., Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

Ernst & Young
Certified Public Accountants
22/F., CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

WEBSITE

www.1367.com.hk

STOCK CODE

1367

Financial Summary

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**259,106**	365,750	355,952	334,819	554,589
Gross profit	**46,309**	60,447	59,449	54,408	84,608
Profit/(loss) before tax	**(43,192)**	(3,438)	(4,378)	(16,803)	26,985
Income tax	**(806)**	(2,089)	(989)	(1,036)	(2,172)
Profit/(loss) for the year	**(43,998)**	(5,527)	(5,367)	(17,839)	24,813

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**248,782**	184,824	184,516	193,111	168,372
Total liabilities	**141,390**	54,285	48,087	51,010	63,630
Net assets	**107,392**	130,539	136,429	142,101	104,742

Chairman's Statement

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of SFund International Holdings Limited (formerly known as "Hanbo Enterprises Holdings Limited") (the "Company"), I am pleased to present to you the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017.

RESULTS OF THE GROUP

During the financial year under review, the Group recorded a revenue of approximately HK$259.1 million (2016: HK$365.8 million), representing a decrease by 29.2% as compared to last year. The decrease was mainly due to (i) a decrease in revenue derived from supply chain management services business of approximately 29.1% due to significant decrease in orders as a result of attrition of customers during the financial year under review; and (ii) an unrealised loss on an investment in listed equity investment at fair value through profit and loss of approximately HK$3.3 million (2016: an unrealised gain of approximately HK$2.4 million), which was arising from the Group's securities investment business segment. In addition, there is an increase in revenue derived from money lending business to approximately HK$2.4 million (2016: HK$0.1 million); and an increase in revenue derived from financial services business of HK$2.6 million (2016: nil), which were mainly derived from the Group's fund management services and other consultancy services in Mainland China and Hong Kong.

The net loss attributed to the parent of the Company for the year ended 31 December 2017 amounted to approximately HK$44.2 million (2016: HK$5.5 million), resulted in a basic loss per share for the year ended 31 December 2017 of HK9.20 cents (2016: basic loss per share of HK1.15 cents), representing an increase in loss attributed to the shareholders of the Company (the "Shareholders") by 699.0%. The increase in loss was resulted from the effects of (i) decrease in revenue as described above; (ii) increase in administrative expenses to approximately HK$86.5 million (2016: HK$63.7 million), which was mainly attributable to the increase in staff costs to approximately HK$49.7 million (2016: HK$36.2 million) and increase in legal and professional fees paid for arrangement of loan transactions, acquisition of subsidiaries and other transactions during the year, amounting to approximately HK$4.7 million (2016: HK$3.6 million); and (iii) increase in finance costs to approximately HK$1.8 million (2016: HK$0.1 million), being the interest expenses in respective of bonds issued and bank and other borrowings during the year, as well as the unwinding of finance costs on lease liability.

BUSINESS OVERVIEW AND PROSPECT

The Group provides apparel supply chain management services for woven wear (such as shirts, pants, jeans and jackets) and accessories. This includes sourcing of raw materials and third-party manufacturers, sample creation, product design and development, production management, merchandising, quality control, logistics management and social compliance monitoring services. The Group acts as a one-stop solution provider to its customers to meet their needs along the apparel supply chain. Revenue is derived primarily from the sale of apparel products it procures for its customers.

Chairman's Statement

During the year, due to the significant decrease in Group's sales to department and specialty stores in the United States of America (the "USA") because of the stagnant apparel retail market, we had experienced a challenging year in apparel supply chain management services business segment with a decreasing revenue and gross profit of the financial year. We are still exploring other alternatives to develop markets in other geographical regions such as Europe so as to diversify our customer base. We are striving to maintain our competitiveness through competitive pricing strategy and shorter delivery time of the sales orders. Besides, diversification of customer base to other countries such as Canada and the People's Republic of China (the "PRC") are being sought. We also keep on enhancing the ERP system through internal development and outsourcing to further strengthen our relationship with supply chain partners to improve efficiency.

During 2016, the Board had determined that the Group can benefit from exploring diversification of its operations into the financial sector which includes but not limited to the provision of financing, brokerage, asset management and investment management services, and securities investments. During the year, the Group successfully completed acquisition of (i) Nan Guo International Securities Limited (formerly known as "Tak Yun Wealth Management Company Limited") ("Nan Guo"), a corporation licensed for Type 1 (Dealing in Securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"); (ii) Benington Capital Limited ("Benington"), a corporation licensed to carry out Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the SFO; and (iii) 湖南匯垠天星股權投資私募基金管理有限公司 (Hunan Huiyin Tianxing Private Equity Investment Fund Management Co., Ltd*) ("Hunan Huiyin Tianxing"), a company incorporated in the PRC and engaged in equity interests investment management, investment consultancy services, investment management services, entrusted management of equity interests investment fund, corporate management consultancy services. Since these three subsidiaries were acquired near the end of year 2017, the operating results of these subsidiaries were not significant to the Group for the financial year under review. We expect larger contributions from the financial services segment in the coming year.

Regarding the Group's money lending business, subsequent to the financial year under review, the Group had entered into two loan agreements with two independent third parties to grant a total loan principal amount of HK$220,000,000 to the respective borrowers. We believe that the money lending business segment can bring a stable revenue stream to the Group and effectively diversify our business.

In order to reflect the Group's intention to explore diversification of its operations into the financial services sector which includes but not limited to the provision of financing, brokerage, asset management and investment management services, and securities investments and rebrand its corporate image, the Company has changed its name to "SFund International Holdings Limited" on 16 November 2017 and traded on the Stock Exchange under the new stock short name of "SFUND INTL HLDG" since 21 December 2017.

We are confident with the future development of the Hong Kong stock market and our financial services business, including but not limited to money lending, asset management, fund management, financial advisory and brokerage service, and we plan to further increase in the scale of our financial services business and will actively invest in the capital market with a dynamic portfolio according to the changing market conditions. We will also look into potential investees in the financial service platform to diversify our financial services business and achieve synergy effect.

Chairman's Statement

APPRECIATION

Finally, on behalf of the Board, I would like to express my sincere gratitude to all Shareholders, investors, bankers, business associates and customers for their great support and trust, and to our Directors, management and staff for their invaluable contributions to the Group over the past year. The Group will also actively develop its own businesses to achieve fabulous returns for our Shareholders.

Jia Bowei
Chairman and Executive Director

Hong Kong, 26 March 2018

Management Discussion and Analysis

BUSINESS REVIEW

Supply Chain Management Services Business

The Group provides apparel supply chain management services for woven wear (such as shirts, pants, jeans and jackets) and accessories. This includes sourcing of raw materials and third-party manufacturers, sample creation, product design and development, production management, merchandising, quality control, logistics management and social compliance monitoring services. The Group acts as a one-stop solution provider to its customers to meet their needs along the apparel supply chain. Revenue is derived primarily from the sale of apparel products it procures for its customers.

Our major customers in the USA are mainly department and specialty stores. Because of change in their sourcing strategies or weak sales in the USA market, our revenue decreased by approximately 29.1% from HK$363,234,000 in 2016 to HK$257,466,000 in 2017. Gross profit margin slightly increased by 1.4 percentage point from 15.9% to 17.3%, and hence gross profit decreased by approximately 22.9% from HK$57,931,000 to HK$44,669,000 in the current year.

The manufacturing environment remained to be concentrated in Cambodia, Bangladesh and the PRC. We have shifted more orders to Bangladesh and this helped us to reduce cost pressure. Besides, the strengthening of United States dollars ("US$") against Renminbi ("RMB") also helped to stabilize the material costs.

Overheads were reduced during the year as a result of the corporate restructuring in April 2016, but it was still insufficient to compensate the decrease in gross profit due to declining revenue. The Group incurred a loss before tax on apparel operation amounting to HK$5,699,000.

Financial Services Business

On 16 December 2016, the Group had acquired 665,000 ordinary shares, representing 9.5% of the issued share capital of Nan Guo at a total consideration of HK$926,000 from a third party independent of the Company and its connected persons (as defined under the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Nan Guo is a corporation licensed for Type 1 (Dealing in Securities) regulated activity under the SFO. In January 2017, a wholly-owned subsidiary of the Group entered into a conditional sale and purchase agreement for the acquisition of the remaining 90.5% of the issued share capital of Nan Guo at a total cash consideration of HK$14,622,000 (subject to adjustment with reference to the net asset value of Nan Guo as at the date of completion of the acquisition). In June 2017, Nan Guo issued and allotted 1,000,000 ordinary shares at HK$1 each. The Group subscribed 95,000 ordinary shares, which is in proportion to the percentage of shareholding of the Group as at the date of share issue, at a total cash consideration of HK$95,000. The acquisition of the remaining 90.5% of the issued share capital of Nan Guo was completed on 31 October 2017 at a total cash consideration of HK$14,687,000. Immediately after the completion of the acquisition, Nan Guo had become an indirect wholly-owned subsidiary of the Company. Due to the short period of time after the completion, Nan Guo had not generated any operating income contributable to the Group for the year ended 31 December 2017.

Management Discussion and Analysis

In February 2017, the Group entered into a conditional sale and purchase agreement with a third party independent of the Company and its connected persons (as defined under the Listing Rules) for the acquisition of Benington, a corporation licensed to carry out Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the SFO at a total consideration of HK$6,600,000 (subject to adjustment with reference to the net asset value of the Benington as at the date of completion). The acquisition was completed on 31 October 2017 at a total cash consideration of HK$6,705,000. Immediately after the completion of the acquisition, Benington had become an indirect wholly-owned subsidiary of the Company. Due to the short period of time after the completion, Benington's contribution of operating income to the Group was minimal for the year ended 31 December 2017.

In April 2017, Silver Year Limited ("Silver Year"), an indirect wholly-owned subsidiary of the Company, entered into a capital contribution agreement with Hunan Huiyin Tianxing and its shareholders, pursuant to which Silver Year agreed to make capital contribution in the amount of RMB25,000,000 by way of cash to Hunan Huiyin Tianxing and became a shareholder of the Hunan Huiyin Tianxing holding 51% of its equity interests upon completion of the transaction. Hunan Huiyin Tianxing, which is owned as to 19.6% by Guangzhou Huiyin Tianye Equity Investment Fund Management Co., Ltd. Guangzhou Huiyin Tianye Equity Investment Fund Management Co., Ltd is an indirect wholly-owned subsidiary of the People's Government of Guangzhou Municipality and is therefore a connected person of the Company as defined under the Listing Rules. Hunan Huiyin Tianxing is engaged in equity interests investment management, investment consultancy services, investment management services, entrusted management of equity interests investment fund and corporate management consultancy services. The capital contribution was completed on 10 November 2017. Immediately after the completion of the capital contribution, Hunan Huiyin Tianxing had become a subsidiary of the Company. During the year, the revenue and operating profit before tax generated by Hunan Huiyin Tianxing contributable to the Group were HK$2,516,000 and HK$397,000, respectively, which were mainly derived from its fund management services and other consultancy services. Details of the capital contribution is set out in the Company's announcements dated 27 April 2017 and 10 November 2017 and circular dated 9 June 2017, respectively.

Subsequently in January 2018, Hunan Huiyin Tianxing acquired 49% equity interests in 湖南國開鐵路建設私募基金管理有限公司 (Hunan Guokai Railway Development Private Equity Fund Management Company Limited*) ("Hunan Guokai") from an independent third party for a consideration of RMB1,450,000, and Hunan Huiyin Tianxing will make a further capital contribution of RMB3,920,000 to Hunan Guokai, no later than 31 December 2025. The remaining 51% shareholder of Hunan Guokai is 湖南軌道交通控股集團有限公司 (Hunan Rail Transit Holding Group Co., Ltd.*) ("Hunan Rail"), an independent third party. Hunan Rail is wholly-owned by the Hunan Government and primarily engaged in the investment, construction, operation and management of various rail transit infrastructure projects in Hunan Province. Established in August 2015, Hunan Guokai is engaged in the management of private equity fund investing in railway construction, management of proprietary investments in assets (including equity) and investment consultancy services. At the date of this report, Hunan Guokai manages the 湖南國開鐵路建設私募基金合夥企業（有限合夥）(Hunan Guokai Railway Development Private Equity Fund (Limited Partnership)*) ("Railway Fund") as its general partner. The Railway Fund is currently the only policy-driven fund in Hunan Province that invests in railway infrastructure and is primarily engaged in the investment of railway projects run on a public-private partnership basis in Hunan Province involving land acquisition and relocation. The Railway Fund has a target fund size of RMB10 billion and has asset under management of approximately RMB1 billion. Details of the acquisition is set out in the Company's announcement dated 1 February 2018.

Money Lending Business

The Group engaged in the money lending business through Capital Strategic Partners Limited ("Capital Strategic"), an indirect wholly-owned subsidiary of the Company, which holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) to carry out money lending business in Hong Kong. During the year, the interest income and operating profit generated in this segment were HK$2,354,000 (2016: HK$93,000) and HK$57,000 (2016: operating profit of HK$93,000), respectively. During the year, there was only one transaction of loan advanced to a customer, which was disclosed in the announcements issued by the Company on 19 December 2016, 19 June 2017 and 18 December 2017, respectively. The loan was still outstanding as at 31 December 2017 with an outstanding loan principal of HK$16,275,000. The increase in interest income was solely due to the extension of the loan period regarding the above-mentioned loan advanced to a customer and the decrease in operating profit in this segment for the year ended 31 December 2017 was mainly resulted from the allocation of centralised administrative expenses amounting to HK$1,119,000 (2016: nil).

On 24 November 2017, Capital Strategic entered into a loan agreement with Yuan Heng Gas Holdings Limited ("Yuan Heng"), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 332). Pursuant to the loan agreement, Capital Strategic agreed to grant to Yuan Heng a loan of HK$180,000,000 for a term of 6 months from the date of the drawdown, which could be further extended for another 6 months with written consent of Capital Strategic (or any other date as may be agreed by Capital Strategic and Yuan Heng in writing). The loan is secured by the charge over the entire issued share capital of an indirect wholly-owned subsidiary of Yuan Heng and the floating charge over all or any part of the property and/or assets of an indirect wholly-owned subsidiary of Yuan Heng in favour of Capital Strategic. Further details of the transaction is also set out in the Company's announcements dated 24 November 2017 and 25 January 2018 and circular dated 22 December 2017, respectively. The transaction was subsequently completed on 25 January 2018 and no interest income was recognised for the year ended 31 December 2017.

On 14 February 2018, Capital Strategic entered into another loan agreement with China-HK Holdings Investment Limited ("China-HK"), a company incorporated in Hong Kong with limited liability, pursuant to which Capital Strategic had agreed to provide a loan facility to the China-HK in the principal amount of HK$40,000,000 for a term of 6 months from the dates of the relevant drawdown, which could be further extended upon the request of China-HK and subject to agreement of Capital Strategic in writing. The loan is secured by the charge over the entire issued share capital of China-HK and 2 wholly-owned subsidiaries of China-HK. Further details of the transaction is also set out in the Company's announcements dated 14 February 2018. Since the transaction was completed after the end of the financial year under review, no interest income was recognised for the year ended 31 December 2017.

The management had formulated a fundamental policy to establish its internal control systems. The Group would adopt a prudent approach and conduct regular reviews of the composition of the loans portfolio and lending rates charged to each customer to maximise the return of the money lending business as well as diversify the credit risk.

Securities Investment

During the year, the Group carried out the Group's investment business in securities investment.

As investment in securities is one of the operating businesses of the Group, the net realised and unrealized gain or loss on financial assets at fair value through profit or loss is recognised as a component of the revenue of the Group.

During the year, the revenue arising from this segment was negative revenue of HK$3,290,000 (2016: positive revenue of HK$2,423,000). Revenue was attributable to the net unrealised loss on securities investment of HK$3,290,000 (2016: net unrealized gain of HK$2,423,000). No realised gain or loss on securities investment was noted during the year.

The overall performance of the securities investment business recorded a loss of HK$3,299,000 for the year ended 31 December 2017 (2016: profit of HK$2,414,000), which was primarily attributable to the unrealised loss on securities investment stated above, net of administrative expenses of HK$9,000 (2016: HK$9,000) incurred during the year as a result of business operation. As at 31 December 2017, the market value of the Group's listed securities portfolio was HK$7,238,000 (2016: HK$10,528,000).

The Group is currently looking into other investment opportunities including private equities, debt securities, derivatives and funds. The management plans to revise its investment strategies and formulate new investment policies in the near future.

FINANCIAL REVIEW

During the financial year under review, the Group has diversified its operations into four segments, being

(a) trading of apparel products and provision of the apparel supply chain management services;

(b) financial services;

(c) money lending; and

(d) securities investment.

Management Discussion and Analysis

Financial results from the Group's operations are summarised as follows:

Revenue

Revenue by Business Segments

Ratio analysis by business segments for the Group's revenue for the year ended 31 December 2017 is as follows:

- Supply chain management services business: HK$257,466,000, 99.3% of revenue (2016: HK$363,234,000, 99.31%)
- Financial services business: HK$2,576,000, 1.0% of revenue (2016: nil)
- Money lending business: HK$2,354,000, 1.0% of revenue (2016: HK$93,000, 0.03%)
- Securities investment: negative revenue of HK$3,290,000, –1.3% of revenue (2016: HK$2,423,000, 0.66%)

Revenue by Geographical Segments

Ratio analysis by geographical segments for the Group's revenue for the year ended 31 December 2017 is as follows:

- USA: HK$252,489,000, 97.4% of revenue (2016: HK$356,882,000, 97.6%)
- Mainland China: HK$5,052,000, 2.0% of revenue (2016: HK$2,107,000, 0.6%)
- Hong Kong: -HK$757,000, -0.3% of revenue (2016: HK$5,023,000, 1.4%)
- Other countries: HK$2,322,000, 0.9% of revenue (2016: HK$1,738,000, 0.4%)

The Group's revenue for the year ended 31 December 2017 was HK$259,106,000, being a decrease of HK$106,644,000 when compared to the previous year of HK$365,750,000. The decrease was mainly due to the net effect of (i) a decrease in revenue derived from supply chain management services business to HK$257,466,000 (2016: HK$363,234,000) due to the significant decrease in Group's sales to department and specialty stores in the USA because of the stagnant apparel retail market; (ii) an increase in revenue derived from financial services business of HK$2,576,000 (2016: nil), which were mainly derived from the Group's fund management services and other consultancy services in Mainland China and Hong Kong; (iii) an interest income from a loan advanced to an independent third party of HK$2,354,000 (2016: HK$93,000); and (iv) an unrealized loss on an investment in listed equity investment at fair value through profit and loss of HK$3,290,000 (2016: unrealized gain of HK$2,423,000), which was arising from the Group's business segment on securities investment.

Management Discussion and Analysis

Cost of Sales

Cost of sales of the Group relates to its supply chain management services business and includes raw materials, subcontracting fees, and other costs. Raw materials were fabrics and ancillary raw materials, including buttons, zippers and threads that the Group purchased and supplied to the third-party manufacturers for their production. Subcontracting fees represented fees paid to the third-party manufacturers for production of apparel products. Other costs include miscellaneous costs such as freight charges, inspection charges, declaration fees, depreciation and insurance.

Subcontracting fees continues to be the major component of the Group's total cost of sales.

Gross Profit and Margin

The Group's gross profit for the year ended 31 December 2017 was HK$46,309,000, representing a decrease of 23.4% from HK$60,447,000 in the previous year.

The Group's gross profit margin for its supply chain management services business increased from 15.9% for the previous year to 17.3% for the current year, which was mainly attributable to relatively higher proportion of sales to high gross margin customers during the year.

Other Income and Gains

Other income and gains for the year ended 31 December 2017 was HK$2,130,000, representing an increase of approximately 30.4% from the previous year of HK$1,633,000. The increase was mainly due to the increase in rework and compensation income and rental income derived from sub-letting of a warehouse located in Hong Kong.

Selling and Distribution Costs

Selling and distribution costs primarily consist of (i) sample cost; (ii) travelling expenses; (iii) electronic data interchange charges; (iv) entertainment expenses; (v) air freight charges; and (vi) other selling and distribution expenses. Selling and distribution costs increased by approximately 108.5% from HK$1,272,000 to HK$2,652,000, which was mainly due to increase in air freight charges and sampling expenses.

Administrative Expenses

Administrative expenses mainly represented employee benefit expenses for the Group's management, finance and administrative personnel, entertainment expenses, rental expenses for the Group's office premises and travelling expenses. Administrative expenses increased by approximately 35.7% from HK$63,703,000 to HK$86,473,000, which was mainly due to the increase in salaries and other office and rental expenses derived from the Group's new administrative office in Hong Kong and depreciation of right-of-use assets, as well as the increase in legal and professional fees paid for arrangement of loan transactions and acquisition of subsidiaries during the year.

Other Expenses, Net

Other expenses, net mainly represented the claims paid to customers. Other expenses, net for the year was HK$689,000, representing an increase of approximately 50.1% from HK$459,000 in the previously year. The increase was mainly due to decrease in reversal of impairment of accounts receivable and reversal of provision of slow-moving inventories.

Finance Costs

Finance costs increased by approximately 2,063.1% from HK$84,000 to HK$1,817,000. The increase was mainly due to (i) increase in average utilisation of trade finance loans; (ii) issue of bonds in the principal amount of up to HK$80,000,000 with a coupon rate of 8% per annum for a term of 23 months in October 2017; and (iii) interest on lease liability upon early adoption of new Hong Kong Financial Reporting Standard 16 Leases during the year.

Loss for the Year

The net loss attributed to the parent of the Company for the year ended 31 December 2017 amounted to HK$44,159,000 (2016: HK$5,527,000), resulted in a basic loss per share for the year ended 31 December 2017 of HK9.20 cents (2016: basic loss per share of HK1.15 cents), representing an increase in loss attributed to the Shareholders by 699.0%. The increase in loss was resulted from the effects of (i) decrease in revenue as described above; (ii) increase in administrative expenses, which was mainly attributable to the increase in staff costs to HK$49,671,000 (2016: HK$36,155,000) and increase in legal and professional fees paid for arrangement of loan transactions, acquisition of subsidiaries and other transactions during the year, amounting to HK$4,715,000 (2016: HK$3,562,000); and (iii) increase in finance costs to approximately HK$1,817,000 (2016: HK$84,000), being the interest expenses in respective of bonds issued and bank and other borrowings during the year, as well as the unwinding of finance costs on lease liability.

PROSPECTS

Apparel Trading and Supply Chain Management Services Business

The Board remains prudent about the business environment in 2018. We are still waiting to see apparent sign of recovery for our customers in the USA, but we have already explored new customers through trade exhibitions. Our strong production bases in Cambodia and Bangladesh are attractive to European and Canadian buyers because production are flexible and scalable, and also because we can enjoy duty-free privileges. We also realize that the future supply chain business needs to be transformed to exploit IT in the process. We keep on enhancing our ERP system to further strengthen our relationship with supply chain partners and improve efficiency. New module of mobile quality inspection is now employed to streamline the quality inspection work. We have also developed radio-frequency identification solution for our partner factories to improve packing accuracy.

Money Lending Business

The management expects that the money lending business segment will become one of the Group's stable income sources. In the coming year, the management is going to put more effort to develop the money lending business and aim to gain a higher level of loan advance balance with significant returns. It is believed that the expansion of money lending business segment will help the Group to lay a solid capital foundation for the development of financial sector and maintain a healthy cash flow. The management will go on paying close attention to the development of this business segment and promptly react to the demand in the market.

Financial Services Business

Apart from the acquisition of subsidiaries mentioned above, the management continues looking into possible acquisitions of asset management companies and other financial service platforms located in both Hong Kong and the PRC, in order to build a strong, growing and diversified financial services sector.

In addition, the Group is currently looking into other financial service platforms such as fund management companies and plans to further expand this segment via business combination.

The management expects that the contribution from financial services business segment will increase significantly in 2018.

Securities Investment

During the year, the Hong Kong stock market was highly volatile due to both domestic and worldwide social and economic issues. To cope with such situations, the Group will continue to closely monitor the market conditions and may consider to change its investment portfolio from time to time. We will also explore other investment opportunities including but not limited to investment in private equities, debt securities, derivatives and funds. With the introduction of the new management to the Group, the management plans to revise its investment strategies and formulate new investment policies in the near future.

CAPITAL STRUCTURE

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to Shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, including bonds and interest-bearing bank and other borrowings, and equity attributable to owners of the Company, comprising issued capital and reserves. The management of the Group reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issuance of debts and redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

Total bank and other borrowings were HK$87,770,000 as at 31 December 2017 (2016: HK$12,316,000), which were mainly incurred for trade finance, operation and investment purpose. Such borrowings were mainly denominated in HK$ and US$. Borrowings amounting to HK$85,668,000 (2016: HK$228,000) are carried at fixed interest rates ranging from 5% to 8% per annum and repayable from 2018 to 2019. The remaining amounts of HK$2,102,000 (2016: HK$12,088,000) are carried at floating interest rates and repayable in 2018.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group's working capital was financed by both internal resources and bank and other borrowings.

As at 31 December 2017, cash and cash equivalents amounted to HK$99,841,000, which increased by approximately 102.6% as compared to approximately HK$49,286,000 as at 31 December 2016. The increase was mainly due to the proceeds from other borrowings amounting to HK$85,500,000 during the year, net of operating expenses paid during the year.

As at 31 December 2017, the Group's total borrowings amounted to HK$87,770,000 (2016: HK$12,316,000), mainly consist of finance lease liability amounting to HK$168,000 (2016: HK$228,000) and bank and other borrowings amounting to approximately HK$87,602,000 (2016: HK$12,088,000). The bank and other borrowings of the Group as at 31 December 2017 were incurred for trade finance, operation and investment purpose. The bank borrowings of the Group as at 31 December 2016 were incurred for trade finance purposes.

The current ratio of the Group as at 31 December 2017 was approximately 3.7 (2016: 3.0). The gearing ratio (being the sum of other borrowings and finance leases liability divided by the equity attributable to the owners of the Company) of the Group as at 31 December 2017 was approximately 99.0% (2016: 0.2%). The significant increase in gearing ratio is due to the fact that the Group is expanding its money lending business and financial services business, and the capital structure of the subsidiaries in these business segment mainly consists of debts. The management expects that the gearing ratio will be increasing upon further expansion in the money lending business and financial services business.

The Group's net current assets and net assets of approximately HK$135,958,000 (2016: HK$107,376,000) and HK$107,392,000 (2016: HK$130,539,000), respectively.

TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the year. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

FOREIGN EXCHANGE EXPOSURE

The Group's foreign currency transactions are mainly denominated in RMB and US$. The Group has currency exposure as certain income and expenses incurred in the PRC were denominated in RMB. The Group is subjected to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in RMB. During the year, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

CAPITAL EXPENDITURES

During the year, the Group's capital expenditures consisted of additions to property, plant and equipment amounting to approximately HK$1,810,000 (2016: HK$195,000).

CAPITAL COMMITMENTS

As at 31 December 2017, the Group has no capital commitment. Subsequent in January 2018, the Group had a capital commitment of RMB3,920,000 in relation to a further capital contribution to Hunan Guokai.

As at 31 December 2016, the Group had a capital commitment of HK$790,000 in relation to an acquisition of a motor vehicle.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had a total of 197 (2016: 153) employees, including the Directors. Total staff costs (including Directors' remuneration) was approximately HK$51,134,000 for the year ended 31 December 2017, as compared to approximately HK$37,729,000 for the previous year.

Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of the basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other major staff benefits include contributions to Mandatory Provident Fund retirement benefits scheme in Hong Kong and the provision of social insurances for employees who are employed by the Group pursuant to the applicable PRC rules and regulations.

The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme adopted by the Company on 20 June 2014 where options to subscribe for shares of the Company may be granted to the Directors and employees of the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as disclosed in the section headed "Material Acquisitions and Disposals of Subsidiaries" below, the Group did not have any plans for material investments during the year.

The Group will finance the future acquisitions through internally generated funds and other fund raising activities, including but not limited to issue of new debts or equity instruments.

SIGNIFICANT INVESTMENT

The Board would like to inform the Shareholders that all financial assets at fair value through profit or loss held as at 31 December 2017 represented shares listed in Hong Kong and the relevant information of the Group's significant investment held at 31 December 2017 is summarised below:

Equity Investment at Fair Value Through Profit or Loss

Stock Code	Name of Security	% of shareholding in the listed securities held by the Group at 31 December 2017	Unrealised loss for the year ended 31 December 2017	Fair value of the investment in listed securities at 31 December 2017
			HK$'000	HK$'000
767	Asia Pacific Silk Road Investment Company Limited (formally known as Pacific Plywood Holdings Limited) ("APSL")	0.49	(3,290)	7,238

Information published by APSL regarding its performance and prospects can be found at the HKEXnews website. According to APSL's announcement of interim results for the six months ended 30 June 2017, the APSL group was principally engaged in the business of operation of peer-to-peer ("P2P") financing platform and other loan facilitation services, money lending and provision of credit and securities investments.

The Company expects that the future performance of the Group's investment portfolio (including the significant investment described above) will be affected by the following external factors:

1) Market risk arising from fluctuations in Hong Kong stock market and changes in the domestic and global economy.

2) Policy risks in the PRC that may materially and adversely affect the outlook for companies in its portfolio.

3) The market price of each stock will be affected by the financial performance and development plans of the relevant company, as well as the outlook of the industry in which such company operates.

In order to mitigate possible financial risks related to the equities, the management will further review the Group's investment portfolio and closely monitor the performance of the listed securities from time to time.

Details of the significant investments in subsidiaries held by the Group as at 31 December 2017 are set out in note 1 to the consolidated financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

As disclosed in the announcement of the Company dated 16 December 2016, the Group had acquired 665,000 ordinary shares, representing 9.5% of the issued share capital of Nan Guo at a total consideration of HK$926,000 from a third party independent of the Company and its connected persons (as defined under the Listing Rules). Nan Guo is a corporation licensed for Type 1 (Dealing in Securities) regulated activity under the SFO. In January 2017, a wholly-owned subsidiary of the Group entered into a conditional sale and purchase agreement for the acquisition of the remaining 90.5% of the issued share capital of Nan Guo at a total cash consideration of HK$14,622,000 (subject to adjustment with reference to the net asset value of Nan Guo as at the date of completion of the acquisition). In June 2017, Nan Guo issued and allotted 1,000,000 ordinary shares at HK$1 each. The Group subscribed 95,000 ordinary shares, which is in proportion to the percentage of shareholding of the Group as at the date of share issue, at a total cash consideration of HK$95,000. The acquisition of the remaining 90.5% of the issued share capital of Nan Guo was completed on 31 October 2017 at a total cash consideration of HK$14,687,000. Immediately after the completion of the acquisition, Nan Guo had become an indirect wholly-owned subsidiary of the Company. Due to the short period of time after the completion, Nan Guo had not generated any operating income contributable to the Group for the year ended 31 December 2017.

In February 2017, the Group entered into a conditional sale and purchase agreement with a third party independent of the Company and its connected persons (as defined under the Listing Rules) for the acquisition of Benington, a corporation licensed to carry out Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the SFO at a total consideration of HK$6,600,000 (subject to adjustment with reference to the net asset value of Benington as at the date of completion). The acquisition was completed on 31 October 2017 at a total cash consideration of HK$6,705,000. Immediately after the completion of the acquisition, Benington had become an indirect wholly-owned subsidiary of the Company. Due to the short period of time after the completion, Benington's contribution of operating income to the Group was minimal for the year ended 31 December 2017.

In April 2017, Silver Year, an indirect wholly-owned subsidiary of the Company, entered into a capital contribution agreement with Hunan Huiyin Tianxing and its shareholders, pursuant to which Silver Year agreed to make capital contribution in the amount of RMB25,000,000 by way of cash to Hunan Huiyin Tianxing and became a shareholder of the Hunan Huiyin Tianxing holding 51% of its equity interests upon completion of the transaction. Hunan Huiyin Tianxing is engaged in equity interests investment management, investment consultancy services, investment management services, entrusted management of equity interests investment fund and corporate management consultancy services. The capital contribution was completed on 10 November 2017. Immediately after the completion of the capital contribution, Hunan Huiyin Tianxing had become a subsidiary of the Company. During the year, the revenue and operating profit before tax generated by Hunan Huiyin Tianxing contributable to the Group were HK$2,516,000 and HK$397,000, respectively, which were mainly derived from its fund management services and other consultancy services. Details of the capital contribution is set out in the Company's announcements dated 27 April 2017 and 10 November 2017 and circular dated 9 June 2017, respectively.

In January 2018, Hunan Huiyin Tianxing acquired 49% equity interests in Hunan Guokai from an independent third party for a consideration of RMB1,450,000, and Hunan Huiyin Tianxing will make a further capital contribution of RMB3,920,000 to Hunan Guokai, no later than 31 December 2025. The remaining 51% shareholder of Hunan Guokai is Hunan Rail, an independent third party. Hunan Rail is wholly-owned by the Hunan Government and primarily engaged in the investment, construction, operation and management of various rail transit infrastructure projects in Hunan Province. Established in August 2015, Hunan Guokai is engaged in the management of private equity fund investing in railway construction, management of proprietary investments in assets (including equity) and investment consultancy services. At the date of this report, Hunan Guokai manages the Railway Fund as its general partner. The Railway Fund is currently the only policy-driven fund in Hunan Province that invests in railway infrastructure and is primarily engaged in the investment of railway projects run on a public-private partnership basis in Hunan Province involving land acquisition and relocation. The Railway Fund has a target fund size of RMB10 billion and has asset under management of approximately RMB1 billion. Details of the acquisition is set out in the Company's announcement dated 1 February 2018.

The Group has not disposed of any of its subsidiaries during the year.

RISK MANAGEMENT

The Group adopts the following risk management policies and monitoring system to mitigate the risks associated with interest rate, foreign currency, credit, liquidity and equity price in its major operation.

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates incurred for trade finance. The Group reviews interest rate risk regularly and monitors closely the fluctuation of interest rates and will make proper adjustment if necessary.

Foreign Currency Risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group has currency exposure as income earned and expenses incurred in Mainland China were denominated in RMB.

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of RMB against US$ may have impact on the operating results of the Group.

The Group has not entered into any hedging arrangement as the foreign currency risk is considered not material. The management has monitored the Group's foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Credit Risk

The accounts receivable and loan receivable balances included in the consolidated statement of financial position of the Group represent the Group's maximum exposure to credit risk in relation to the Group's accounts receivable and loan receivable. Concentrations of credit risk are managed by customer and borrower.

The Group performs ongoing credit evaluations of its debtors' financial conditions and requires no collateral from its customers. The allowance for doubtful debts is based on a review of the expected collectability of all accounts receivable and loan receivable.

The Group seeks to maintain strict control over its outstanding receivables and has its credit control policy to minimize the credit risks. In addition, all receivable balances are monitored on an ongoing basis and overdue balances are followed up by management.

Liquidity Risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

Equity Price Risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual listed equity investment classified as financial asset at fair value. The Group's listed investment is listed on the Stock Exchange and is valued at quoted market prices at the end of the reporting period. Management manages this exposure by assessing the risk associated with each individual investment and maintaining a portfolio of investments with different risks in the future if necessary.

CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 December 2017.

CHARGE ON THE GROUP'S ASSETS

No charges on the Group's assets was noted as at 31 December 2017.

USE OF PROCEEDS

The highlights of the use of proceeds during the year is as follows:

(i) Approximately HK$3,700,000 was used for enhancement of our IT system.

(ii) Approximately HK$6,100,000 was used for development of the financial services business of the Group, including the investments in licensed corporations to carry out financial service activities under SFO and investment management company in the PRC.

The proceeds from initial public offering of Company's shares had been fully utilised as at 31 December 2017 and in accordance with the proposed applications set out in the Company's announcement dated 19 December 2016.

DIVIDEND

The Board does not recommend the distribution of any dividends for the year ended 31 December 2017 (2016: nil).

FINANCIAL ASSISTANCE FROM SUBSTANTIAL SHAREHOLDER

On 27 October 2017, the Company, as the issuer (the "Issuer"), entered into a subscription agreement (the "Subscription Agreement A") with a company indirectly wholly-owned by 廣州產業投資基金管理有限公司 (Guangzhou Industry Investment Fund Management Co., Ltd.*), a substantial Shareholder, as the subscriber (the "Subscriber"), in relation to the subscription of unsecured bonds to be issued by the Company (the "Bonds"). The issue of Bonds constituted an exempt connected transaction of the Company under Rule 14A.90 of the Listing Rules. Pursuant to and subject to the satisfaction (or waiver) of the conditions precedent set out in the Subscription Agreement A, the Company agreed to issue, and the Subscriber agreed to subscribe, for the Bonds in the principal amount of up to HK$80,000,000 with a coupon rate of 8% per annum payable quarterly in arrears for a term of 23 months from the date of issue of the Bonds. The net proceeds from the issuance of the Bonds are used by the Group as general working capital of the Group, in particular towards money lending and financial services business and to finance suitable investment opportunities if and when they arise.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

On 15 December 2017, the Company, as the issuer, entered into a subscription agreement (the "Subscription Agreement B") with GF Investments (Hong Kong) Company Limited, as the subscriber, in relation to the issuance of notes (the "Notes") in the aggregate principal amount of HK$230,000,000. Pursuant to the Subscription Agreement B, the Notes will be issued in the aggregate principal amount of HK$230 million, at the issue price of 100% of the face value of their principal amount, at interest rate of 7.5% per annum. The Notes will be issued in one or two tranches, as determined by the Company in its sole discretion, with the maturity date of each tranche falling 720 days after the related issue date. The subscription of the first tranche of the Notes may be requested by the Company, in its sole discretion, for all or part of the Notes within the first month after the date of the Subscription Agreement B. GF Investments (Hong Kong) Company Limited is an independent third party to the Group. The Notes with principal amounts of HK$180,000,000 and HK$40,000,000 were issued in January 2018 and February 2018, respectively.

Save as disclosed above and in the section headed "Financial assistance from substantial shareholder" above, there had not been any other equity or debt fund raising activity conducted by the Group in the past twelve months.

PROVISION OF FINANCIAL ASSISTANCE AND ADVANCE TO AN ENTITY

Provision of Financial Assistance Amounting to HK$20,000,000

On 19 December 2016, Capital Strategic (as lender) entered into a loan agreement (the "DT Loan Agreement") with a third party independent of the Company and its connected person (as defined under the Listing Rules) (the "Borrower"), pursuant to which, Capital Strategic agreed to provide a loan to the Borrower in the principal amount of HK$20,000,000 (the "DT Loan") for a period of 6 months following the date of the first drawdown at an interest rate of 13% per annum payable on the date falling 6 months from the first drawing of the DT Loan (the "Provision of the Loan").

As at 19 June 2017, the DT Loan was drawn down by the Borrower and a repayment of HK$1,800,000 was made by the Borrower pursuant to the DT Loan Agreement. As the term of the DT Loan Agreement had expired on 18 June 2017, Capital Strategic and the Borrower had entered into a supplemental deed (the "First Supplement Deed") to, among other matters, (i) extend the maturity date from 19 June 2017, being the immediate following business day of the maturity date which falls on a non-business day, to 18 December 2017; and (ii) revise the DT Loan granted under the DT Loan Agreement down to HK$18,200,000. Other than the maturity date which had been extended to 18 December 2017 and the amount of the DT Loan had been revised down to HK$18,200,000 pursuant to the First Supplemental Deed, the principal terms of the DT Loan Agreement remains applicable to Capital Strategic and the Borrower in connection with the DT Loan.

Subsequent to the date of First Supplemental Deed, a repayment on the DT Loan principal amount of approximately HK$2,566,000 was made by the Borrower pursuant to the DT Loan Agreement and the First Supplemental Deed. As at 18 December 2017, the outstanding DT Loan principal and interest amounts in total was approximately HK$16,275,000. As the term of the First Supplement Deed had expired on 18 December 2017, Capital Strategic and the Borrower had on 18 December 2017 entered into the second supplemental deed (the "Second Supplemental Deed") to, among other matters, (i) extend the maturity date from 18 December 2017 to 18 June 2018; and (ii) revise the DT Loan granted under the DT Loan Agreement down to approximately HK$16,275,000. Other than the maturity date which had been extended to 18 June 2018 and the amount of the DT Loan had been revised down to approximately HK$16,275,000 pursuant to the Second Supplemental Deed, the principal terms of the DT Loan Agreement remains applicable to Capital Strategic and the Borrower in connection with the DT Loan.

As at 31 December 2017, the DT Loan was still outstanding with a loan principal of approximately HK$16,275,000. The grant of the DT Loan under the DT Loan Agreement is a financial assistance provided by the Company within the meaning of the Listing Rules and the Provision of the Loan constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Details of the Provision of the Loan are set out in the announcements of the Company dated 19 December 2016, 19 June 2017 and 18 December 2017, respectively.

Provision of Loan to an Entity Amounting to HK$180,000,000

On 24 November 2017, Capital Strategic, as the lender, entered into a loan agreement (the "MT Loan Agreement") with Yuan Heng, as the borrower, pursuant to which, Capital Strategic would provide a loan of HK$180,000,000 (the "MT Loan") to Yuan Heng for a term of 6 months from the date of drawdown, which could be further extended for another 6 months with written consent of Capital Strategic (or any other dates as may be agreed by Capital Strategic and Yuan Heng in writing) at the interest rate of 10% per annum which will be paid monthly.

The MT Loan is secured by (i) a share charge (the "Share Charge") executed by Firmwill Investments Limited ("Firmwill"), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Yuan Heng, in favor of Capital Strategic, whereby, Firmwill would execute the charge over 1 share in Fully World Limited ("Fully World"), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Firmwill, representing the entire issued share capital of Fully World, to Capital Strategic; and (ii) a floating charge ("Floating Charge") over all or any part of the property and/or assets of Fully World created by Fully World in favour of Capital Strategic.

The provision of MT Loan would constitute a major transaction of the Company under Chapter 14 of the Listing Rules. Therefore, the MT Loan Agreement and the transactions contemplated thereunder would be subject to the reporting, announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules. Details of the transaction are set out in the announcements of the Company dated 24 November 2017 and 25 January 2018 and circular dated 22 December 2017, respectively. The transaction was subsequently completed on 25 January 2018.

Provision of Financial Assistance Amounting to HK$40,000,000

On 14 February 2018, Capital Strategic, as the lender, entered into a loan agreement (the "Loan Agreement") with China-HK, as the borrower, pursuant to which Capital Strategic would provide a loan facility of HK$40,000,000 (the "Loan") to China-HK for a term of 6 months from the date of the relevant drawdown, which could be extended upon the requested of China-HK and subject to agreement of Capital Strategic in writing, at the interest rate of 12% per annum which will be paid on the relevant repayment dates of the Loan drawn down.

The Loan is secured by (i) charge over 10,000 shares of China-HK, being the entire issued share capital of the China-HK, in favour of Capital Strategic, by Wide Merit Limited, a company incorporated in the British Virgin Islands, being the holding company of China-HK; and (ii) charges over the entire share capital of 長三角徐州石油科技有限公司(Changsanjiao Xuzhou Petroleum Technology Company Limited*), being a wholly-owned subsidiary of China-HK, and 鹽城賽孚石油化工有限公司 (Yancheng Saifu Petroleum & Chemical Company Limited*), being a wholly-owned subsidiary of Changsanjiao Xuzhou Petroleum Technology Company Limited.

The provision of the Loan under the Loan Agreement is a financial assistance provided by the Company within the meaning of the Listing Rules and the Loan constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Details of the Loan are set out in the announcement of the Company dated 14 February 2018.

Save as disclosed above, the Group did not have any other provision of financial assistance and advance to an entity.

TERMINATION OF PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 22 December 2016 (after trading hours), the Company and Win Wind Securities Limited (the "Placing Agent") entered into a placing agreement (the "Placing Agreement"), pursuant to which the Placing Agent has conditionally agreed to procure, on a best effort basis, the placees to subscribe for a maximum number of 96,000,000 placing shares, representing 20% of the then issued share capital of the Company, at the placing price of HK$2.05 per placing share during the placing period (the "Placing"). As disclosed in the announcement of the Company dated 10 January 2017, the Company and the Placing Agent agreed to terminate the Placing Agreement on 10 January 2017 as the conditions precedent stipulated in the Placing Agreement cannot be fulfilled on or prior to the 21st day after the date of the Placing Agreement. All obligations of the Company and the Placing Agent to effect and complete the Placing under the Placing Agreement have ceased and determined. The Directors expected that the termination of the Placing Agreement would have no material adverse effect on the business operation and the financial position of the Group. Details of the Placing and the termination of the Placing are disclosed in the announcements of the Company dated 22 December 2016 and 10 January 2017, respectively.

SUBSEQUENT EVENTS

Issue of Note Instruments in the Aggregate Principal Amount of HK$220,000,000

On 15 December 2017, the Company, as the issuer, entered into the Subscription Agreement B with GF Investments (Hong Kong) Company Limited, as the subscriber, in relation to the issuance of the Notes in the aggregate principal amount of HK$230,000,000. Pursuant to the Subscription Agreement B, the Notes will be issued in the aggregate principal amount of HK$230,000,000, at the issue price of 100% of the face value of their principal amount, at interest rate of 7.5% per annum. The Notes will be issued in one or two tranches, as determined by the Company in its sole discretion, with the maturity date of each tranche falling 720 days after the related issue date. The subscription of the first tranche of the Notes may be requested by the Company, in its sole discretion, for all or part of the Notes within the first month after the date of the Subscription Agreement B. GF Investments (Hong Kong) Company Limited is an independent third party to the Group. The Notes with principal amounts of HK$180,000,000 and HK$40,000,000 were issued on 24 January 2018 and 14 February 2018, respectively.

Completion of Provision of Loan to an Entity Amounting to HK$180,000,000

On 25 January 2018, all the conditions precedent to the MT Loan Agreement had been fulfilled and Yuan Heng had made the drawdown in the principal amount HK$180,000,000. Details of the transaction are set out in the announcements of the Company dated 24 November 2017 and 25 January 2018 and circular dated 22 December 2017, respectively.

Completion of Provision of Financial Assistance Amounting to HK$40,000,000

On 14 February 2018, Capital Strategic entered into the Loan Agreement with China-HK, pursuant to which Capital Strategic had agreed to provide a loan facility to the China-HK in the principal amount of HK$40,000,000. The transaction was completed on 14 February 2018. Details of the transaction are set out in the announcement of the Company dated 14 February 2018.

Acquisition of 49% equity interests in 湖南國開鐵路建設私募基金管理有限公司

Reference is made to the announcements and circular of the Company dated 27 April 2017, 9 June 2017 and 10 November 2017 in respect of, among other things, the Group's acquisition of 51% interests in Hunan Huiyin Tianxing.

In January 2018, Hunan Huiyin Tianxing acquired 49% equity interests in Hunan Guokai from an independent third party for a consideration of RMB1,450,000, and Hunan Huiyin Tianxing will make a further capital contribution of RMB3,920,000 to Hunan Guokai, no later than 31 December 2025. The remaining 51% shareholder of Hunan Guokai is Hunan Rail. Hunan Rail is wholly-owned by the Hunan Government and primarily engaged in the investment, construction, operation and management of various rail transit infrastructure projects in Hunan Province. Details of the acquisition is set out in the announcement of the Company dated 1 February 2018.

Biographies of Directors

DIRECTORS

Executive Directors

Mr. Jia Bowei, aged 51, was appointed as an Executive Director, the Chairman of the Board and a member of the Compliance Committee of the Company with effect from 6 December 2016. He is also a director of certain subsidiaries of the Company. Mr. Jia has obtained a Master degree in Business Administration from Guanghua School of Management, Peking University. He has extensive experience in finance and management and possesses over 28 years of working experience. Mr. Jia was an executive director of Enterprise Development Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1808) ("EDHL") since 23 November 2011 and was subsequently appointed as the chairman of EDHL from 8 May 2013. He resigned as an executive director and ceased to act as the chairman of EDHL with effect from 3 July 2015.

Mr. Lam Kwan Sing, aged 48, was appointed as an Executive Director, the Chief Executive Officer, the chairman of the Compliance Committee of the Company and an authorized representative of the Company under Rule 3.05 of the Listing Rules with effect from 29 November 2016. He is also a director of certain subsidiaries of the Company. Mr. Lam has obtained a Bachelor of Arts in Accountancy degree from the City University of Hong Kong. He has over 19 years of experience in the commercial and corporate finance field. In addition, Mr. Lam is a director of China Natural Resources Inc., a company listed on NASDAQ, since 2003 and an independent non-executive director of Hao Tian Development Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 474). He was an executive director and chief executive officer of Enterprise Development Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1808) from 13 February 2012 to 31 May 2015 and from 8 May 2013 to 31 May 2015 respectively. Mr. Lam was also an executive director of China Smarter Energy Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1004) from 1 August 2010 to 16 August 2017.

Mr. Liu Zhijun, aged 54, was appointed as an Executive Director of the Company with effect from 7 July 2017. Mr. Liu holds an EMBA degree from Sun Yat-Sen University in 2005 and a Doctor degree in Natural Sciences with a major in Environmental Science from Guangzhou Institute of Geochemistry, Chinese Academy of Sciences in 2013. He has extensive experience in risk investment and management of venture capital fund guided by government. Mr. Liu also possesses financial related knowledge and has over 20 years of experience in macroeconomic research and planning. He is the deputy general manager of 廣州產業投資基金管理有限公司 (Guangzhou Industry Investment Fund Management Co., Ltd.*) which indirectly holds 29% of the total issued share capital of the Company.

Ms. Yi Sha, aged 44, was appointed as Executive Director of the Company with effect from 25 May 2017. She is also a director of certain subsidiaries of the Company. Ms. Yi has obtained a Bachelor degree in Chemical Engineering and Economic Information Management and a Master of Science degree from South China University of Technology in 1996 and 2003 respectively. Ms. Yi has extensive experience in finance and possesses of over 21 years of experience in finance industry. She is the Financial Controller of 廣州產業投資基金管理有限公司 (Guangzhou Industry Investment Fund Management Co,. Ltd.*, "SFund") and a director of its subsidiary 廣州基金國際股權投資基金管理有限公司 (SFund International Investment Fund Management Limited*, "SFund International"). SFund International is a substantial shareholder of the Company holds 29% of total issued share capital of the Company.

Biographies of Directors

Mr. Wong Nga Leung, aged 39, was appointed as an Executive Director and a member of the Compliance Committee of the Company with effect from 29 November 2016. He is also a director of certain subsidiaries of the Company. Mr. Wong has obtained a Master of Commerce and Bachelor of Commerce degrees from The University of New South Wales, Sydney. Mr. Wong has extensive experience in the private equity, commercial and corporate finance field. He is a Chartered Financial Analyst. Mr. Wong was an executive director of China Smarter Energy Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1004) from 26 October 2011 to 31 October 2016.

Mr. Hon Ming Sang, aged 39, was appointed as an Independent Non-executive Director, a member of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Compliance Committee of the Company with effect from 29 November 2016. He subsequently resigned as Independent Non-executive Director, a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee but remains as a member of the Compliance Committee of the Company and re-designated as Executive Director with effect from 7 February 2017. Mr. Hon was appointed as the Company Secretary, Authorised Representative under Rule 3.05 of the Listing Rules and the Process Agent of the Company on 7 July 2017. He is also a director of certain subsidiaries of the Company. Mr. Hon graduated with an honor degree of Professional Accountancy in the School of Accountancy from The Chinese University of Hong Kong. Mr. Hon is a CFA charter. He is also a member of the Hong Kong Society of Financial Analysts, a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators. Mr. Hon has previously worked in an international audit firm and has several years of working experience in listed companies and financial institutions. He has extensive experience in corporate finance, merger and acquisition, investment and financial management and compliance services. Mr. Hon is an independent non-executive director of CEFC Hong Kong Financial Investment Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1520). He was the company secretary of China Smarter Energy Group Holdings Limited ("China Smarter Energy", a company listed on the Main Board of the Stock Exchange, stock code: 1004) from 31 December 2012 to 9 February 2017 and was an independent non-executive director of China Smarter Energy from 3 August 2012 to 31 December 2012 and re-designated from independent non-executive director to an executive director of China Smarter Energy from 31 December 2012 to 16 August 2017.

Independent Non-executive Directors

Mr. Fok Ho Yin, **Thomas**, aged 46, was appointed as an Independent Non-executive Director, the chairman of each of the Audit Committee, the Remuneration Committee and the Nomination Committee and a member of the Compliance Committee of the Company with effect from 29 November 2016. Mr. Fok has extensive experience in the field of corporate finance and, in particular, in equity financing and financial restructuring. Mr. Fok is members of the Hong Kong Institute of Certified Public Accountants and CPA Australia. He is also a Chartered Financial Analyst. Mr. Fok is an independent non-executive director of each of Landing International Development Limited (a company listed on the Main Board of the Stock Exchange, stock code: 582) and China Smarter Energy Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1004). He was an executive director and the company secretary of Jian ePayment Systems Limited (a company listed on the Growth Enterprise Market of the Stock Exchange, stock code: 8165) from 1 September 2007 to 31 July 2016 and from 5 February 2008 to 5 July 2016 respectively.

Biographies of Directors

Mr. Chan Wai Cheung, Admiral, aged 44, was appointed as an Independent Non-executive Director, a member of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Compliance Committee of the Company with effect from 29 November 2016. He holds a Bachelor of Arts (Honours) in Accountancy from the City University of Hong Kong. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He has extensive experience in accounting and auditing field. Mr. Chan is an executive director of Energy International Investments Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 353), an independent non-executive director of each of Carnival Group International Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 996) and Zhong Ao Home Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1538) and a non-executive director of China Nonferrous Metals Company Limited (a company listed on the Growth Enterprise Market of the Stock Exchange, stock code: 8306). He was an independent non-executive director of Jia Meng Holdings Limited (a company listed on the Growth Enterprise Market of the Stock Exchange, stock code: 8101) from 26 September 2013 to 22 May 2016.

Mr. Lam Ho Pong, aged 32, was appointed as an Independent Non-executive Director, a member of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Compliance Committee of the Company with effect from 7 February 2017. He graduated from the City University of Hong Kong with a degree in Bachelor of Business Administration (Honours) in Accountancy. Mr. Lam is a member of the Hong Kong Institute of Certified Public Accountants. He is a financial controller of an organization in the money lending business in Hong Kong. Mr. Lam is responsible for overseeing a full spectrum of financial, accounting and regulatory compliance functions for the group. Prior to joining the company, he worked for a global international accounting firm for six years.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining high standards of corporate governance consistent with the needs and requirements of its business and the Shareholders. The Company has adopted the code provisions (the "Code Provisions") as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules. The corporate governance principles of the Company emphasise a quality board, sound internal controls, and transparency and accountability to all the Shareholders.

The Company has complied with all the Code Provisions of the CG Code during the year ended 31 December 2017.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 (the "Model Code") to the Listing Rules as its own code of conduct regarding the dealings in securities of the Company by the Directors.

Having made specific enquiry of all Directors, each Director has confirmed that he/she has complied with the required standard set out in the Model Code during the year.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines"), governing securities transactions by employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by relevant employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

BOARD OF DIRECTORS

The Board

The Board, led by the Chairman, is responsible for leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performance. The Board has delegated to the management of the Company the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

The Board reserved its decision for all major matters of the Company, including approving and monitoring all policy matters, overall strategies and budgets, risk management and internal control systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Daily management and administration functions were delegated to the management. The Board has delegated various responsibilities to the management of the Company. These responsibilities include implementing decisions of the Board, directing and co-ordinating day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the operation and production plans and budgets, and supervising and monitoring the internal control systems.

The Chairman held one meeting with the Independent Non-executive Directors without the Executive Directors present during the year.

At least 14 days' notice for all regular Board meetings will be given to all Directors and they must be given the opportunity to include items or businesses for discussion in the agenda. For all other Board meetings, reasonable notice will be given. Relevant agenda and accompanying Board papers will be sent to all Directors at least three days in advance of every regular Board meeting.

Board Composition

During the year ended 31 December 2017, the composition of the Board as at the date of this report is as follows:

Executive Directors
Mr. Jia Bowei *(Chairman)*
Mr. Lam Kwan Sing *(Chief Executive Officer)*
Mr. Liu Zhijun *(Note 1)*
Ms. Yi Sha *(Note 2)*
Mr. Wong Nga Leung
Mr. Hon Ming Sang

Independent Non-executive Directors
Mr. Fok Ho Yin, Thomas
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

Notes:

1. Appointed as Executive Director with effect from 7 July 2017.

2. Appointed as Executive Director with effect from 25 May 2017.

An updated list of Directors identifying their roles and functions has been published on the websites of the Company and the Stock Exchange, and the Independent Non-executive Directors have been identified in all corporate communications that disclose the names of Directors. The biographies of the Directors are set out on pages 26 to 28 of this annual report. To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship between Board members and in particular, the Chairman and the Chief Executive Officer.

Corporate Governance Report

Directors' Attendance Record

A total of 14 Board meetings and 3 general meetings of the Company were held, being the 2017 annual general meeting held on 19 May 2017 and 2 extraordinary general meetings held on 27 June 2017 and 15 November 2017 respectively. During the year ended 31 December 2017, the individual attendance record of each of the Directors is set out in the following table:

	Attendance/Number of meetings	
	Board Meetings	**General Meetings**
Executive Directors		
Mr. Jia Bowei	14/14	2/3
Mr. Lam Kwan Sing	14/14	3/3
Mr. Liu Zhijun *(Note 1)*	5/10	1/1
Ms. Yi Sha *(Note 2)*	6/12	1/2
Mr. Wong Nga Leung	14/14	3/3
Mr. Hon Ming Sang	14/14	3/3
Independent Non-executive Directors		
Mr. Fok Ho Yin, Thomas	14/14	3/3
Mr. Chan Wai Cheung, Admiral	14/14	3/3
Mr. Lam Ho Pong	14/14	3/3

Notes:

1. Appointed as Executive Director with effect from 7 July 2017.

2. Appointed as Executive Director with effect from 25 May 2017.

Regular Board meetings were held at approximately quarterly intervals. Minutes of the Board meetings and the meetings of the Board committees are recorded in sufficient details. Originals of such minutes, being kept by the Company Secretary, are open for inspection at any reasonable time on reasonable notice by any Director. Directors may obtain independent professional advice under appropriate circumstances and as and when necessary at the Company's expense, ensuring that Board procedures and all applicable rules and regulations are followed. If a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter must be dealt with by a physical Board meeting with the Independent Non-executive Directors present at the meeting rather than by written resolutions. Apart from the meetings of the Board, approval from the Board had also been obtained by written resolutions on a number of matters during the year.

The Board is responsible for maintaining an on-going dialogue with Shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation.

Appropriate insurance cover has been arranged by the Company in respect of relevant actions against the Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As at the date of this report, Mr. Jia Bowei acted as the Chairman while Mr. Lam Kwan Sing acted as Chief Executive Officer. The roles of Chairman and Chief Executive Officer are separated and exercised by different individuals.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The three Independent Non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting and finance. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board.

The Independent Non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company (the "Articles").

The Company has received an annual confirmation of independence in accordance with Rule 3.13 of the Listing Rules from each of Mr. Fok Ho Yin, Thomas, Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong, being the Independent Non-executive Directors, and as at the date of this annual report, the Company still considers them to be independent.

Appointment, Re-election and Removal of Directors

Each Director has entered into a letter of appointment with the Company with an initial term of three years commencing from the date of appointment and is subject to the re-appointment in accordance with the Articles.

In accordance with the Articles, the Directors appointed to fill a casual vacancy on the Board shall be subject to re-election by Shareholders at the first general meeting after their appointments and any Directors appointed by the Board as an addition to the existing Board shall then be eligible for re-election at the next following annual general meeting. The Directors are subject to retirement by rotation at least once every three years and are eligible for re-election at annual general meetings of the Company.

Continuous Professional Development

In compliance with the Code Provision A.6.5, the Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge, skills and understanding of the Group and its business or to update their skills and knowledge on the latest development or changes in the relevant regulations, the Listing Rules and corporate governance practices. The Company will also update the Directors of any material changes in the rules and regulations from time to time.

According to the confirmation/records provided by the Directors, all Directors had participated in the continuous professional developments in the following manners during the year ended 31 December 2017:

	Attending or participating in seminars/in-house briefing or reading materials relevant to the Company's business/ director's duties
Executive Directors	
Mr. Jia Bowei	✓
Mr. Lam Kwan Sing	✓
Mr. Liu Zhijun *(Note 1)*	✓
Ms. Yi Sha *(Note 2)*	✓
Mr. Wong Nga Leung	✓
Mr. Hon Ming Sang	✓
Independent Non-executive Directors	
Mr. Fok Ho Yin, Thomas	✓
Mr. Chan Wai Cheung, Admiral	✓
Mr. Lam Ho Pong	✓

Notes:

1. Appointed as Executive Director with effect from 7 July 2017.

2. Appointed as Executive Director with effect from 25 May 2017.

Each newly appointed Director would receive a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he is sufficiently aware of his responsibilities under the Listing Rules and other relevant regulatory requirements.

BOARD COMMITTEES

Audit Committee

The Audit Committee was established on 20 June 2014 and amended on 30 December 2015 with specific written terms of reference which is available on the websites of the Stock Exchange and the Company. As at the date of this report, the Audit Committee consists of 3 Independent Non-executive Directors, namely Mr. Fok Ho Yin, Thomas (as chairman), Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong. The duties of the Audit Committee are as follows:

(a) to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) to develop and implement policies on engaging of an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

(d) to monitor the integrity of the Company's financial statements and annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall focus particularly on:

- any changes in accounting policies and practices;
- major judgmental areas;
- significant adjustments resulting from the audit;
- the going concern assumptions and any qualifications;
- compliance with accounting standards; and
- compliance with the Listing Rules and legal requirements in relation to financial reporting.

(e) to liaise with the Board and senior management of the Company and meet at least twice a year, with the external auditor, and to consider any significant or unusual items that are, or may need to be, reflected in the annual reports and accounts, and to give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer or auditor of the Company;

(f) to review the financial controls, internal control and risk management systems of the Company;

(g) to discuss the risk management and internal control systems with management of the Company to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;

(h) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the management's response to these findings;

(i) to review the group's financial and accounting policies and practices;

(j) to review the management letter of the external auditor, any material queries raised by the auditor to management of the Company about the accounting records, financial accounts or systems of control and the response of management of the Company;

(k) to ensure that the Board will provide a timely response to the issues raised in the management letter of the external auditor;

(l) to report to the Board on the matters set out in the CG Code;

(m) to review arrangements for employees of the Company, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(n) to act as the key representative body for overseeing the Company's relation with the external auditor;

(o) to review ongoing connected transactions of the Company and ensure compliance with terms of approval by Shareholders; and

(p) to consider such other matters as the Board may from time to time determine.

During the year ended 31 December 2017, 2 Audit Committee meetings were held (i) to review with the management of the Company the principles and practices adopted by the Group; (ii) to review and discuss risk management and internal control systems and financial reporting matters, including a review of the audited consolidated financial statements and results of the Group for the year ended 31 December 2016 and unaudited condensed consolidated financial statements and results of the Group for the six months ended 30 June 2017 and the effectiveness of the Company's internal audit function; and (iii) to discuss and recommend to the Board on the re-appointment of external auditor. The individual attendance record of each of the members is set out in the following table:

Members	**Attendance/ Number of Audit Committee Meetings**
Mr. Fok Ho Yin, Thomas *(Chairman of the Audit Committee)*	2/2
Mr. Chan Wai Cheung, Admiral	2/2
Mr. Lam Ho Pong	2/2

This annual report has been reviewed by the Audit Committee.

Nomination Committee

The Nomination Committee was established on 20 June 2014 with specific written terms of reference which is available on the websites of the Stock Exchange and the Company. During the year ended 31 December 2017 and as at the date of this report, the Nomination Committee consists of 3 Independent Non-executive Directors, namely Mr. Fok Ho Yin, Thomas (as chairman), Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong. The duties of the Nomination Committee are as follows:

(a) to review the structure, size, composition and diversity of the Board and to make recommendation on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify suitable individuals qualified to become Board members;

(c) to review the effectiveness of the Board Diversity Policy (as hereinafter defined) and the measurable objectives;

(d) to assess the independence of Independent Non-executive Directors;

(e) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the Chairman and the Chief Executive Officer; and

(f) to make recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors, in particular, the Chairman and the Chief Executive Officer.

The Nomination Committee may obtain independent professional advice to perform its responsibilities, where necessary, at the Company's expense.

During the year ended 31 December 2017, 4 Nomination Committee meetings were held to select and recommend candidates for directorship and to review the appropriateness of management appointment. The individual attendance record of each of the members is set out in the following table:

Members	**Attendance/ Number of Nomination Committee Meetings**
Mr. Fok Ho Yin, Thomas *(Chairman of the Nomination Committee)*	4/4
Mr. Chan Wai Cheung, Admiral	4/4
Mr. Lam Ho Pong	4/4

Board Diversity Policy

The Company continuously seeks to enhance the effectiveness of the Board and to maintain a high standard of corporate governance and recognises and embraces the benefits of diversity in the composition of the Board.

The Company has formulated and adopted a board diversity policy (the "Board Diversity Policy") for compliance with the Code Provision of the Listing Rules concerning the diversity of Board members. A summary of the Board Diversity Policy, together with the measureable objectives set for implementing this policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. In forming its perspective on diversity, the Company will also take into account of factors based on its own business model and specific needs from time to time.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

Monitoring and Reporting

The Nomination Committee will disclose the composition of the Board annually in the Corporate Governance Report and monitor the implementation of the Board Diversity Policy. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of this policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

As at the date of this report, the Board comprises 9 Directors. 3 of them are Independent Non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by diversity, whether considered in terms of age, experience, cultural, skills and knowledge and educational background.

The Nomination Committee will continue to review the Board Diversity Policy from time to time to ensure its continued effectiveness.

Remuneration Committee

The Remuneration Committee was established on 20 June 2014 with specific written terms of reference which is available on the websites of the Stock Exchange and the Company. As at the date of this report, the Remuneration Committee consists of 3 Independent Non-executive Directors, namely Mr. Fok Ho Yin, Thomas (as chairman), Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong. The duties of the Remuneration Committee are as follows:

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

(b) to review and approve management's remuneration proposals with reference to the Board's corporate goals and objectives;

(c) to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management of the Company. The remuneration package should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(d) to make recommendations to the Board on the remuneration of Non-executive Directors;

(e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions of the group;

(f) to review and approve the compensation payable to Executive Directors and senior management of the Company for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(h) to ensure that no Director or any of his associates is involved in deciding his or her own remuneration.

The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual Executive Directors and management of the Company.

During the process of consideration, no individual Director will be involved in decisions relating to his/her own remuneration.

The Remuneration Committee may obtain independent professional advice to perform its responsibilities, where necessary, at the Company's expense.

During the year ended 31 December 2017, 5 Remuneration Committee meetings were held to determine the remuneration package of the newly appointed Directors and management of the Company, to approve the terms of his/her letter of appointment and review the remuneration package of directors. The individual attendance record of each of the members is set out in the following table:

Members	**Attendance/ Number of Remuneration Committee Meetings**
Mr. Fok Ho Yin, Thomas *(Chairman of the Remuneration Committee)*	5/5
Mr. Chan Wai Cheung, Admiral	5/5
Mr. Lam Ho Pong	5/5

Corporate Governance Function

The Board is responsible for ensuring that the Company shall establish comprehensive corporate governance practices and procedures during the year. As at the date of this report, the Compliance Committee consists of 4 Executive Directors, namely Mr. Lam Kwan Sing (as chairman), Mr. Jia Bowei, Mr. Wong Nga Leung and Mr. Hon Ming Sang; and 3 Independent Non-executive Directors, namely Mr. Fok Ho Yin, Thomas, Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong. The Compliance Committee was established on 20 June 2014 with specific written terms of reference to implement the corporate governance function. The duties of the Compliance Committee are as follows:

(a) to develop and review the Company's policies and practices on compliance with any requirement, direction or regulation that may be prescribed by the Board, contained in any constitutional documents of the Company or any of its subsidiaries, or imposed by the Listing Rules or other applicable laws, regulations, rules or codes and corporate governance and make recommendations to the Board;

(b) to ensure the appropriateness of the monitoring systems are in place to ensure compliance with the relevant internal control systems, processes and policies;

(c) to monitor the implementation of the Company's plan to maintain high standards of compliance with the Company's own risk management standards;

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

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

(f) to review the Company's compliance with the CG Code of the Listing Rules and disclosure in the Corporate Governance Report.

During the year ended 31 December 2017, 1 Compliance Committee meeting was held to review the training and continuous professional development of Directors, to review the Company's compliance with the CG Code and review the Company's disclosure in Corporate Governance Report.

Remuneration of the Senior Management

Pursuant to Code Provision B.1.5 of the CG code, the remuneration of the senior management of the Comany by band for the year ended 31 December 2017, is set out as below:

Band of remuneration (HK$)	**Number of person**	
	2017	2016
HK$1,000,000 and below	**5**	10
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	3
Over HK$2,000,000	**2**	1

Further details of the remuneration of Directors and five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 8 and 9 respectively to the consolidated financial statements.

Accountability and Audit

Financial Reporting

Financial results of the Group are announced in a timely manner in accordance with all statutory requirements, particularly the timeframe stipulated in Rule 13.49(1) and (6) of the Listing Rules.

All Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 December 2017. Currently, the Company's external auditor is Ernst & Young (the "Auditor").

The Directors' responsibilities in preparing the consolidated financial statements and the Auditor's responsibilities are set out in the Independent Auditor's Report on pages 73 to 79 of this annual report.

The Board is also responsible for presenting a balanced and clear assessment of the Group's performance and prospects. Management of the Company provides all relevant information to the Board, giving its members sufficient explanation and information that it needs to discharge its responsibilities.

Auditor's Remuneration

The fees paid or payable to the Auditor for the year ended 31 December 2017 are set out as follows:

	Fees paid/ payable HK$'000
Audit services	1,670
Non-audit services	
Interim review	380
Agreed-upon procedures	195
Tax compliance	55
Total	2,300

RISK MANAGEMENT AND INTERNAL CONTROLS

A sound and effective risk management and internal control systems is important to safeguard the Shareholders' investment and the Group's assets. The Board acknowledges its responsibility for the risk management and internal control systems of the Group and reviewing their effectiveness. Such systems are designed to manage, rather than eliminate, the risk associated in failing to achieve certain business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

An external accounting firm was engaged to perform an internal audit function which generally carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems.

The Audit Committee assists the Board in leading the management to oversee the formation, implementation and monitoring of the risk management and internal control systems.

The "top-down approach" and the "bottom-up approach" were adopted by the Group in order to measure the risks facing to the Group. The internal processes of risk assessment and measurement involve the participation of management in assessing the risk exposure such as identifying the risks and their impact. The Board, as supported by the Audit Committee, has reviewed and assessed the effectiveness of the risk management and internal control systems by reviewing the reports prepared by the external accounting firm and the internal audit findings at each regularly scheduled meeting and considered that the risk management and internal control systems of the Group are effective and adequate for the year.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2017, including financial, operational and compliance controls and risk management function.

The management shall report to the Board as soon as practicable for any event which may constitute inside information, and the Board shall decide to make relevant disclosure in a timely manner, if required.

Delegation by the Board

In general, the Board oversees the Group's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance and sets appropriate policies for risk management in pursuit of the Group's strategic objectives. The Board delegates the implementation of strategies and day-to-day operation of the Group to the management.

COMPANY SECRETARY

Ms. Man Tsz Sai, Lavender, resigned as the Company Secretary and Mr. Hon Ming Sang was appointed as the Company Secretary, both with effect from 7 July 2017. During the year ended 31 December 2017, Ms. Man Tsz Sai, Lavender and Mr. Hon Ming Sang have complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

Communication with Shareholders

The Board recognised the importance of maintaining a clear, timely and effective communication with the Shareholders and investors of the Company. The Board also recognised that effective communication with the Company's investors is critical in establishing investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the Shareholders and the investors of the Company will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the website of the Company.

In respect of each matter to be considered at the annual general meetings and extraordinary general meetings, including the re-election of Directors, a separate resolution will be proposed by the Chairman of the Board. Voting at general meetings of the Company is conducted by way of poll in accordance with the Listing Rules. The poll results will be announced at general meetings and published on the websites of the Stock Exchange and the Company, respectively. In addition, the Company regularly meets with institutional investors, financial analysts and financial media, and promptly releases information related to any significant progress of the Company, so as to promote the development of the Company through mutual and efficient communications.

Members of the Board and Chairmen of various Board Committees will attend the forthcoming annual general meeting of the Company to be held on Wednesday, 9 May 2018 at 2:30 p.m. (the "AGM") to answer questions raised by the Shareholders. Pursuant to Code Provision E.1.2, the Company will invite representatives of the auditor to attend the AGM to answer Shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. Besides, various rights of Shareholders, including the right to propose resolutions, are contained in the Articles.

The summary of certain rights of the Shareholders are disclosed below:

Procedures for Convening Extraordinary General Meetings and Putting Forward Proposals at General Meetings

Each general meeting other than an annual general meeting shall be called an extraordinary general meeting. General meetings may be held in any part of the world as may be determined by the Board. According to Article 58 of the Articles, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (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 requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Any requisition to convene an extraordinary general meeting or proposal to be put forward at the general meeting can be addressed to the Secretary of the Company at the Company's principal place of business in Hong Kong at Suites 904–5, 9/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The requisitionist(s) must state in their request(s) the objects of the extraordinary general meeting to be convened, and such request must be signed by all the requisitionist(s). Upon receipt, the Company will verify the particulars of requisitionist(s) and if the request is in order, the Company will convene the extraordinary general meeting in accordance with the Articles.

Procedures for Directing Shareholders' Enquiries to the Board and Company's Contact Details

Shareholders and other stakeholders may send their enquiries, concerns and requisitions to the Board by addressing them to the Company Secretary at the Company's principal place of business in Hong Kong at Suites 904–5, 9/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

INVESTOR RELATIONS

Constitutional Documents

During the year ended 31 December 2017, there was no change in the Company's constitutional documents.

Environmental, Social and Governance Report

APPROACH TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE AND REPORTING

This Environmental, Social and Governance Report (the "ESG Report") summarises the initiatives, programmes and performance of the Group as well as demonstrates its commitment to sustainability.

The core businesses of the Group are principally engaged in the trading of apparel products and provision of apparel supply chain management services, financial services, money lending and security investments.

The Group believes that environmental protection, low carbon footprint, resource conservation and sustainable development are the key trends in society. In order to follow the key trends and pursue a successful and sustainable business model, the Group recognises the importance of integrating ESG aspects into its risk management system and has taken corresponding measures in its daily operation and governance perspective.

REPORTING SCOPE

Unless stated otherwise, this report mainly covers the Group's major operating revenue activities under direct management control, including its the trading of apparel products and provision of apparel supply chain management services, financial services and money lending.

The Group will continue to assess the major environmental, social and governance aspects of different businesses to determine whether it needs to be included in the environmental, social and governance reporting.

REPORTING FRAMEWORK

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in the Appendix 27 of the Listing Rules (the "ESG Reporting Guide").

Information relating to the corporate governance practices of the Group has been set out in the Corporate Governance Report on pages 29 to 43 of this report.

REPORTING PERIOD

The ESG Report specifics the environmental, social and governance activities, challenges and measures being taken during the year ended 31 December 2017.

STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their views relating to its businesses and environmental, social and governance issues. In order to understand and address stakeholders' concerns, the Group communicates with its key stakeholders, including but not limited to employees, investors, customers, suppliers, government bodies and communities through different channels such as conferences, electronic platforms and public events. In formulating operational strategies and environmental, social and governance measures, the Group takes into account the stakeholders' expectations and strives to improve its performance through mutual cooperation with the stakeholders, resulting in creating greater value for the community.

Environmental, Social and Governance Report

Materiality Assessment

The management and employees who are responsible for the key functions of the Group have participated in preparing this report, assisted the Group in reviewing its operation, identifying key environmental, social and governance issues and assessing the importance of these issues to our businesses and stakeholders. We compiled a questionnaire in reference to the identified material environmental, social and governance issues to collect the information from relevant departments and business units of the Group.

The following table summarises the Group's significant environmental, social and governance issues as set out in this report:

The ESG Reporting Guide	Material ESG aspects of the Group	Page
A. Environment		
A1. Emissions	Emissions, Wastewater and Waste Management	P. 46
	Greenhouse Gas Emission	P. 48
A2. Use of Resources	Energy Consumption	P. 50
	Water Consumption	P. 50
	Use of Packaging materials	P. 50
A3. The Environment and Natural Resources	Environmental Impact Management	P. 51
B. Society		
B1. Employment	Employee Benefits and Equal Opportunities Policies	P. 53
B2. Health and Safety	Occupational Health and Safety	P. 54
B3. Development and Training	Staff Development and Training	P. 54
B4. Labor Standards	Prevention of Child Labor or Forced Labor	P. 55
B5. Supply Chain Management	Environmental and Social Risk Management of Supply Chain	P. 55
B6. Product Responsibility	Quality and Safety of Products and Services	P. 56
	Intellectual Property Management	P. 56
B7. Anti-Corruption	Prevention of Corruption and Fraud	P. 57
B8. Community Investment	Contributions to Society	P. 58

Environmental, Social and Governance Report

During the year ended 31 December 2017, the Group confirmed that appropriate and effective management policies and internal control systems for environmental, social and governance issues are in place and confirmed the information disclosed in the ESG Report meets the ESG Reporting Guide.

Contact us

Comments and suggestions are welcome from our stakeholders. Our stakeholders may provide comments on ESG report or towards our performance in respect of sustainable development.

A. ENVIRONMENT

A1. Emissions

General Disclosure and Key Performance Indicators ("KPI")

The core businesses of the Group, which mainly involves the trading of apparel products and provision of apparel supply chain management services, financial services and money lending, mainly rely on internet technology and related equipment and do not involve any manufacturing processes in the course of business. Therefore, during the year ended 31 December 2017, the Group and its offices did not generate significant emissions, water pollutants and hazardous wastes during the operation, except for greenhouse gas ("GHG") emissions and non-hazardous waste.

Global warming and climate change have become major environmental issues to the world. The Group aims to minimize energy consumption and carbon emissions and has been exploring ways of adopting operational model which incurs less adverse impact on the environment. From the reporting of environmental perspective, we mainly focused on the environmental impact of the Group's offices in Hong Kong, Macau and the PRC and relevant measures to be taken during the daily operation and have formulated policies and procedures relating to the environmental management to govern limited greenhouse gas emissions and non-hazardous waste generated from our operation.

Waste management

The Group adheres to waste management principle and strives to properly manage and dispose wastes produced by our business activities. Our waste management practice has been complied with relevant laws and regulations relating to environmental protection. The non-hazardous wastes generated by the Group's operations mainly consist of paper, toner cartridges and ink cartridges. During the year ended 31 December 2017, the consumption volume generated by the Group is shown as below:

Non-hazardous waste category	Quantity	Unit	Intensity – Unit per employee
Paper	0.4	Tonnes	0.01
Toner cartridge	14	Pieces	0.4

We regularly monitor the consumption volume of paper, toner cartridges and ink cartridges and have implemented a number of reduction measures. The Group's office has also provided suitable facilities and encouraged our staff to sort and recycle the wastes to achieve the objectives in mitigating wastes, reusing and recycling in its operations. The Group maintains high standard in waste reduction, educates its employees the significance of sustainable development and provides relevant support in order to enhance their skills and knowledge in sustainable development.

Apart from recycling, the office has implemented various programs and activities to encourage employees to participate in waste reduction management, including:

- Promote green information and electronic communication, such as e-mail and electronic workflows, to implement "paperless system" concept;
- Place "Green Message" reminders on office equipment;
- Utilise used envelopes and double-side printing. Paper for single-side printing would be only adopted when handling official documents and confidential documents when necessary; and
- Recommend the use of recycled paper.

The Group does not produce any hazardous wastes in its business activities.

GHG emission

The consumption of electricity at the offices and petrol are the largest sources of greenhouse gas emissions of the Group. During the year ended 31 December 2017, the Group's total GHG emissions amounted to approximately 74.0 tonnes and the total GHG emission per employee was 2.3 tonnes/employee. The detailed summary of the GHG emission is shown as below:

GHG Performance Summary

GHG Scope[1]	Tonnes	Intensity – Tonnes per employee
Direct GHG emission (Scope 1) – petrol consumption	15.8	0.5
Indirect GHG emission (Scope 2) – electricity consumption	56.1	1.7
Other indirect GHG emission (Scope 3) – paper and water consumption	2.0	0.1
Total GHG emission	73.9	2.3

The Group has implemented a number of measures to mitigate energy consumption such as turning off the air-conditioning system at night or when leaving office, keeping the office temperature at 25°C in summer and using LED lights or energy-saving light in the office, etc.

At the project level, the Group considers the principle of environmental protection when launching each of its projects. For example, in the course of selecting suppliers, we assess whether the materials used by the suppliers in the activities are hazardous to the environment and whether they can effectively conserve energy and minimize carbon emissions. In addition to the above-mentioned measures, the Group issues environmental-related memorandum to its staff to raise their awareness of environmental preservation. Notices and posters relating to the environmental information have been placed in the offices to promote the best practice of the environmental management.

1 GHG emissions data is presented in carbon dioxide equivalent and was in reference to, including but not limited to, the reporting requirements of the "GHG Protocol Corporate Accounting and Reporting Standard" issued by the World Resources Institute and the World Business Council for Sustainable Development, the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes)" and the latest published Baseline Emission Factors for Regional Power Grids in China.

The Group has complied with relevant environmental laws and regulations, including but not limited to Environmental Protection Law of the People's Republic of China, Water Pollution Prevention and Control Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Air Pollution and Environmental Protection Law of Solid Waste Pollution of the People's Republic of China. During the year ended 31 December 2017, the Group was not aware of any material noncompliance with laws and regulations relating to the air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group.

On top of complying with the general disclosure requirement of Aspect A1, we have complied with the KPI requirement which is summarised below:

"Comply or explain" Provisions

KPI A1.1	The types of emissions and respective emissions data.	Disclosed
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	Disclosed
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity	Not applicable
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Disclosed
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Disclosed
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Disclosed

A2. Use of Resources

General Disclosure and KPI

Energy Consumption

Due to the business nature of the Group, the volume of energy consumption, electricity consumption and water consumption are considered as relatively low, in particular water consumption is very minimal. As mentioned in the Aspect A1 section, the Group has formulated policies and procedures relating to the environmental management, including energy management. Electricity consumption and petrol consumption account for a substantial part of the carbon emission for the Group.

During the year ended 31 December 2017, the Group's consumption in petrol and electricity were:

Energy Type	Quantity	Unit	Intensity – Unit per employee
Petrol	6,084	litre	184.4
Electricity	80,808	kWh	2,448.7

On top of the measures of mitigating the energy consumption mentioned in previous section, the Group strives to utilize telephone or video conference to minimize face-to-face meeting in order to reduce petrol consumption in traveling and unnecessary business trips. The Group encourages resources saving in daily office operation and proactively fosters a low-carbon corporate culture, which further increases our employees' awareness in energy conservation.

Water consumption and use of packaging materials

During the year ended 31 December 2017, the Group does not consume significant water in its business activities. Regardless of limited water consumption, we still promote behavioral changes at office and encourage water conservation. Pantry and toilets are posted with environmental messages to remind employees for water conservation, which results in further enhancing our employees' awareness in water conservation.

In addition, due to the nature of business, the Group did not have physical products for sale and therefore did not involve any use of packaging materials. Therefore, this disclosure is not applicable to the Group.

On top of complying with the general disclosure requirement of Aspect A2, we have complied with the KPI requirement which is summarised below:

"Comply or explain" Provisions

KPI A2.1	Direct and/or indirect energy consumption by type and intensity.	Disclosed
KPI A2.2	Water consumption in total and intensity.	Disclosed
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Disclosed
KPI A2.4	Description on whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Issue in sourcing water – not applicable due to its business nature; Remaining – disclosed
KPI A2.5	Total packaging material used for finished products.	Not applicable

A3. Environment and Natural Resources

General Disclosure and KPI

Environmental impact management

The Group pursues the best practices in the environment protection and focuses on the impact of the Group's businesses to the environment and natural resources. In addition to complying with relevant environmental laws and regulations as well as properly preserve the natural environment, the Group has integrated the concept of environmental protection into its internal management and daily operations, with the aim of achieving environmental sustainability.

The Group strives to promote environmental protection and make effective use of resources. It carries out continuous monitoring if the business operations incur any potential impact to the environment, and minimises such impact to the environment through promoting green office and operating environment by adopting four basic principles which comprise of reduce, reuse, recycle and replacement. Where applicable, we adopt green purchasing strategies and the most practical technologies to protect our natural resources.

Noise Pollution

Noise pollution practices are implemented during our construction activities, in order to minimise the noise pollution. Programs are produced in the studios with good soundproof facilities.

Outdoor lightings

During outdoor constructions, the lightings are adjusted to avoid disturbing neighborhood whenever possible.

Landscape and natural habitat

The Group strives to minimise any unnecessary interference to the natural landscape and animal habitat in the process of construction, in order to maintain the natural beauty of the environment.

The Group regularly reviews its environmental protection policies and has adopted the necessary precautionary measures and actions to reduce significant impact on the environment and natural resources, and ensure that the Group complies with relevant laws and regulations.

During the year ended 31 December 2017, the Group has not found any non-compliance with laws and regulations in respect of the environment and natural resources.

On top of complying with the general disclosure requirement of Aspect A3, we have complied with the KPI requirement which is summarized below:

"Comply or explain" Provisions

KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed

B. SOCIETY

B1. Employment

General disclosure

Employee Benefits and Equal Opportunities Policies

Employees are regarded as the Group's largest and most valuable assets and the core of competitive advantage. They provide the driving force for continuous innovation to the Group.

During the year ended 31 December 2017, the Group has fully complied with relevant rules and regulations in the PRC, including the Company Law of the People's Republic of China, the Contract Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and the Regulations on Labor Inspection and Security, as well as the statutory requirements in Hong Kong, including the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Mandatory Provident Fund Schemes Ordinance (Chapter 57 of the Laws of Hong Kong), the Minimum Wages Ordinance, the Personal Data Privacy Ordinance and other relevant rules and regulations.

The Group is committed to maintaining a diverse workforce that includes age, gender, family status, sexual orientation, disability, ethnicity, religion and equal opportunities.

The Group's staff handbook contains polices in regards to recruitment, promotion, discipline, working hours and leave. The human resources department has been responsible for ensuring all employees have fully understood the contents of the handbook.

The management regularly reviews the Group's remuneration and benefits policies in reference to the market standards and is committed to safeguarding the rights and interests of the staff. Remuneration and benefits have been adjusted on an annual basis in accordance with the employees' individual performance, contribution and market conditions.

During the year ended 31 December 2017, the Group was not aware of any material non-compliance with laws and regulations relating to employment and labour practices.

B2. Health and Safety

General disclosure

Occupational Health and Safety

The Group has always placed emphasis on occupational safety and has set up an occupational health and safety management system to provide a safe working environment for office employees.

During the year ended 31 December 2017, the Group has complied with relevant rules and regulations in the PRC, including the Law of the People's Republic of China on Work Safety and Occupational Disease Prevention and Control Law of the People's Republic of China, as well as the legislative requirements in Hong Kong, including the Occupational Safety and Health Ordinance.

During the year ended 31 December 2017, the Group was not aware of any non-compliance with the health and safety laws and regulations.

B3. Development and Training

General disclosure

Staff Development and Training

Employees are regarded as the Group's largest and most valuable assets and an essential part of maintaining a competitive advantage. The Group provides its staff with training courses for upgrading skills and development as needed.

The Group encourages and supports employees to participate in personal and professional training to fulfill the needs of emerging technologies and new equipment. The Group also encourages the culture of sharing of knowledge and experience.

The Group has made good use of its internal resources to organise various forms of training for its office in China, including management, customer service and financial knowledge with the assistance of the Hong Kong Office of General Services.

B4. Labour Standards

General disclosure

Prevention of Child Labor or Forced Labor

The Group strictly prohibits employing any child labor or forced labor in its operations in Hong Kong and the PRC. The Group has established a well-defined recruitment process which examines the background of candidates and a formal reporting procedure for handling any exception. During the recruitment process, the age of the applicant is verified against the identity documents of the applicant. In addition, the Group conducts regular reviews and inspections to prevent any child labor or forced labor in operation.

In the meantime, the Group also avoids engaging vendors and contractors which are already known to be employing child labor or forced labor in their operations. The Group has complied with the Employment of Children Regulations (Chapter 57B of the Laws of Hong Kong) under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Convention on the Abolition of Forced Labor with respect to Employment of Workers, the Labor Law of the People's Republic of China on the Employment of Adolescents under the Age of 16 and their Legal Rights and Interests and Provisions on the Prohibition of Child Labor in the People's Republic of China.

During the year ended 31 December 2017, the Group complied with all the laws and regulations relating to the prevention of child labor or forced labor. The Group was not aware of any material non-compliance with laws and regulations relating to employment and labour practices.

B5. Supply Chain Management

General disclosure

Environmental and Social Risk Management of Supply Chain

The Group has established and implemented the Supplier Management Policy. In order to strengthen the selection of suppliers, the Group welcomes qualified, competent and high-quality suppliers to join. The Group's procurement department has specially formulated this policy in order to standardise the supplier management and improve the operational standard.

The Group's procurement department is also responsible for organising the supplier evaluation work in two ways which include the ongoing project evaluation and the annual assessment. The evaluation results will serve as the basis of supplier management. Suppliers need to react quickly to the assessment result, taking effective measures to improve the services provided within prescribed period. The Group has the rights to terminate the cooperation with service providers who violate the rules or do not meet the targets.

In the selection of new suppliers, the Group has compared at least three different companies, taking account of their operational and compliance records as well as their commitment level on top of cost consideration. Prior to conducting business with suppliers, we carry out annual reviews and evaluations in various aspects including occupational health and safety, employee rights protection, environmental protection and corporate social responsibility. This ensures that our operations comply with national standards or relevant regulations and that we have no child or forced labor issues. The assessment results will be used as a benchmark for the continuation or termination of cooperation in the future.

The Group maintains close liaison with its suppliers to monitor its performance to ensure that it is consistent with its service commitment.

B6. Product Responsibility

General disclosure

Quality and Safety of Products and Services

The Group pays high attention to the quality and safety of its services. The Group has established relevant quality and safety inspection policies for different projects, communicates with our customers and confirms their project expectation and direction prior launching any project, and actively coordinates projects with customers in the process of providing services.

Intellectual Property Management

The Group's day-to-day operations involve the use of the intellectual property owned by customers, suppliers or the Group itself. Therefore, the protection of intellectual property rights is an extremely important task for the Group. When the Group engages with its customers or suppliers, it will include the protection of intellectual property in the contractual terms. The Group's legal department will also review all the contracts in operation and ensure that the contractual terms protect both parties' intellectual property rights. The Group also requires technical professionals to sign strict confidentiality agreements. Confidential information of our customers is only accessible to employees who are responsible for the corresponding project.

During the year ended 31 December 2017, the Group complies with relevant laws governing the confidentiality of data and intellectual property, including but not limited to Hong Kong Intellectual Property Law, Patent Law of the People's Republic of China, Trademark Law of the People's Republic of China and Copyright Law of the People's Republic of China.

During the year ended 31 December 2017, the Group was not aware of any non-compliance with relevant laws and regulations related to product responsibility.

B7. Anti-Corruption

General disclosure

Prevention of Corruption and Fraud

Preventive Measures, Enforcement and Monitoring

The Group has implemented the Prevention of Commercial Bribery Management Policy, strengthening its internal control mechanism, anti-corruption and anti-bribery work so as to achieve the business philosophy of "abiding by the law, integrity and quality service". For projects with higher monetary value, the Group makes an open bidding invitation to at least three suppliers. Different level of approval and authorisation is required according to the size of the tender agreement.

Reporting Mechanism

The mechanism includes the establishment of an inspection team and the establishment of a channel for evaluation and reporting. It is strictly forbidden to use the business opportunities or powers to obtain personal interests or benefits. If there is a conflict of interest, it needs to be reported to the management of the Group on a timely basis. The Group also encourages employees and all persons with whom the Group does business, including customers and suppliers, to report the suspected wrongdoing within the Group voluntarily.

The Group has complied with major relevant laws and regulations including Hong Kong's "Prevention of Bribery Ordinance" and the Mainland's "Corruption Ordinance of the People's Republic of China".

During the year ended 31 December 2017, the Group was not aware of any non-compliance with relevant laws and regulations related to anti-corruption.

B8. Community Investment

General disclosure

Contributions to Society

As a responsible company, the Group actively strives to become a positive force in the community and maintains close communication and interaction with the community to contribute to community development.

The Group enhances the quality of life of community through arts, culture and entertainment using on demand systems and activities. Following the development of culture, the community can gain a deeper understanding of history and culture and cultivate higher appreciation of the present and future cultural activities and to a greater level of enjoyment.

The Group will also actively encourage employees to contribute their time and skills to community volunteer works to benefit local communities by giving them opportunities to learn more about social and environmental issues and enhance the corporate value of the Group.

As a moral and responsible enterprise, the Group will consider from time to time to make donations to charities when the Group records after-tax profits and has sufficient funds.

Report of the Directors

The Directors present this report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

CHANGE OF COMPANY NAME

Pursuant to the special resolution passed at the extraordinary general meeting of the Company held on 15 November 2017 to approved the change of the English name of the Company from "Hanbo Enterprises Holdings Limited" to "SFund International Holdings Limited" and dual foreign name in Chinese of "恒寶企業控股有限公司" to "廣州基金國際控股有限公司" was duly passed by the Shareholders.

The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands on 16 November 2017. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 6 December 2017 confirming the registration of the Company's new English and Chinese names in Hong Kong under part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The website of the Company was changed from "www.hanbo.com" to "www.1367.com.hk" with effect from 18 December 2017.

The English stock short name of the Company has been changed from "HANBO ENT HLDGS" to "SFUND INTL HLDG" and the Chinese stock short name has been changed from "恒寶企業控股" to "廣州基金國際控股" for trading in the shares of the Company on the Stock Exchange, with effect from 21 December 2017. The stock code of the Company on the Stock Exchange remains as "1367".

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 1 to the consolidated financial statements.

BUSINESS REVIEW

A fair business review of the Group as well as discussion and analysis of the Group's performance during the year and the material factors underlying its financial performance and financial position is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 6 and pages 7 to 25 respectively of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties including interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The risk management policies and practices of the Group are shown in note 41 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has actively participated in sustainability and social responsibility and recognises its responsibility to protect the environment from its business activities. The Group endeavours to comply with the laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operation of the Group during the year.

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2017 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 80 to 164 of this annual report.

DIVIDEND

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

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserve available for distribution, in accordance with the Companies Law of the Cayman Islands, amounted to HK$27,385,000. Such amount includes the Company's share premium and capital reserve, net of accumulated losses which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, if any, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 3 of this annual report. This summary does not form part of the audited financial statements for the year ended 31 December 2017.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

There were no movements in the Company's share capital during the year ended 31 December 2017. Details of the share capital of the Company for the year are set out in note 30 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DONATIONS

The Group made charitable donations totaling HK$353,000 (2016: HK$13,000) for the year ended 31 December 2017.

USE OF PROCEEDS

The highlights of the use of proceeds during the year is as follows:

(i) Approximately HK$3,700,000 was used for enhancement of our IT system.

(ii) Approximately HK$6,100,000 was used for development of the financial services business of the Group, including the investments in licensed corporations to carry out financial service activities under SFO and investment management company in the PRC.

The proceeds from initial public offering of Company's shares had been fully utilised as at 31 December 2017 and in accordance with the proposed applications set out in the Company's announcement dated 19 December 2016.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, sales to the Group's largest customer and five largest customers accounted for approximately 43.2% and 92.3% respectively of the total revenue of the Group for the year. Purchases from the Group's largest supplier and five largest suppliers, which comprise third-party manufacturers, accounted for approximately 19.2% and 72.5% respectively of the total purchases of the Group for the year ended 31 December 2017.

To the best knowledge of the Directors, none of the Directors, any of their close associates (within the meaning of the Listing Rules) or any Shareholders who or which owns 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 ended 31 December 2017.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals. The Group maintains a good relationship with suppliers and customers. During the year ended 31 December 2017, there were no material and significant dispute between the Group and its suppliers and/or customers.

DIRECTORS

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

Executive Directors
Mr. Jia Bowei *(Chairman)*
Mr. Lam Kwan Sing *(Chief Executive Officer)*
Mr. Liu Zhijun *(Note 1)*
Ms. Yi Sha *(Note 2)*
Mr. Wong Nga Leung
Mr. Hon Ming Sang

Independent Non-executive Directors
Mr. Fok Ho Yin, Thomas
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

Notes:

1. Appointed as Executive Director with effect from 7 July 2017.

2. Appointed as Executive Director with effect from 25 May 2017.

Pursuant to Article 83(3) of the Articles, each of Mr. Liu Zhijun and Ms. Yi Sha are subject to re-election at the first general meeting of the Company after their appointments, being the AGM.

Pursuant to Article 84 of the Articles, Mr. Lam Kwan Sing, Mr. Fok Ho Yin, Thomas and Mr. Chan Wai Cheung, Admiral shall retire from office as Directors by rotation and, being eligible, offer themselves for re-election at the AGM.

BIOGRAPHIES OF DIRECTORS

Biographical details of the Directors are set out on pages 26 to 28 of this annual report.

INDEPENDENCY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence in accordance with Rule 3.13 of the Listing Rules from (i) each of Mr. Fok Ho Yin, Thomas, Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong, being the current Independent Non-executive Directors, and as at the date of this annual report, the Company still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

Each Director has entered into a letter of appointment with the Company for a term of three years commencing from his/her date of appointment which term will continue, and such letter of appointment may be terminated by either party by serving not less than one-month's prior written notice to the other party. Each Director will be re-elected at the AGM in accordance with the Articles.

Save as disclosed above, no Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set forth in note 8 to the consolidated financial statements.

REMUNERATION POLICY

The Directors' remuneration including the Directors' fees is subject to the Shareholders' approval at general meeting. Other emoluments are recommended by the Remuneration Committee for the Board approval, having regard to the operating results of the Group, individual performance and comparable market statistics.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the section headed "Related Party Transactions/Exempted Continuing Connected Transactions" on page 64 of this annual report and notes 26, 28 and 38 to the consolidated financial statements, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group to which the Company's holding company or any of the Company's subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed below, during the year and up to the date of this report, none of the Directors are considered to have interests in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group required to be disclosed under the Listing Rules.

Name of the Director	Position(s) within Company	Position(s) in other companies which may compete with the Group
Mr. Liu Zhijun	Executive Director	Guangzhou Industry Investment Fund Management Co., Ltd – Deputy General Manager
Ms. Yi Sha	Executive Director	Guangzhou Industry Investment Fund Management Co., Ltd – Financial Controller SFund International Investment Fund Management Limited – Director

MANAGEMENT CONTRACTS

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

RELATED PARTY TRANSACTIONS/EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Details of the related party transactions of the Group are set out in notes 26, 28 and 38 to the consolidated financial statements which constituted exempted continuing connected transactions under Chapter 14A of the Listing Rules.

During the year, the Group had the following continuing connected transactions which are exempted from the reporting, announcement or independent Shareholders' approval requirements under Rule 14A.76 of the Listing Rules and are included herein for information only.

1. Loan Agreement with Mr. Lai Leong

On 25 October 2017, Globe Castle Limited, an indirectly wholly-owned subsidiary of the Company, entered into a loan agreement with Mr. Lai Leong, who is deemed to be interested in 46% shareholding of the Company as at 31 December 2017, pursuant to which Mr. Lai Leong had agreed to provide a loan to the Globe Castle Limited in the principal amount of HK$2,500,000, at interest rate of 5% per annum with a term of 6 months. Mr. Lai Leong through his wholly-owned company, Plus Value International Limited, holds 220,800,000 Shares, representing 46% of the issued share capital of the Company and thus Mr. Lai Leong and Plus Value International Limited are the controlling Shareholders as at 31 December 2017. For the year ended 31 December 2017, the interest expense to Mr. Lai Leong was HK$23,000.

2. Bond Subscription Agreement with Kapok Spirit Investment Limited

On 27 October 2017, the Company, as the issuer, entered into the Subscription Agreement A with Kapok Spirit Investment Limited, a company indirectly wholly-owned by Guangzhou Industry Investment Fund Management Co., Ltd., a substantial Shareholder, as the subscriber, in relation to the subscription of the Bonds. The issue of Bonds constituted an exempt connected transaction of the Company under Rule 14A.90 of the Listing Rules. Pursuant to and subject to the satisfaction (or waiver) of the conditions precedent set out in the Subscription Agreement A, the Company agreed to issue, and the subscriber agreed to subscribe, for the Bonds in the principal amount of up to HK$80,000,000 with a coupon rate of 8% per annum payable quarterly in arrears for a term of 23 months from the date of issue of the Bonds. Kapok Spirit Investment Limited is an associate of Guangzhou Industry Investment Fund Management Co., Ltd. Under the Listing Rules and is therefore a connected person of the Company as defined under the Listing Rules. For the year ended 31 December 2017, the interest expense in relation to the Bonds was HK$1,054,000.

The continuing connected transactions mentioned above have been reviewed by the Independent Non-executive Directors who have confirmed that the transactions have entered into: (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (c) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of shareholders of the Company as a whole.

Save as disclosed above, the Group has not entered into any connected transaction or continuing connected transaction during the year which should be disclosed pursuant to the requirements under the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2017, none of the Directors or Chief Executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required, to be recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares of the Company in or debentures of the Company granted to any of the Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 20 June 2014 (the "Share Option Scheme") which became effective on 11 July 2014. The purpose of the Share Option Scheme is to motivate certain eligible persons to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. Eligible persons of the Share Option Scheme, amongst others, include any executives, any employee (including proposed, full-time or part time employee), a director or proposed director (including an Independent Non-executive Director) of any member of the Group, a direct or indirect shareholder of any member of the Group and an associate of any of the aforementioned persons.

The maximum number of shares which may be issued under the Share Option Scheme and any other schemes of the Group must not exceed 48,000,000 shares, representing 10% of the total number of shares in issue as at the date of listing of the shares of the Company on the Stock Exchange.

The maximum number of shares issued and to be issued upon exercise of the options granted to any one eligible person (including exercised and outstanding options) under the Share Option Scheme in any 12-month period must not exceed 1% of the issued shares from time to time unless approved in advance by the Shareholders in general meeting with such eligible person and his close associates (as defined in the Listing Rules) (if such eligible person is a connected person) abstaining from voting.

Any offer of an option under the Share Option Scheme proposed to be made to a Director, Chief Executive or substantial Shareholder or to any of their respective associates must first be approved by the Independent Non-executive Directors (excluding Independent Non-executive Director who or whose associate is the grantee of the option). In addition, where any grant of options to a substantial Shareholder (as defined in the Listing Rules) or an Independent Non-executive Director or to any of their respective associates which would result in the relevant class of securities in issue and to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) in excess of 0.1% of the relevant class of securities in issue; and (ii) with an aggregate value (based on the closing price of the securities at the date of each grant) in excess of HK$5,000,000, such further grant of options is subject to approval by the Shareholders in general meeting, with such person, his associates and all core connected persons (as defined in the Listing Rules) of the Company abstaining from voting.

The offer of a grant of options under the Share Option Scheme may be accepted by the eligible person for a period of 28 days from the date of the offer and by payment received by the Company of HK$1.00 as consideration for the grant of an option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as to be determined and notified by the Directors to each grantee, but shall end in any event not later than 10 years from the date on which the option is deemed to be granted and accepted in accordance with the Share Option Scheme.

The Share Option Scheme will be valid and effective for a period of ten years from 20 June 2014.

The exercise price is determined by the Board and shall be at least the highest of: (i) the nominal value of a share; (ii) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the offer date; and (iii) the average closing price of a share as stated in the Stock Exchange's daily quotations sheet for the five business days (as defined in the Listing Rules) immediately preceding the offer date.

As at 31 December 2017, no share options were granted, cancelled, lapsed or forfeited under the Share Option Scheme and there were no outstanding share options under the Share Option Scheme as at 31 December 2017.

EQUITY-LINKED AGREEMENTS

For the year, save for the Share Option Scheme previously mentioned, the Company has not entered into any equity-linked agreements, and there did not subsist any equity-linked agreement entered into by the Company as at 31 December 2017.

CONTRACTS OF SIGNIFICANCE

On 25 October 2017, Globe Castle Limited, an indirectly wholly-owned subsidiary of the Company, entered into a loan agreement with Mr. Lai Leong, who is deemed to be interested in 46% shareholding of the Company as at 31 December 2017, pursuant to which Mr. Lai Leong had agreed to provide a loan to the Globe Castle Limited in the principal amount of HK$2,500,000, at interest rate of 5% per annum with a term of 6 months. The net proceeds from the loan are used by the Group as general working capital of the Group.

On 27 October 2017, the Company, as the issuer, entered into the Subscription Agreement A with a company indirectly wholly-owned by Guangzhou Industry Investment Fund Management Co., Ltd., a substantial Shareholder, as the subscriber, in relation to the subscription of the Bonds. The issue of Bonds constituted an exempt connected transaction of the Company under Rule 14A.90 of the Listing Rules. Pursuant to and subject to the satisfaction (or waiver) of the conditions precedent set out in the Subscription Agreement A, the Company agreed to issue, and the subscriber agreed to subscribe, for the Bonds in the principal amount of up to HK$80,000,000 with a coupon rate of 8% per annum payable quarterly in arrears for a term of 23 months from the date of issue of the Bonds. The net proceeds from the issuance of the Bonds are used by the Group as general working capital of the Group, in particular towards money lending and financial services business and to finance suitable investment opportunities if and when they arise.

Save as disclosed above and in notes 26, 28 and 38 to the consolidated financial statements, the Company neither has any contract of significance between the Company, or any of its subsidiaries, and a controlling Shareholder or any of its subsidiaries nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries. The Group's business in which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

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

As at 31 December 2017, so far as is known to the Directors or Chief Executive of the Company, the following persons (other than Directors or Chief Executive of the Company), who had interests or short positions in the shares and the underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO were as follows.

Long Positions in the Ordinary Shares of Hk$0.01 Each of the Company

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Approximate Shareholding Percentage
Plus Value International Limited *(Note 1)*	Beneficial owner	220,800,000	46.0%
Lai Leong *(Note 1)*	Interest in a controlled corporation	220,800,000	46.0%
People's Government of Guangzhou Municipality (廣州市人民政府) *(Note 2)*	Interest in a controlled corporation	139,200,000	29.0%

Note 1: Plus Value International Limited is wholly-owned by Mr. Lai Leong. By virtue of the SFO, Mr. Lai Leong is deemed to be interested in the shares held by Plus Value International Limited.

Note 2: Sfund International Investment Fund Management Limited holds 139,200,000 shares. Sfund International Investment Fund Management Limited is wholly-owned by Guangzhou Huiyin Tianye Equity Investment Fund Management Co., Ltd., which is owned as to 95% by Guangzhou Technology Financial Innovation Investment Holdings and as to 5% by Guangzhou Industry Investment Fund Management Co., Ltd.. Guangzhou Technology Financial Innovation Investment Holdings is in turn wholly-owned by Guangzhou Industry Investment Fund Management Co., Ltd., which is wholly-owned by People's Government of Guangzhou Municipality.

Save as disclosed above, as at 31 December 2017, no person, other than the Directors and Chief Executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in shares and Underlying Shares and Debentures of the Company" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CHANGE OF DIRECTORS' INFORMATION

During the year and up to the date of this annual report, the updated information on Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are as follow:

Mr. Lam Kwan Sing, an Executive Director	–	Resigned as an executive director of China Smarter Energy Group Holdings Limited (stock code: 1004) with effect from 16 August 2017.
Mr. Hon Ming Sang an Executive Director	–	Resigned as an executive director of China Smarter Energy Group Holdings Limited (stock code: 1004) with effect from 16 August 2017.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PROVISION OF FINANCE ASSISTANCE AND ADVANCE TO ANY ENTITY

Provision of Financial Assistance Amounting to HK$20,000,000

On 19 December 2016, Capital Strategic (as lender) entered into the DT Loan Agreement with the Borrower, pursuant to which, Capital Strategic agreed to provide the DT Loan for a period of 6 months following the date of the first drawdown at an interest rate of 13% per annum payable on the date falling 6 months from the first drawing of the DT Loan (the "Provision of the Loan").

As at 19 June 2017, the DT Loan was drawn down by the Borrower and a repayment of HK$1,800,000 was made by the Borrower pursuant to the DT Loan Agreement. As the term of the DT Loan Agreement had expired on 18 June 2017, Capital Strategic and the Borrower had entered into the First Supplement Deed to, among other matters, (i) extend the maturity date from 19 June 2017, being the immediate following business day of the maturity date which falls on a non-business day, to 18 December 2017; and (ii) revise the DT Loan granted under the DT Loan Agreement down to HK$18,200,000. Other than the maturity date which had been extended to 18 December 2017 and the amount of the DT Loan had been revised down to HK$18,200,000 pursuant to the First Supplemental Deed, the principal terms of the DT Loan Agreement remains applicable to Capital Strategic and the Borrower in connection with the DT Loan.

Subsequent to the date of First Supplemental Deed, a repayment on the DT Loan principal amount of approximately HK$2,566,000 was made by the Borrower pursuant to the DT Loan Agreement and the First Supplemental Deed. As at 18 December 2017, the outstanding DT Loan principal and interest amounts in total was approximately HK$16,275,000. As the term of the First Supplement Deed had expired on 18 December 2017, Capital Strategic and the Borrower had on 18 December 2017 entered into the Second Supplemental Deed to, among other matters, (i) extend the maturity date from 18 December 2017 to 18 June 2018; and (ii) revise the DT Loan granted under the DT Loan Agreement down to approximately HK$16,275,000. Other than the maturity date which had been extended to 18 June 2018 and the amount of the DT Loan had been revised down to approximately HK$16,275,000 pursuant to the Second Supplemental Deed, the principal terms of the DT Loan Agreement remains applicable to Capital Strategic and the Borrower in connection with the DT Loan.

As at 31 December 2017, the DT Loan was still outstanding with a loan principal of approximately HK$16,275,000. The grant of the DT Loan under the DT Loan Agreement is a financial assistance provided by the Company within the meaning of the Listing Rules and the Provision of the Loan constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Details of the Provision of the Loan are set out in the announcements of the Company dated 19 December 2016, 19 June 2017 and 18 December 2017, respectively.

Provision of Loan to an Entity Amounting to HK$180,000,000

On 24 November 2017, Capital Strategic, as the lender, entered into the MT Loan Agreement with Yuan Heng, as the borrower, pursuant to which, Capital Strategic would provide a loan of HK$180,000,000 (the "MT Loan") to Yuan Heng for a term of 6 months from the date of drawdown, which could be further extended for another 6 months with written consent of Capital Strategic (or any other dates as may be agreed by Capital Strategic and Yuan Heng in writing) at the interest rate of 10% per annum which will be paid monthly.

The MT Loan is secured by (i) the Share Charge executed by Firmwill, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Yuan Heng, in favor of Capital Strategic, whereby, Firmwill would execute the charge over 1 share in Fully World, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Firmwill, representing the entire issued share capital of Fully World, to Capital Strategic; and (ii) Floating Charge over all or any part of the property and/or assets of Fully World created by Fully World in favour of Capital Strategic.

The provision of MT Loan would constitute a major transaction of the Company under Chapter 14 of the Listing Rules. Therefore, the MT Loan Agreement and the transactions contemplated thereunder would be subject to the reporting, announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules. Details of the transaction are set out in the announcements of the Company dated 24 November 2017 and 25 January 2018 and circular dated 22 December 2017, respectively. The transaction was subsequently completed on 25 January 2018.

Provision of Financial Assistance Amounting to HK$40,000,000

On 14 February 2018, Capital Strategic, as the lender, entered into the Loan Agreement with China-HK, as the borrower, pursuant to which Capital Strategic would provide a loan facility of HK$40,000,000 (the "Loan") to China-HK for a term of 6 months from the date of the relevant drawdown, which could be extended upon the requested of China-HK and subject to agreement of Capital Strategic in writing, at the interest rate of 12% per annum which will be paid on the relevant repayment dates of the Loan drawn down.

The Loan is secured by (i) charge over 10,000 shares of China-HK, being the entire issued share capital of the China-HK, in favour of Capital Strategic, by Wide Merit Limited, a company incorporated in the British Virgin Islands, being the holding company of China-HK; and (ii) charges over the entire share capital of 長三角徐州石油科技有限公司(Changsanjiao Xuzhou Petroleum Technology Company Limited*), being a wholly-owned subsidiary of China_HK, and 鹽城賽孚石油化工有限公司 (Yancheng Saifu Petroleum & Chemical Company Limited*), being a wholly-owned subsidiary of Changsanjiao Xuzhou Petroleum Technology Company Limited.

The provision of the Loan under the Loan Agreement is a financial assistance provided by the Company within the meaning of the Listing Rules and the Loan constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Details of the Loan are set out in the announcement of the Company dated 14 February 2018.

Save as disclosed above, the Group did not have any other provision of financial assistance and advance to an entity.

SUBSEQUENT EVENTS

Issue of Note Instruments in the Aggregate Principal Amount of HK$220,000,000

On 15 December 2017, the Company, as the issuer, entered into the Subscription Agreement B with GF Investments (Hong Kong) Company Limited, as the subscriber, in relation to the issuance of the Notes in the aggregate principal amount of HK$230,000,000. Pursuant to the Subscription Agreement B, the Notes will be issued in the aggregate principal amount of HK$230,000,000, at the issue price of 100% of the face value of their principal amount, at interest rate of 7.5% per annum. The Notes will be issued in one or two tranches, as determined by the Company in its sole discretion, with the maturity date of each tranche falling 720 days after the related issue date. The subscription of the first tranche of the Notes may be requested by the Company, in its sole discretion, for all or part of the Notes within the first month after the date of the Subscription Agreement B. GF Investments (Hong Kong) Company Limited is an independent third party to the Group. The Notes with principal amounts of HK$180,000,000 and HK$40,000,000 were issued on 24 January 2018 and 14 February 2018, respectively.

Completion of Provision of Loan to an Entity Amounting to HK$180,000,000

On 25 January 2018, all the conditions precedent to the MT Loan Agreement had been fulfilled and Yuan Heng had made the drawdown in the principal amount HK$180,000,000. Details of the transaction are set out in the announcements of the Company dated 24 November 2017 and 25 January 2018 and circular dated 22 December 2017, respectively.

Completion of Provision of Financial Assistance Amounting to HK$40,000,000

On 14 February 2018, Capital Strategic entered into the Loan Agreement with China-HK, pursuant to which Capital Strategic had agreed to provide a loan facility to the China-HK in the principal amount of HK$40,000,000. The transaction was completed on 14 February 2018. Details of the transaction are set out in the announcement of the Company dated 14 February 2018.

Acquisition of 49% equity interests in 湖南國開鐵路建設私募基金管理有限公司

Reference is made to the announcements and circular of the Company dated 27 April 2017, 9 June 2017 and 10 November 2017 in respect of, among other things, the Group's acquisition of 51% interests in Hunan Huiyin Tianxing.

In January 2018, Hunan Huiyin Tianxing acquired 49% equity interests in Hunan Guokai from an independent third party for a consideration of RMB1,450,000, and Hunan Huiyin Tianxing will make a further capital contribution of RMB3,920,000 to Hunan Guokai, no later than 31 December 2025. The remaining 51% shareholder of Hunan Guokai is Hunan Rail. Hunan Rail is wholly-owned by the Hunan Government and primarily engaged in the investment, construction, operation and management of various rail transit infrastructure projects in Hunan Province. Details of the acquisition is set out in the announcement of the Company dated 1 February 2018.

SUFFICIENCY OF PUBLIC FLOAT

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

PERMITTED INDEMNITY PROVISIONS

Pursuant to Code Provision A.1.8 of the CG Code set out under Appendix 14 to the Listing Rules and subject to the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Company has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of any losses or liabilities incurred, or any legal actions brought against the Directors and management of the Group which may arise out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the Shareholders entitled to attend and vote at the AGM to be held on Wednesday, 9 May 2018, the register of members of the Company will be closed from Thursday, 3 May 2018 to Wednesday, 9 May 2018, both days inclusive, during which period no transfer of shares of the Company will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 2 May 2018 (Hong Kong time).

CORPORATE GOVERNANCE

The principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 29 to 43 of this annual report.

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Company established the Audit Committee with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process, risk management and internal controls systems of the Group. The Audit Committee comprises 3 Independent Non-executive Directors, namely Mr. Fok Ho Yin, Thomas (chairman), Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and risk management and financial reporting matters, including review of the audited consolidated financial statements of the Group for the year ended 31 December 2017 with the management and the Company's external auditor, Ernst & Young.

AUDITOR

Ernst & Young will retire and a resolution for their re-appointment as auditor of the Company will be proposed at the AGM.

By order of the Board
Jia Bowei
Chairman & Executive Director

Hong Kong, 26 March 2018

The English translation of Chinese names or words in this report, where indicated by "", are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

Independent Auditor's Report

EY 安永

To the shareholders of SFund International Holdings Limited
(formerly known as Hanbo Enterprises Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of SFund International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 80 to 164, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

KEY AUDIT MATTERS *(Continued)*

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters	How our audit addressed the key audit matters
Impairment of receivables from/loan to third-party manufacturers	
As at 31 December 2017, the Group recorded receivables from third-party manufacturers, who are the suppliers of the Group, of HK$12,075,000 and a loan to a third-party manufacturer of HK$6,014,000, representing in aggregate approximately 7% of the Group's total assets at the end of the reporting period, which were included in prepayments, deposits and other receivables. Significant management judgement and estimation was required in assessing whether there was any objective evidence that such receivables were impaired, and whether the provision against these receivables, if any, was adequate, with reference to the ageing profile of balances with third-party manufacturers, status of the job orders, background of third-party manufacturers and value of collateral. The relevant disclosure is included in notes 3 and 22 to the consolidated financial statements.	In evaluating management's assessment, our procedures included obtaining direct confirmations for major receivables and loan balances, evaluating the inputs and assumptions used by management in their assessments, evaluating management's procedures over the ageing profile of balances with third-party manufacturers and amounts in dispute, and assessing the value of the collateral. For receivables from third-party manufacturers, we also evaluated the status of the relevant job orders and whether the relevant sub-contracting fees payable to the third-party manufacturers were sufficient to cover the outstanding receivables.

KEY AUDIT MATTERS *(Continued)*

Key audit matters	How our audit addressed the key audit matters
Impairment of loan receivable	
As at 31 December 2017, the Group recorded a loan receivable of HK$16,275,000 representing approximately 7% of the Group's total assets at the end of the reporting period. The assessment of impairment for loan receivable involved significant management judgement and subjective assumption on the expected future cash flows based on the creditability of the counterparty and anticipated receipt. The relevant disclosure is included in notes 3 and 21 to the consolidated financial statements.	In evaluating management's assessment, our procedures included obtaining direct confirmation from the borrower, evaluating management's assessment over creditworthiness of the debtor and obtaining debtor's repayment history.
Accounting for income taxes	
The Group operates in various jurisdictions/countries. The tax provision assessment was complex and involved significant management judgement to determine whether the Group's transactions were subject to tax, taking into consideration tax regulations, interpretations and practices prevailing in the jurisdictions/countries in which the Group operates. The relevant disclosure is included in notes 3 and 10 to the consolidated financial statements.	In evaluating management's assessment on income tax positions, our procedures included obtaining an understanding of the Group's transaction nature, design and execution workflow, examining correspondence with the relevant tax authorities, and evaluating tax implications of the transactions and assumptions used to determine tax positions, with the assistance of our tax specialists.

KEY AUDIT MATTERS *(Continued)*

Key audit matters	How our audit addressed the key audit matters
Purchase price allocation	
During the year, as fully explained in note 33 to the consolidated financial statements, the Group acquired (i) the remaining 90.5% equity interest in Tak Yun Wealth Management Company Limited (now known as Nan Guo International Securities Limited); and (ii) a 100% equity interest in Benington Capital Limited. In addition, the Group also acquired a 51% equity interest in 湖南滙垠天星股權投資私募基金管理有限公司 (Hunan Huiyin Tianxing Private Equity Investment Fund Management Co. Ltd.) by way of capital contribution. As at the respective dates of the acquisitions, the aggregate fair value of the identifiable net assets of the respective acquired subsidiaries amounted to HK$40,041,000 (including intangible assets of HK$16,200,000), resulting in goodwill of HK$12,320,000. The Group engaged an independent external valuation expert to perform the purchase price allocations on the fair value of the identifiable assets acquired and liabilities assumed. Significant estimation and judgement were involved in the assessment of fair value of identifiable net assets of the acquired subsidiaries. The relevant disclosure is included in notes 3 and 33 to the consolidated financial statements.	With the assistance from our internal valuation specialist, we discussed the rationale of the identification of intangible assets with management and external valuer. We also evaluated the valuation methodologies and assumptions used in the purchase price allocations for the purpose of determining the fair value of the identifiable assets acquired and liabilities assumed and including comparing source and market data used in the underlying assumptions for valuation of the assets acquired with reference to comparable companies or transactions. Furthermore, we have assessed the independence, competence and relevant experiences of the external valuation expert engaged by management.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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 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.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, 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.

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wu Ka Lai Cary.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

26 March 2018

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
REVENUE	4 & 5	**259,106**	365,750
Cost of sales		**(212,797)**	(305,303)
Gross profit		**46,309**	60,447
Other income and gains	5	**2,130**	1,633
Selling and distribution costs		**(2,652)**	(1,272)
Administrative expenses		**(86,473)**	(63,703)
Other expenses, net		**(689)**	(459)
Finance costs	6	**(1,817)**	(84)
LOSS BEFORE TAX	7	**(43,192)**	(3,438)
Income tax	10	**(806)**	(2,089)
LOSS FOR THE YEAR		**(43,998)**	(5,527)
Attributable to:			
Owners of the parent		**(44,159)**	(5,527)
Non-controlling interests		**161**	–
		(43,998)	(5,527)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic and diluted		**HK(9.20) cents**	HK(1.15) cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
LOSS FOR THE YEAR	**(43,998)**	(5,527)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**859**	(363)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**859**	(363)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(43,139)**	(5,890)
Attributable to:		
Owners of the parent	**(43,524)**	(5,890)
Non-controlling interests	**385**	–
	(43,139)	(5,890)

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**5,514**	4,421
Right-of-use assets	14	**11,494**	–
Goodwill	15	**12,320**	–
Intangible assets	16	**17,100**	900
Available-for-sale investments	17	**2,713**	926
Equity investment at fair value through profit or loss	18	**7,238**	10,528
Deposits and other receivables	22	**6,219**	7,136
Total non-current assets		**62,598**	23,911
CURRENT ASSETS			
Inventories	19	**20**	12
Accounts receivable	20	**51,177**	51,811
Loan receivable	21	**16,275**	20,000
Prepayments, deposits and other receivables	22	**18,765**	39,804
Tax recoverable		**106**	–
Cash and cash equivalents	23	**99,841**	49,286
Total current assets		**186,184**	160,913
CURRENT LIABILITIES			
Trade and bills payables	24	**12,304**	14,260
Other payables and accruals	25	**20,247**	18,458
Interest-bearing bank and other borrowings	26	**7,684**	12,160
Tax payable		**9,991**	8,659
Total current liabilities		**50,226**	53,537
NET CURRENT ASSETS		**135,958**	107,376
TOTAL ASSETS LESS CURRENT LIABILITIES		**198,556**	131,287
NON-CURRENT LIABILITIES			
Other payables and accruals	25	**8,100**	387
Interest-bearing other borrowing	26	**86**	156
Bond payable	28	**80,000**	–
Deferred tax liabilities	29	**2,978**	205
Total non-current liabilities		**91,164**	748
Net assets		**107,392**	130,539

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	30	**4,800**	4,800
Reserves	31	**81,776**	125,739
		86,576	130,539
Non-controlling interests	32	**20,816**	–
Total equity		**107,392**	130,539

Jia Bowei
Director

Lam Kwan Sing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the parent							
	Issued capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 Note 31(a)	Exchange fluctuation reserve HK$'000	Legal reserve HK$'000 Note 31(b)	Merger reserve HK$'000 Note 31(c)	Retained profits HK$'000	Total equity HK$'000
At 1 January 2016	4,800	48,873	10,071	(328)	49	8,417	64,547	136,429
Loss for the year	–	–	–	–	–	–	(5,527)	(5,527)
Other comprehensive loss for the year:								
Exchange differences on translation of foreign operations	–	–	–	(363)	–	–	–	(363)
Total comprehensive loss for the year	–	–	–	(363)	–	–	(5,527)	(5,890)
At 31 December 2016	4,800	48,873*	10,071*	(691)*	49*	8,417*	59,020*	130,539

	Attributable to owners of the parent									
	Issued capital HK$'000	**Share premium HK$'000**	**Capital reserve HK$'000 Note 31(a)**	**Exchange fluctuation reserve HK$'000**	**Legal reserve HK$'000 Note 31(b)**	**Merger reserve HK$'000 Note 31(c)**	**Retained profits HK$'000**	**Sub-total HK$'000**	**Non-controlling interests HK$'000**	**Total equity HK$'000**
At 31 December 2016	**4,800**	**48,873**	**10,071**	**(691)**	**49**	**8,417**	**59,020**	**130,539**	**–**	**130,539**
Effect of change in accounting policy (note 2.2(b))	**–**	**–**	**–**	**–**	**–**	**–**	**(439)**	**(439)**	**–**	**(439)**
At 1 January 2017	**4,800**	**48,873**	**10,071**	**(691)**	**49**	**8,417**	**58,581**	**130,100**	**–**	**130,100**
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(44,159)**	**(44,159)**	**161**	**(43,998)**
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**635**	**–**	**–**	**–**	**635**	**224**	**859**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**635**	**–**	**–**	**(44,159)**	**(43,524)**	**385**	**(43,139)**
Acquisition of a subsidiary (note 33(c))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**20,431**	**20,431**
At 31 December 2017	**4,800**	**48,873***	**10,071***	**(56)***	**49***	**8,417***	**14,422***	**86,576**	**20,816**	**107,392**

* These reserve accounts comprise the consolidated reserves of HK$81,776,000 (2016: HK$125,739,000) in the consolidated statement of financial position as at 31 December 2017.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(43,192)**	(3,438)
Adjustments for:			
Bank interest income	5	**(184)**	(172)
Dividend income from a listed equity investment	5	**–**	(22)
Imputed interest income on non-interest-bearing financial arrangement	5	**(78)**	(77)
Gain on remeasurement of an available-for-sale investment	5	**(248)**	–
Finance costs	6	**1,817**	84
Depreciation of property, plant and equipment	7	**1,648**	1,679
Depreciation of right-of-use assets	7	**5,912**	–
Fair value loss/(gain) on a financial investment at fair value through profit or loss		**–**	(138)
Reversal of impairment of accounts receivable	7	**(63)**	(457)
Reversal of provision for slow-moving inventories	7	**(104)**	(340)
		(34,492)	(2,881)
Decrease in inventories		**97**	484
Decrease/(increase) in accounts receivable		**6,214**	(19,058)
Decrease/(increase) in loan receivable		**3,725**	(20,000)
Decrease in prepayments, deposits and other receivables		**21,387**	18,308
Decrease/(increase) in equity investment at fair value through profit or loss		**3,290**	(10,528)
Decrease in trade and bills payables		**(1,962)**	(17,270)
Increase/(decrease) in other payables and accruals		**(6,729)**	10,442
Decrease in an amount due to a related company		**–**	(318)
Cash used in operations		**(8,470)**	(40,821)
Interest received		**184**	172
Hong Kong profits tax paid		**(202)**	(92)
Overseas and Mainland China taxes paid		**(37)**	–
Net cash flows used in operating activities		**(8,525)**	(40,741)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from a listed equity investment		**–**	22
Purchases of items of property, plant and equipment		**(1,810)**	(195)
Addition to an intangible asset		**–**	(900)
Purchase of an available-for-sale investment		**(95)**	(926)
Deposit paid for an investment		**–**	(1,200)
Purchase of a listed equity investment		**–**	(2,906)
Proceeds from disposal of a listed equity investment		**–**	3,044
Decrease/(increase) in time deposits with original maturity of more than three months when acquired		**(1,201)**	1,169
Acquisition of subsidiaries	33	**(8,726)**	–
Net cash flows used in investing activities		**(11,832)**	(1,892)

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New trade finance loans		**33,018**	81,378
Repayment of trade finance loans		**(43,004)**	(69,678)
Proceeds from other borrowings		**5,500**	–
Proceeds from issuance of bond		**80,000**	–
Capital element of finance lease rental payments		**(75)**	(72)
Lease payments		**(6,309)**	–
Interest paid		**(183)**	(84)
Net cash flows from financing activities		**68,947**	11,544
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**48,590**	(31,089)
Cash and cash equivalents at beginning of year		**49,286**	80,496
Effect of foreign exchange rate changes, net		**764**	(121)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**98,640**	49,286
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**77,919**	49,286
Non-pledged time deposits with original maturity of less than three months when acquired		**20,721**	–
Non-pledged time deposits with original maturity of more than three months when acquired		**1,201**	–
Cash and cash equivalents as stated in the consolidated statement of financial position		**99,841**	49,286
Less: Non-pledged time deposits with original maturity of more than three months when acquired		**(1,201)**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		**98,640**	49,286

1. CORPORATE AND GROUP INFORMATION

SFund International Holdings Limited (formerly known as Hanbo Enterprises Holdings Limited) was incorporated in the Cayman Islands on 30 September 2013 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company is Plus Value International Limited, which is incorporated in the British Virgin Islands (the "BVI"). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Suites 904–5, 9/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

Pursuant to the special resolution of the Company passed at the extraordinary general meeting held on 15 November 2017, the English name of the Company changed from "Hanbo Enterprises Holdings Limited" to "SFund International Holdings Limited" and dual foreign name in Chinese from "恒寶企業控股有限公司" to "廣州基金國際控股有限公司". The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 July 2014.

During the year, the Group was principally engaged in (i) trading of apparel products and provision of apparel supply chain management services; (ii) provision of financial services; (iii) money lending business; and (iv) securities investment.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hanbo Enterprises Limited	Hong Kong/ Mainland China	HK$10,000	100	–	Trading of apparel products and provision of apparel supply chain management services
Hanbo Enterprises Limited – Macao Commercial Offshore	Macau	MOP100,000	–	100	Trading of apparel products
Hanbo Enterprises (Holding) Limited	BVI	US$50,000	100	–	Investment holding
Hanbo GSC (Cambodia) Ltd.*	Cambodia	KHR4,000,000,000	–	100	Provision of apparel supply chain management services
Superbo Trading Co. Limited	Hong Kong	HK$1,000,000	–	100	Property investment and provision of management services
億寶服裝(深圳)有限公司#* Yibao Clothing (Shenzhen) Co., Ltd. @	People's Republic of China ("PRC")/ Mainland China	HK$16,370,000	–	100	Provision of apparel supply chain management services
Globe Castle Limited*	Hong Kong	HK$1	–	100	Provision of management services
Master Step Management Limited*	Hong Kong	HK$1	–	100	Provision of management services
Capital Strategic Partners Limited*	Hong Kong	HK$10,000	–	100	Money lending
Mega Perfect Business Limited*	BVI	US$100	–	100	Securities investment
Benington Capital Limited* ("Benington")	Hong Kong	HK$1,700,000	–	100	Provision of asset management and advisory services
Nan Guo International Securities Limited* ("Nan Guo") (formerly known as Tak Yun Wealth Management Company Limited)	Hong Kong	HK$10,000,000	–	100	Provision of securities brokerage services
湖南滙垠天星股權投資私募基金管理有限公司("湖南滙垠") Hunan Huiyin Tianxing Private Equity Investment Fund Management Co. Ltd. ("Hunan Huiyin Tianxing")*^@	PRC/Mainland China	RMB20,408,000	–	51	Provision of fund management services

\# Registered as a wholly-foreign-owned enterprise under PRC law.

* The statutory financial statements of these entities are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

^ Registered as a sino-foreign equity joint venture company in the PRC

@ For identification purposes only

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

During the year, the Group acquired the entire share capital in Benington and Nan Guo from independent third parties and a 51% equity interest in Hunan Huiyin Tianxing through capital injection. Further details of these acquisitions are included in note 33 to the consolidated financial statements.

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

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investment at fair value through profit or loss which has been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's consolidated financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

Other than as explained below regarding the impact of HKAS 7, the adoption of the above revised standards has had no significant financial effect on the Group's consolidated financial statements.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure has been made in note 35(b) to the consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Early adoption of Hong Kong Financial Reporting Standards

During the year, the Group has elected to early adopt the following new HKFRSs in the current year's consolidated financial statements and the principal effects for adopting these new HKFRSs are as follows:

HKFRS 15	*Revenue from Contracts with Customers*
HKFRS 16	*Leases*

(a) HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15")

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard.

The Group has reviewed the impact of HKFRS 15 on its revenue stream and has elected to early adopt HKFRS 15 with effect from 1 January 2017. The Group has opted for a modified retrospective approach permitted by HKFRS 15 whereby the cumulative effect of the initial adoption as an adjustment to the opening balance of retained profits at 1 January 2017.

The revenue recognition of the principal activities of the Group's contracts with customers are as follows:

(i) sales of apparel products at a point in time when control of the apparel products is transferred to the customer, generally on delivery of products to the port of shipment; and

(ii) income from provision of advisory and fund management services is recognised over the period of services rendered.

Apart from providing more extensive disclosures on the Group's revenue transactions, the application of HKFRS 15 has had no significant impact on the financial position and/or financial performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Early adoption of Hong Kong Financial Reporting Standards *(Continued)*

(b) HKFRS 16 *Leases* ("HKFRS 16")

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases* ("HKAS 17"), HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* ("HK(IFRIC)-Int 4"), HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset, representing its right to use the underlying leased asset and a lease liability, representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liability similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying HKAS 7 *Statement of Cash Flow*s.

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

The Group has reviewed the impact of HKFRS 16 on all its contracts that are, or that contain leases and has elected to early adopt HKFRS 16, with effect from 1 January 2017. The Group has opted for the modified retrospective application permitted by HKFRS 16 upon adoption of the new standard. Accordingly, the standard has been applied for the year from 1 January 2017 to 31 December 2017 only (i.e. the initial application year). Modified retrospective application requires the recognition of the cumulative impact of adoption of HKFRS 16 on all contracts as at 1 January 2017 in equity.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Early adoption of Hong Kong Financial Reporting Standards *(Continued)*

(b) HKFRS 16 *Leases* ("HKFRS 16") *(Continued)*

The details of adjustments to opening retained profits and other account balances as at 1 January 2017 and profit or loss effect for the year ended 31 December 2017 are set out below.

Consolidated Statement of Financial Position

	As at 1 January 2017		
	As previously stated	Adjustments under HKFRS 16	Restated
	HK$'000	HK$'000	HK$'000
Assets			
Right-of-use assets	–	16,555	16,555
Liabilities			
Lease liability included in other payables and accruals			
– Non-current portion	387	12,019	12,406
– Current portion	18,458	4,975	23,433
	18,845	16,994	35,839
Equity			
Retained profits	59,020	(439)	58,581

Consolidated Statement of Profit or Loss

	Year ended 31 December 2017		
	Effect of early adoption of HKFRS 16	Results without early adoption of HKFRS 16	Decrease/ (increase) in loss for the year
	HK$'000	HK$'000	HK$'000
Administrative expenses	86,473	86,869	396
Finance costs	1,817	1,334	(483)
Loss for the year	43,998	43,911	(87)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Early adoption of Hong Kong Financial Reporting Standards *(Continued)*

(b) HKFRS 16 *Leases* ("HKFRS 16") *(Continued)*

Modified retrospective application of HKFRS 16 also requires the Group to recognise a lease liability at the date of initial application for leases previously classified as an operating lease under the superseded HKAS 17 measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. As a practical expedient under HKFRS 16, the Group has not reassessed whether a contract is, or contains, a lease at the date of initial application. Instead, the Group applied HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4, and did not apply HKFRS 16 to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics for determination of present value of the remaining lease payments. The right-of-use assets have been recognised, on a lease-by-lease basis, at respective carrying amounts equal to lease liability as if HKFRS 16 had been applied since the commencement date, but discounted using the Group's incremental borrowing rate of 2.75% at the date of initial application.

Based on the allowed practical expedients under HKFRS 16, the Group has elected not to apply the requirements of HKFRS 16 in respect of recognition of lease liability and right-of-use assets to leases for which the lease term ends within twelve months of the date of initial application.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, except for HKFRS 15 and HKFRS 16 as discussed in note 2.2 above, that have been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainly over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements to HKFRSs 2015-2017 cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Of those standards, HKFRS 9 will be applicable for the Group's financial year ending 31 December 2018 and are expected to have a significant impact upon adoption. Whilst management has performed a detailed assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group, including expectations of the application of transitional provision options and policy choices. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards and the transitional provisions and policy options finally adopted.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

In September 2014, the HKICPA issued the final version of HKFRS 9, bring together all phases of the financial instruments project to replace HKAS 39 *Financial Instruments: Recognition and Measurement* ("HKAS 39") and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 Janaury 2018. During 2017, the Group has performed an assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets, except for equity investments classified as available-for-sale investments which are carried at costs less impairment are qualified for designation as measured at fair value through other comprehensive income ("FVTOCI") under HKFRS 9 but the Group will not elect this option for designation at FVTOCI. Therefore, these investments will be measured at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of HKFRS 9, any differences between the previous carrying amount and fair value will be adjusted to retained profits as at 1 January 2018. For other financial assets currently measured at amortised cost and fair value through profit or loss will continue with their respective classification and measurements upon the adoption of HKFRS 9.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its accounts and loan receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group has expected that the provision for impairment will increase upon the adoption of HKFRS 9.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

The Group measures its equity investment at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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); and

(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 parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and building	2% or over the lease terms, whichever rate is higher
Leasehold improvements	Over the shorter of the lease term and 20%
Machinery and equipment	10%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	25%
Computer equipment	20% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

The Group determines the lease term as the non-cancellable period of a lease, together with both:

a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and

b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

The Group as a lessee

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The relative stand-alone price of lease and non-lease components is determined on the basis of the price the lessor, or a similar supplier, would charge an entity for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

The non-lease components are accounted for in accordance with the Group's policies.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

For determination of the lease term, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that:

a) is within the control of the Group; and

b) affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

At the commencement date, the Group recognises a right-of-use asset and a lease liability under the lease contract.

Lease liability

Lease liability is initially recognised at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

After initial recognition, the lease liability is measured by (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Where, (a) there is a change in the lease term as a result of reassessment of certainty to exercise an extension option, or not to exercise a termination option as discussed above; or (b) there is a change in the assessment of an option to purchase the underlying asset, assessed considering the events and circumstances in the context of a purchase option, the Group remeasures the lease liability to reflect changes to lease payments by discounting the revised lease payments using a revised discount rate. The Group determines the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Lease liability *(Continued)*

Where, (a) there is a change in the amounts expected to be payable under a residual value guarantee; or (b) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including a change to reflect changes in market rental rates following a market rent review, the Group remeasures the lease liability by discounting the revised lease payments using an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In such case, the Group uses a revised discount rate that reflects changes in the interest rate.

The Group recognises the amount of the re-measurement of lease liability as an adjustment to the right-of-use asset. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the re-measurement in profit or loss.

The Group accounts for a lease modification as a separate lease if both:

a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Lease modifications that are not accounted for as a separate lease, the Group, at the effective date of the lease modification: (a) allocates the consideration in the modified contract; (b) determines the lease term of the modified lease; and (c) remeasures the lease liability by discounting the revised lease payments using a revised discount rate.

The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Right-of-use assets

The right-of-use asset is initially recognised at cost comprising:

a) amount of the initial measurement of the lease liability;

b) any lease payments made at or before the commencement date, less any lease incentives received;

c) any initial direct costs incurred by the Group; and

d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. These costs are recognised as part of the cost of right-of-use asset when the Group incurs an obligation for these costs. The obligation for these costs are incurred either at the commencement date or as a consequence of having used the underlying asset during a particular period.

After initial recognition, a lessee shall measure the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

In the comparative period, in accordance with HKAS 17, the determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys a right to use the asset. Operating lease payments, net of any incentives received from the lessor, are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses in the consolidated statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment are recognised in the consolidated statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the consolidated statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the consolidated statement of profit or loss in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the consolidated statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated statement of profit or loss, is removed from other comprehensive income and recognised in the consolidated statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of profit or loss – is removed from other comprehensive income and recognised in the consolidated statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are all classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement (Continued)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the consolidated statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

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

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in the consolidated statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if and only of the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

(b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

(c) The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

If any of the above conditions are not met, the Group recognises revenue at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Sales of garment

The Group recognises revenue from sale of apparel products based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group satisfies a performance obligation when it transfers control of the apparel products to a customer, upon which the apparel products is delivered to the port of shipment. Revenue is recognised at the point in time.

Advisory service income and fund management fee income

The provision of advisory services and fund management service is a single performance obligation that the Group satisfies over time in accordance with the terms of respective underlying agreements.

Investment income from securities investment

Net fair value changes on financial assets at fair value through profit or loss and those held for trading, including realised gains/losses which are recognised on the transaction dates when the relevant contract notes are exchanged and unrealised fair value changes which are recognised in the period in which they arise.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Other revenue and income

Rework and compensation income is recognised when the right to receive payment has been established.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established.

Rental income is recognised on a time proportion basis over the lease terms.

In the comparative period, revenue was recognised when it was probable that the economic benefits would flow to the Group and the revenue can be reliably measured. Revenue from sale of goods and other sales income were recognised, when the significant risks and rewards of ownership had been transferred to the buyer, provided that the Group maintained neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Employee benefits

Pension schemes

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

The employees of the Group's operations in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit of loss as they become payable in accordance with the rules of the central pension scheme.

The employees of the Group's operations in Macao are required to participate in a central social security scheme operated by the Macao Special Administrative Region government. The Group is required to contribute a fixed amount of its payroll costs to the central social security scheme. The contributions are charged to the consolidated statement of profit of loss as they become payable in accordance with the rules of the central social security scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These consolidated financial statements are presented in HK$, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than HK$. As at the end of the reporting period, the assets and liabilities of these entities are translated into HK$ at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into HK$ at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into HK$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in these consolidated financial statements:

Purchase price allocation

The purchase price allocation of the Group's business combinations, as detailed in note 33 to the consolidated financial statements, requires the determination of fair values of the identifiable assets acquired and liabilities assumed. The net assets acquired, include amongst others, intangible assets, of which their fair values are dependent on a range of estimates including comparable sales transactions as available in the relevant market. Given the uncertainties in the estimation, the actual outcomes may be higher or lower than the estimated fair values of these items as at the date of acquisition. Where the actual outcome of these items are different from the amounts initially recorded, such difference may impact the future financial results.

Determination of timing of satisfaction of performance obligations

Judgement is required in determining the timing of satisfaction of performance obligation. The Group derives revenue from sale of finished apparel products. While the Group sub-contracts its manufacturing of finished apparel products to third party manufacturers, the Group's supply chain management services are provided along with the apparel supply chain and are highly interdependent and highly interrelated with the manufacturing process to meet the specific needs of the customer. The Group carefully evaluates the terms and conditions stipulated in contract and/or sale order with a customer and assesses when the control of the goods has been transferred to the customer, that is, when the customer has the primary responsibility for the sale of goods, bears the risks of loss and obsolescence, and also has full discretion over the manner of distribution and price to sell the goods. The directors determine that the control is passed to customer upon the goods are delivered to the port of shipment as this represents the point in time at which the right to consideration becomes unconditional, only the passage of time is required before payment is due.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Impairment of receivables from/loan to third-party manufacturers

The Group assesses at the end of each reporting period whether there is any objective evidence that a receivable from/loan to third-party manufacturer is impaired. To determine whether there is objective evidence of impairment, significant management judgement is required in determining the adequacy of provision against these receivable balances, including the background of third-party manufacturers, status of the job orders and whether the relevant sub-contracting fees payable to the third-party manufacturers is sufficient to cover the outstanding receivables and value of collateral, if any. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on, *inter alia*, historical loss experience for assets with similar credit risk characteristics.

Impairment of loan receivable

The Group assesses at the end of the reporting period whether there is any objective evidence that the loan receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as credit worthiness of the debtor, past repayment history and the probability of insolvency or significant financial difficulties of the debtor. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated.

Impairment of accounts receivable

The Group assesses at the end of each reporting period whether there is any objective evidence that the accounts receivable are impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on, *inter alia*, historical loss experience for assets with similar credit risk characteristics. The Group maintains an allowance for estimated impairment of receivables arising from the inability of its debtors to make the required payments or if the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) is less than the financial assets' carrying amount.

The Group makes its estimates based on, *inter alia*, the ageing of its receivable balances, debtors' creditworthiness, past repayment history and historical write-off experience.

Income taxes

The Group operates in various jurisdictions/countries with complex regulatory environments subject to different interpretations by the taxpayer and respective tax authorities. In certain of these jurisdictions, we may take positions that management believes are supportable, but are potentially subject to successful challenge by the applicable taxing authority.

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions, including any potential tax liabilities. When the Group determines any transactions that may result in probable future tax outflows and the amount can be reliably measured, tax provisions are recorded accordingly. Such tax provision may not be indicative of the ultimate tax payment with tax authorities. The tax treatment of such transactions is considered periodically to take into account all changes in tax legislation.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the group entities, judgement is required to determine the currency that mainly influences sales prices for goods and services; the currency of the country whose competitive forces and regulations mainly determine the sale prices of the entity's goods and services; and the currency that mainly influences labour, material and other costs of providing goods or services.

Estimation uncertainty

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

Impairment of goodwill and intangible assets with indefinite useful lives

The Group determines whether goodwill and intangible assets with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use or fair value less costs of disposal of the cash-generating units to which the goodwill and intangible assets with indefinite useful lives are allocated. The fair value less cost of disposal is based on quoted market prices of similar transactions in the market. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of non-financial assets

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

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) apparel trading and related services segment engages in trading of apparel products and provision of the apparel supply chain management services;

(b) financial services segment engages in securities dealing business, provision of asset management services, corporate finance and related advisory services;

(c) money lending segment engages in the provision of loan financing; and

(d) securities investment segment engages in investment in listed and unlisted investments.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that bank interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

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

(a) all assets are allocated to operating segments other than unallocated assets, cash and cash equivalents and tax recoverable; and

(b) all liabilities are allocated to operating segments other than unallocated liabilities, interest-bearing bank and other borrowing, bond payable, tax payable, deferred tax liabilities and other head office and corporate liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2017

	Apparel trading and related services HK$'000	Financial services HK$'000	Money lending HK$'000	Securities investment HK$'000	Total HK$'000
Revenue from contracts with customers:					
Recognised at a point in time	257,466	–	–	–	257,466
Recognised over time	–	2,576	–	–	2,576
	257,466	2,576	–	–	260,042
Revenue from other sources	–	–	2,354	(3,290)	(936)
Segment revenue	257,466	2,576	2,354	(3,290)	259,106
Segment results	(5,699)	(1,196)	57	(3,299)	(10,137)
Reconciliation:					
Interest income					184
Corporate and other unallocated expenses					(31,422)
Finance costs					(1,817)
Loss before tax					(43,192)
As at 31 December 2017					
Segment assets	70,671	41,014	17,724	7,243	136,652
Reconciliation:					
Corporate and other unallocated assets					112,130
Total assets					248,782
Segment liabilities	19,239	59,549	17,046	8,127	103,961
Reconciliation:					
Elimination of intersegment payables					(80,349)
Corporate and other unallocated liabilities					117,778
Total liabilities					141,390
Other segment information:					
Capital expenditure*#	1,174	17,290	–	–	18,464
Reversal of impairment of accounts receivable	(63)	–	–	–	(63)
Reversal of provision for slow-moving inventories	(104)	–	–	–	(104)
Depreciation of property, plant and equipment#	1,420	50	–	–	1,470
Depreciation of right-of-use assets#	1,930	–	233	–	2,163

Depreciation of property, plant and equipment, depeciation of right-of-use assets and capital expenitures amounting to HK$178,000 (2016: nil), HK$3,749,000 (2016: nil) and HK$636,000 (2016: HK$5,000), respectively, were included under corporate and other unallocated expenses or assets, where appropriate.

* Capital expenditure consists of additions to property, plant and equipment, other assets and intangible assets acquired through the acquisitions of subsidiaries.

4. OPERATING SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2016

	Apparel trading and related services HK$'000	Financial services HK$'000	Money lending HK$'000	Securities investment HK$'000	Total HK$'000
Segment revenue	363,234	–	93	2,423	365,750
Segment results	8,318	(15)	93	2,414	10,810
Reconciliation:					
Interest income					172
Unallocated other income and gains					160
Corporate and other unallocated expenses					(14,496)
Finance costs					(84)
Loss before tax					(3,438)
As at 31 December 2016					
Segment assets	99,340	2,126	21,073	10,528	133,067
Reconciliation:					
Corporate and other unallocated assets					51,757
Total assets					184,824
Segment liabilities	31,348	2,140	20,200	8,113	61,801
Reconciliation:					
Elimination of intersegment payables					(30,448)
Corporate and other unallocated liabilities					22,932
Total liabilities					54,285
Other segment information:					
Capital expenditure	190	–	900	–	1,090
Reversal of impairment of accounts receivable	(457)	–	–	–	(457)
Reversal of provision for slow-moving inventories	(340)	–	–	–	(340)
Depreciation of property, plant and equipment	1,679	–	–	–	1,679

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

During the year, approximately 96.2% (2016: 97.7%) of the Group's total revenue from external customers, based on the locations of the products shipped to/locations of customers, were attributed to the United States of America ("USA"). For the purpose of identifying total revenue from external customers, revenue derived from fair value change on equity investment at fair value through profit of loss is excluded.

An analysis of disaggregation of revenue from the sales of goods based on the locations of the products shipped to is as follows:

	2017	2016
	HK$'000	HK$'000
USA	**252,489**	356,882
Mainland China	**2,536**	2,107
Hong Kong	**119**	2,507
Others	**2,322**	1,738
	257,466	363,234

Revenue from financial services segment amounting to HK$2,516,000 and HK$60,000, based on the locations of customers, were derived in the Mainland China and Hong Kong, respectively. Revenue from money lending segment, based on location of the customers was derived in Hong Kong.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the year is set out below:

	2017	2016
	HK$'000	HK$'000
Customer A	**112,031**	141,147
Customer B	**67,230**	77,705
Customer C	**31,112**	75,957

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents (i) the aggregate of the net invoiced value of apparel products sold, after allowances for returns and trade discounts; (ii) service income from advisory and fund management services; (iii) interest income from money lending business; and (iv) change in fair value of equity investment.

An analysis of the Group's revenue, other income and gains is as follows:

	2017	2016
	HK$'000	HK$'000
Revenue		
Sales of goods	**257,466**	363,234
Interest income from money lending business	**2,354**	93
Advisory service income	**60**	–
Fund management fee income	**2,516**	–
Unrealised gain/(loss) on equity investment at fair value through profit or loss	**(3,290)**	2,423
	259,106	365,750
Other income		
Bank interest income	**184**	172
Dividend income from a listed equity investment	**–**	22
Sale of scrap materials	**131**	177
Rework and compensation income	**970**	687
Imputed interest income on non-interest-bearing financial arrangement	**78**	77
Rental income	**388**	–
Sundry income	**126**	237
	1,877	1,372
Gains		
Gain on disposal of a listed equity investment	**–**	138
Gain on foreign exchange differences, net	**5**	123
Gain on remeasurement of an available-for-sale investment	**248**	–
	253	261
	2,130	1,633

6. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on trade finance loans	**173**	70
Interest on bond payable	**1,054**	–
Interest on other borrowings	**97**	–
Interest on a finance lease	**10**	14
Unwinding of finance costs on lease liability	**483**	–
	1,817	84

7. LOSS BEFORE TAX

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

	Notes	2017 HK$'000	2016 HK$'000
Auditors' remuneration		**1,724**	1,413
Cost of inventories sold		**212,797**	305,303
Depreciation of property, plant and equipment	13	**1,648**	1,679
Depreciation of right-of-use assets	14	**5,912**	–
Employee benefit expense (including directors' remuneration (note 8))			
– Wages and salaries, allowances, bonuses, commission and benefits in kind		**48,266**	33,912
– Provision for/(reversal of provision for) long service payments		**(90)**	34
– Termination payments		**20**	1,293
– Pension scheme contributions (defined contribution schemes)#		**2,938**	2,490
		51,134	37,729
Reversal of impairment of accounts receivable*	20	**(63)**	(457)
Reversal of provision for slow-moving inventories*		**(104)**	(340)
Minimum lease payments under operating leases		**1,659**	2,584

At the end of the reporting period, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years.

* The balances were included in "Other expenses, net" in the consolidated statement of profit or loss.

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017	2016
	HK$'000	HK$'000
Fees	**720**	591
Other emoluments:		
Salaries and allowances	**9,001**	9,228
Pension scheme contributions	**67**	73
	9,068	9,301
	9,788	9,892

(A) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2017	2016
	HK$'000	HK$'000
Mr. Chung Kwok Pan	**–**	200
Mr. Lai Kin Keung	**–**	200
Mr. Ng Ming Yuen, John	**–**	58
Mr. Lau Chart Chou	**–**	70
Mr. Fok Ho Yin, Thomas	**240**	21
Mr. Chan Wai Cheung, Admiral	**240**	21
Mr. Lam Ho Pong (note i)	**220**	–
Mr. Hon Ming Sang (note ii)	**20**	21
	720	591

There were no other emoluments payable to the independent non-executive directors during the year (2016: nil).

8. DIRECTORS' REMUNERATION *(Continued)*

(B) Executive directors

	Fees	Salaries and allowances	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000
2017				
Mr. Jia Bowei	**–**	**3,900**	**17**	**3,917**
Mr. Lam Kwan Sing	**–**	**2,220**	**18**	**2,238**
Mr. Wong Nga Leung	**–**	**1,560**	**18**	**1,578**
Mr. Hon Ming Sang (note ii)	**–**	**1,191**	**14**	**1,205**
Mr. Yi Sha (note iii)	**–**	**72**	**–**	**72**
Mr. Liu Zhijun (note iv)	**–**	**58**	**–**	**58**
	–	**9,001**	**67**	**9,068**
2016				
Mr. Cheng Lap Yin	–	2,303	18	2,321
Mr. Liu Chung Tong	–	1,819	17	1,836
Mr. Liu Ying Yin, James	–	1,267	–	1,267
Mr. Kao Lap Shing	–	1,550	18	1,568
Mr. Yu Yuen Mau, Banny	–	1,550	18	1,568
Mr. Jia Bowei	–	282	–	282
Mr. Lam Kwan Sing	–	318	2	320
Mr. Wong Nga Leung	–	139	–	139
	–	9,228	73	9,301

Notes:

(i) Appointed as an independent non-executive director of the Company with effect from 7 February 2017.

(ii) Redesignated as an executive director of the Company with effect from 7 February 2017.

(iii) Appointed as an executive director of the Company with effect from 25 May 2017.

(iv) Appointed as an executive director of the Company with effect from 7 July 2017.

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

The above directors' remuneration only included remuneration during the tenure of each executive director of the Company.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2016: five), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2016: nil) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017	2016
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,400**	–
Performance related bonuses	**200**	–
Pension scheme contributions	**36**	–
	2,636	–

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	2017	2016
HK$1,000,001 to HK$1,500,000	**2**	–

During the year, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2016: nil).

10. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

The subsidiary of the Company established in Mainland China is subject to the PRC corporate income tax at a standard rate of 25% (2016: 25%) during the year.

No provision for Macao complementary tax has been made as the Company's subsidiary established in Macao is exempted from Macao complementary tax pursuant to Macao's relevant tax legislations (2016: nil).

10. INCOME TAX *(Continued)*

Cambodian tax on profit has been provided at the rate of 20% (2016: 20%) on the taxable profits or a minimum tax of 1% (2016: 1%) of total revenues, whichever is higher, arising during the year.

No provision for Bangladesh income tax has been made on the liaison office of the Company's subsidiary as no assessment profit in Bangladesh was generated during the year (2016: nil).

	2017	2016
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**46**	1,071
Overprovision in prior years	**(20)**	(16)
Current – Elsewhere		
Charge for the year	**710**	704
Underprovision in prior years	**–**	178
Deferred (note 29)	**70**	152
Total tax charge for the year	**806**	2,089

A reconciliation of the tax credit applicable to loss before tax at the Hong Kong statutory rate to the tax charge at the effective tax rate is as follows:

	2017	2016
	HK$'000	HK$'000
Loss before tax	**(43,192)**	(3,438)
Tax credit at Hong Kong statutory tax rate	**(7,127)**	(567)
Different tax rates for specific provinces or enacted by local authorities	**38**	(146)
Effect of deemed profit tax	**600**	704
Adjustments in respect of current tax of previous periods	**(20)**	162
Income not subject to tax	**(101)**	(1,930)
Expenses not deductible for tax	**6,300**	2,499
Temporary difference not recognised	**102**	129
Tax losses utilised from previous periods	**(174)**	(16)
Tax losses not recognised	**1,158**	1,105
Others	**30**	149
Tax charge at the Group's effective tax rate	**806**	2,089

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of HK$44,159,000 (2016: HK$5,527,000), and the weighted average number of ordinary shares of 480,000,000 (2016: 480,000,000) in issue during the year.

Diluted loss per share equals to basic loss per share as there were no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

12. DIVIDEND

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

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Total HK$'000
31 December 2017								
At 31 December 2016 and 1 January 2017:								
Cost	3,291	2,975	93	583	1,707	459	3,112	12,220
Accumulated depreciation	(1,510)	(2,222)	(18)	(437)	(943)	(261)	(2,408)	(7,799)
Net carrying amount	1,781	753	75	146	764	198	704	4,421
At 1 January 2017, net of accumulated depreciation	1,781	753	75	146	764	198	704	4,421
Additions	–	24	–	9	47	1,662	68	1,810
Acquisition of subsidiaries (note 33)	–	–	–	120	–	603	162	885
Depreciation	(65)	(501)	(10)	(85)	(267)	(489)	(231)	(1,648)
Exchange realignment	–	4	5	5	28	4	–	46
At 31 December 2017, net of accumulated depreciation	1,716	280	70	195	572	1,978	703	5,514
At 31 December 2017:								
Cost	3,291	3,011	100	834	1,806	2,871	3,422	15,335
Accumulated depreciation	(1,575)	(2,731)	(30)	(639)	(1,234)	(893)	(2,719)	(9,821)
Net carrying amount	1,716	280	70	195	572	1,978	703	5,514

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

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Total HK$'000
31 December 2016								
At 1 January 2016:								
Cost	3,291	2,985	99	589	1,651	459	3,004	12,078
Accumulated depreciation	(1,444)	(1,727)	(9)	(352)	(624)	(153)	(1,821)	(6,130)
Net carrying amount	1,847	1,258	90	237	1,027	306	1,183	5,948
At 1 January 2016, net of accumulated depreciation	1,847	1,258	90	237	1,027	306	1,183	5,948
Additions	–	–	–	–	95	–	100	195
Depreciation	(66)	(501)	(10)	(88)	(328)	(108)	(578)	(1,679)
Exchange realignment	–	(4)	(5)	(3)	(30)	–	(1)	(43)
At 31 December 2016, net of accumulated depreciation	1,781	753	75	146	764	198	704	4,421
At 31 December 2016:								
Cost	3,291	2,975	93	583	1,707	459	3,112	12,220
Accumulated depreciation	(1,510)	(2,222)	(18)	(437)	(943)	(261)	(2,408)	(7,799)
Net carrying amount	1,781	753	75	146	764	198	704	4,421

The net carrying amount of the Group's property, plant and equipment held under a finance lease included in office equipment at 31 December 2017 was HK$156,000 (2016: HK$218,000).

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITY

Right-of use assets

	HK$'000
At 1 January 2017	–
Recognition upon initial application of HKFRS 16 (note 2.2(b))	16,555
Additions	851
Depreciation provided during the year	(5,912)
At 31 December 2017	11,494
At 31 December 2017:	
Cost	26,235
Accumulated depreciation	(14,741)
Net carrying amount	11,494

The right-of-use assets represent the Group's rights to use underlying leased premises under operating lease arrangements over the lease terms, which are stated at cost less accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liability.

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITY *(Continued)*

Lease liability

	HK$'000
Maturity analysis – contractual undiscounted cash flows	
Less than one year	4,660
One to five years	7,990
Total undiscounted lease liability at 31 December 2017	12,650
Lease liability included in other payables and accruals (note 14)	
– Current	4,332
– Non-current	7,687
	12,019

Amounts recognised in the statement of financial position

	HK$'000
At I January 2017	–
Recognition upon initial application of HKFRS 16 (note 2.2 (b))	16,994
Additions during the year	851
Interest charged to profit or loss	483
Payment during the year	(6,309)
At 31 December 20I7	12,019

Amounts recognised in consolidated profit or loss

	HK$'000
Interest on lease liability	483
Expenses relating to short-term leases	1,659
	2,142

Amounts recognised in the consolidated statement of cash flows	
Total cash outflow for leases	6,309

15. GOODWILL

	HK$'000
Cost at 1 January 2017, net of accumulated impairment	–
Acquisition of subsidiaries (note 33)	12,320
Carrying value at 31 December 2017	12,320
At 31 December 2017:	
Cost and net carrying amount	12,320

Impairment testing of goodwill and intangible assets with indefinite useful life

Goodwill acquired through business combinations and intangible assets with indefinite useful lives are allocated to the following cash-generating units ("CGU") for impairment testing:

- Money lending CGU;
- Fund management services CGU;
- Securities dealing CGU; and
- Asset management CGU

The carrying amounts of goodwill and intangible assets with indefinite useful lives are as follows:

	2017		2016
	Goodwill	**Intangible assets with indefinite useful lives**	Intangible asset with indefinite useful life
	HK$'000	HK$'000	HK$'000
Money lending CGU	**–**	**900**	900
Fund management services CGU	**8,436**	**–**	–
Securities dealing CGU	**2,602**	**10,500**	–
Asset management CGU	**1,282**	**5,700**	–
	12,320	**17,100**	900

15. GOODWILL *(Continued)*

Money lending CGU and Fund mangagement services CGU

The recoverable amounts of the money lending CGU and fund management CGU have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a one-year and five-year period, respectively.

The discount rate applied to the cash flow projections was 8% (2016: 13%) for money lending CGU and 8% (2016: nil) for fund management CGU.

Assumptions were used in the value in use calculation of the money lending and fund management services CGU on 31 December 2017 and 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill and intangible assets with indefinite useful lives.

Discount rates

The discount rates used are before tax and reflect specific risks relating to the relevant units.

Price Inflation

The inflation rates used are with reference to current market conditions.

Securities dealing CGU and asset management CGU

The recoverable amounts of the securities dealing and asset management CGUs have been determined based on fair value less costs of disposal of the underlying assets. The fair value of the intangible assets is classified under Level 3 in the fair value measurement hierarchy. During the year, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3. In the opinion of the directors, the valuation of the fair value of intangible assets were determined using a market approach with significant unobservable inputs, such as recent transaction price in the market.

16. INTANGIBLE ASSETS

	2017 HK$'000	2016 HK$'000
Cost at 1 January	**900**	–
Addition – separately acquired	**–**	900
Acquisition of subsidiaries (note 33)	**16,200**	–
At 31 December	**17,100**	900
Cost and net carrying amount	**17,100**	900

The intangible assets represent direct costs incurred for the acquisition of a money lenders licence and licences for regulated activities issued by the Hong Kong Securities and Futures Commission (collectively, "Licences"). The intangible assets are stated at cost less any impairment losses.

The Licences is considered by the directors of the Company as having indefinite useful lives because it is expected that the Licences can be renewed continuously at minimal cost and it will contribute net cash inflows for the Group in the foreseeable future. The Licences will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

The Licences are allocated to money lending CGU, securities dealing CGU and asset management CGU. Details of impairment testing are set out in note 15 to the consolidated financial statements.

17. AVAILABLE-FOR-SALE INVESTMENTS

	2017 **HK$'000**	2016 HK$'000
Unlisted equity investments, at cost	**2,713**	926

As at 31 December 2016, the available-for-sale investment represented the Group's investment in a 9.5% equity interest in Nan Guo International Securities Limited ("Nan Guo", formerly known as Tak Yun Wealth Management Company Limited). During the year, the Group acquired the remaining 90.5% equity interest in Nan Guo, thereby increasing the Group's interest in Nan Guo to 100%. Accordingly, the Group accounted for its investment in Nan Guo as a subsidiary and derecognised the carrying value of the related available-for-investment during the year. Further details of which are set out in note 33(a).

As at 31 December 2017, the available-for-sale investments represented the Group's investments in various unlisted equity investments in the PRC. The unlisted equity investments with an aggregate carrying amount of HK$2,713,000 were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

18. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 **HK$'000**	2016 HK$'000
Listed equity investment, at market value	**7,238**	10,528

The above equity investment was upon initial recognition, designated by the Group as financial asset at fair value through profit or loss.

19. INVENTORIES

	2017 **HK$'000**	2016 HK$'000
Finished goods	**20**	12

20. ACCOUNTS RECEIVABLE

	2017 **HK$'000**	2016 HK$'000
Trade receivables	**42,742**	51,408
Bills receivable	**686**	708
Fund management fee receivables	**7,991**	–
	51,419	52,116
Less: Impairment	**(242)**	(305)
	51,177	51,811

20. ACCOUNTS RECEIVABLE *(Continued)*

Trade and bills receivables

Trade and bills receivables relate to the Group's apparel trading and related services business. The Group's trading terms with its customers in apparel trading and related services business are mainly on credit. The credit periods generally range from 40 to 90 days (2016: 30 to 75 days). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables, as at the end of the reporting period, based on the invoice date, is as follows:

	2017 HK$'000	2016 HK$'000
Within 1 month	**25,260**	29,340
1 to 2 months	**8,333**	11,946
2 to 3 months	**8,080**	10,525
Over 3 months	**1,513**	–
	43,186	51,811

The movements in provision for impairment of trade and bills receivables are as follows:

	2017 HK$'000	2016 HK$'000
At 1 January	**305**	762
Impairment loss reversed (note 7)	**(63)**	(457)
At 31 December	**242**	305

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade and bills receivables of HK$242,000 (2016: HK$305,000) with a carrying amount before provision of HK$242,000 (2016: HK$305,000).

The individually impaired trade and bills receivables relate to a customer that was in financial difficulties.

20. ACCOUNTS RECEIVABLE *(Continued)*

Trade and bills receivables *(Continued)*

An ageing analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	2017	2016
	HK$'000	HK$'000
Neither past due nor impaired	**33,082**	41,169
Less than 1 month past due	**7,354**	10,642
1 to 3 months past due	**2,750**	–
	43,186	51,811

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Fund management fees receivables

Fund management fee receivables relate to the Group's fund management business and are due from investment funds in which the Group acts as the fund manager. Pursuant to the respective fund management agreements, the fund management fee shall be paid in advance at the beginning of each year. As at 31 December 2017, fund management fee receivables, based on the period in which services were rendered, of HK$820,000 (2016: nil) and HK$7,171,000 (2016: nil) were not yet due and less than 12 months past due, respectively. In the opinion of the Directors, no provision for impairment is necessary in respect of these balances as the underlying investments of the funds are financially healthy and continue to generate income. The balances are considered fully recoverable.

21. LOAN RECEIVABLE

	2017 HK$'000	2016 HK$'000
Loan receivable – unsecured	**16,275**	20,000

Loan receivable arising from the money lending business of the Group bears interest at a rate of 13% (2016: 13%) per annum. The Group did not hold any collateral or other credit enhancements over this balance.

The loan receivable as at 31 December 2017 and 2016, based on the payment due date, was neither past due nor impaired and relates to an independent borrower for whom there was no recent history of default.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Prepayments	**1,895**	983
Deferred expenses	**307**	774
Deposits	**3,087**	2,141
Deposit paid for an investment	**–**	1,200
Loan to a third-party manufacturer	**6,014**	5,936
Receivables from third-party manufacturers	**12,075**	35,358
Other assets	**205**	–
Other receivables	**1,401**	548
	24,984	46,940
Analysed into:		
Non-current portion	**6,219**	7,136
Current portion	**18,765**	39,804
	24,984	46,940

Other assets represented statutory deposits in respect of securities dealing business.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Receivables from third-party manufacturers arise when the Group purchases raw materials on behalf of the third-party manufacturers relating to the Group's apparel trading and related services business, and are unsecured, interest-free and repayable within one year. The settlement of which is usually by the relevant subcontracting fees payable by the Group to the third-party manufacturers.

Loan to a third-party manufacturer was provided for the enhancement of its production facilities. As at 31 December 2017 and 2016, the loan was secured by a property situated in Cambodia owned by the third-party manufacturer, subject to a guarantee given by an independent party to the Group, interest-free and repayable on 30 April 2020.

None of the above financial assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

23. CASH AND CASH EQUIVALENTS

	2017 **HK$'000**	2016 HK$'000
Cash and bank balances	**77,919**	49,286
Time deposits	**21,922**	–
Cash and cash equivalents	**99,841**	49,286

As at 31 December 2017, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$31,464,000 (2016: HK$1,262,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and ninety-three days depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

24. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017 HK$'000	2016 HK$'000
Within 1 month	12,304	14,260

The trade and bills payables are non-interest-bearing and are normally settled on an average term of 30 days.

25. OTHER PAYABLES AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Lease liability (note 14)	12,019	–
Other payables	6,451	2,564
Accruals	9,877	14,528
Deferred income	–	1,753
	28,347	18,845
Analysed into:		
Non-current portion	8,100	387
Current portion	20,247	18,458
	28,347	18,845

Other payables are non-interest-bearing and are normally settled within one year.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017			2016		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Finance lease payable (note 27)	**5.00**	**2018**	**82**	5.00	2017	72
Other loan – unsecured	**5.00**	**2018**	**3,000**	–	–	–
Loan from a shareholder – unsecured	**5.00**	**2018**	**2,500**	–	–	–
Trade finance loans – secured	**3.64**	**2018**	**2,102**	3.34	2017	12,088
			7,684			12,160
Non-current						
Finance lease payable (note 27)	**5.00**	**2019**	**86**	5.00	2018-2019	156
			86			156
			7,770			12,316

Notes:

(a) Certain of the Group's bank and other loans were secured by:

(i) certain security deposits placed to banks by a director of a subsidiary of the Group;

(ii) personal guarantees given by a director of a subsidiary of the Group;

(iii) corporate guarantees given by certain subsidiaries of the Group;

(iv) a promissory note executed by a subsidiary of the Group and a director of a subsidiary of the Group of HK$75,000,000; and

(v) certain properties pledged by a director of a subsidiary of the Group.

(b) Except for trade finance loans of HK$2,102,000 (2016: HK$12,088,000) and finance lease payable of HK$168,000 (2016: HK$228,000) which are denominated in United States dollar ("US$") and RMB, respectively, all other loans are denominated in HK$.

27. FINANCE LEASE PAYABLE

The Group leases certain of its office equipment. This lease is classified as a finance lease and has a remaining lease term of two (2016: three) years.

As at 31 December 2017, the total future minimum lease payments under a finance lease and its present value was as follows:

	Minimum lease payments 2017 HK$'000	Minimum lease payments 2016 HK$'000	**Present value of minimum lease payments 2017 HK$'000**	Present value of minimum lease payments 2016 HK$'000
Amounts payable:				
Within one year	**88**	82	**82**	72
In the second year	**88**	82	**86**	76
In the third to fifth years, inclusive	**–**	82	**–**	80
Total minimum finance lease payments	**176**	246	**168**	228
Future finance charges	**(8)**	(18)		
Total net finance lease payables	**168**	228		
Portion classified as current liabilities (note 26)	**(82)**	(72)		
Non-current portion (note 26)	**86**	156		

28. BOND PAYABLE

	2017 HK$'000	2016 HK$'000
Unlisted bond repayable within five years	**80,000**	–

At the end of the reporting period, the particulars of the straight bond issued by the Company to a company indirectly wholly-owned by a substantial shareholder of the Company is as follows:

Issue date	Maturity from issue date	Coupon rate	Effective interest rate	Principal outstanding 2017 HK$'000	Principal outstanding 2016 HK$'000
30 October 2017	23 months	8%	7.95%	**80,000**	–

The bond is unsecured and contains no conversion features.

29. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

	Depreciation allowance in excess of related depreciation HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Intangible asset HK$'000	Total HK$'000
At 1 January 2016	53	–	–	53
Deferred tax charged to the consolidated statement of profit or loss during the year (note 10)	3	–	149	152
At 31 December 2016 and 1 January 2017	56	–	149	205
Deferred tax charged to the consolidated statement of profit or loss during the year (note 10)	70	–	–	70
Acquisitions of subsidiaries (note 33)	29	2,674	–	2,703
At 31 December 2017	155	2,674	149	2,978

29. DEFERRED TAX LIABILITIES *(Continued)*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2017, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$439,000 at 31 December 2017 (2016: nil).

As at 31 December 2017, the Group had tax losses arising in Hong Kong of HK$12,954,000 (2016: HK$8,060,000), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. As at 31 December 2017, the Group also has tax losses arising in the PRC and Cambodia of approximately HK$18,000 (2016: HK$1,156,000) and HK$6,574,000 (2016: HK$2,179,000), respectively, subject to the agreement by relevant tax authorities, that are available for offsetting against future taxable profits of the respective subsidiaries in which the losses arose for a maximum of five years.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

30. SHARE CAPITAL

Shares

	2017	2016
	HK$'000	HK$'000
Authorised:		
1,000,000,000 (2016: 1,000,000,000) shares of HK$0.01 each	**10,000**	10,000
Issued and fully paid:		
480,000,000 (2016: 480,000,000) shares of HK$0.01 each	**4,800**	4,800

31. RESERVES

The amounts of the Group's reserves and the movements therein for current and prior years are presented in the consolidated statement of changes in equity on page 84 of the consolidated financial statements.

(a) Capital reserve

The capital reserve represents (i) capital contribution of HK$9,000,000 from shareholders pursuant to a deed of undertaking dated 26 March 2014; and (ii) capital contribution of HK$1,071,000 from shareholders to a subsidiary.

(b) Legal reserve

The legal reserve represents the transfer of the profit generated from a subsidiary incorporated in Macao from retained profits to the legal reserve in accordance with article 377 of the Macao Commercial Code until the legal reserve balance reaches half of the capital of the relevant subsidiary. This legal reserve is not distributable.

(c) Merger reserve

The merger reserve represents the aggregate of the nominal value of the paid-up capital of the subsidiaries acquired pursuant to a reorganisation in connection with the listing of the Company's shares in the prior years.

32. A PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's non-wholly owned subsidiary, Hunan Huiyin Tianxing, which was acquired by the Group as to 51% during the year and has material non-controlling interests are set out below:

	2017
Percentage of equity interest held by non-controlling interests	**49%**

	2017 **HK$'000**
Profit for the year allocated to non-controlling interests	**161**
Accumulated balances of non-controlling interests at the reporting date	**20,816**

The following table illustrates the summarised financial information of Hunan Huiyin Tianxing. The post-acquisition amounts disclosed are before any inter-company eliminations:

	HK$'000
For the year ended 31 December 2017	
Revenue and other income	**2,553**
Total expenses	**(2,224)**
Profit for the year	**329**
Other comprehensive income for the year	**457**
Total comprehensive income for the year	**786**
Net cash flows used in operating activities	**(2,454)**
Net cash flows used in investing activities	**(71)**
Net cash flows from financing activities	**29,395**
Net increase in cash and cash equivalents	**26,870**
As at 31 December 2017	
Current assets	**42,942**
Non-current assets	**3,425**
Current liabilities	**(3,887)**

33. BUSINESS COMBINATIONS

As part of the Group's strategy to diversify its operations into the financial services sector which includes but not limited to the provision of financing, brokerage, asset management, investment management services and securities investments, the Group completed the following acquisitions during the year. In the opinion of the Directors, the goodwill arising from the following acquisitions represents the expected synergy for building an all-rounded financial services platform.

(a) Acquisition of Nan Guo International Securities Limited

In the prior year, the Group acquired a 9.5% equity interest in Nan Guo, a company incorporated in Hong Kong and licensed with Type 1 (Dealing in Securities) licence by the SFC for a consideration of HK$926,000. The Group's investment therein was accounted for as an available-for-sale investment.

On 20 January 2017, the Group signed a sale and purchase agreement ("Nan Guo SP Agreement") with an independent third party to purchase the remaining 90.5% equity interest in Nan Guo at an aggregate consideration of HK$8.8 million which is subject to adjustments pursuant to the terms and conditions of the Nan Guo SP Agreement, including among others, adjusted net assets of Nan Guo. The transaction was completed on 31 October 2017 and the final cash consideration for the 90.5% equity interest in Nan Guo was HK$14,687,000. Nan Guo is primarily engaged in provision of securities brokerage services.

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

	Fair value recognised on acquisition HK$'000
Property, plant and equipment	134
Intangible asset	10,500
Prepayments, deposits and other receivables	306
Cash and cash equivalents	4,190
Trade payables	(6)
Other payables and accruals	(8)
Deferred tax liabilities	(1,762)
	13,354
Goodwill on acquisition	2,602
	15,956
Satisfied by:	
Cash	14,687
Fair value of 9.5% equity interest previously held*	1,269
	15,956

* The Group remeasured the fair value of its 9.5% equity interest previously held at the completion date on 31 October 2017 and recognised the resulting gain of HK$248,000 on the remeasurement of the Group's pre-existing interest in Nan Guo to acquisition date fair value.

33. BUSINESS COMBINATIONS *(Continued)*

(a) Acquisition of Nan Guo International Securities Limited *(Continued)*

The Group incurred transaction costs of approximately HK$280,000 for the acquisition of Nan Guo. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

None of the goodwill recognised is expected to be deductible for income tax purposes.

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

	HK$'000
Cash consideration	(14,687)
Cash and cash equivalents acquired	4,190
Net outflow of cash and cash equivalents included in cash flows from investing activities	(10,497)

Since acquisition, Nan Guo did not generate any revenue and contributed loss of approximately HK$507,000 to the consolidated loss for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year ended 31 December 2017 would have been approximately HK$259,111,000 and HK$45,055,000, respectively.

(b) Acquisition of Benington Capital Limited

On 15 February 2017, the Group entered into a sale and purchase agreement ("Benington SP Agreement") with an independent third party, to acquire a 100% equity interest in Benington for an aggregate consideration of HK$6.0 million which is subject to adjustments pursuant to the terms and conditions of the Benington SP Agreement, including among others, adjusted net assets of Benington. The transaction was completed on 31 October 2017 and the final consideration was HK$6.7 million. Benington is a company incorporated in Hong Kong and licensed with Type 4 (Advising on Securities) licence and Type 9 (Asset Management) licence by the SFC. It is principally engaged in provision of asset management and advisory services.

33. BUSINESS COMBINATIONS *(Continued)*

(b) Acquisition of Benington Capital Limited *(Continued)*

The fair values of the identifiable assets and liabilities of Benington acquired at the acquisition date as follows:

	Fair value recognised on acquisition
	HK$'000
Property, plant and equipment	6
Intangible asset	5,700
Prepayments and deposits	60
Cash and cash equivalents	599
Other payables and accruals	(1)
Deferred tax liabilities	(941)
	5,423
Goodwill on acquisition	1,282
Satisfied by cash	6,705

The Group incurred transaction costs of approximately HK$280,000 for the acquisition of Benington. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

None of the goodwill recognised is expected to be deductible for income tax purposes.

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

	HK$'000
Cash consideration	(6,705)
Decrease in deposits and other receivables for consideration paid in prior year	1,200
Cash and cash equivalents acquired	599
Net outflow of cash and cash equivalents included in cash flows from investing activities	(4,906)

Since the acquisition, Benington contributed HK$60,000 to the Group's revenue and loss of HK$317,000 to the consolidated loss for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year ended 31 December 2017 would have been approximately HK$259,570,000 and HK$43,939,000.

33. BUSINESS COMBINATIONS *(Continued)*

(c) Acquisition of Hunan Huiyin Tianxing Private Equity Investment Fund Management Co. Ltd.

On 27 April 2017, the Group entered into a capital contribution agreement with the existing shareholders of Hunan Huiyin Tianxing whereby the Group agreed to inject RMB25 million (equivalent to approximately HK$29.7 million) into Hunan Huiyin Tianxing in exchange for a 51% equity interest of the enlarged capital therein. One of the existing shareholders is an indirectly wholly-owned subsidiary of a substantial shareholder of the Company. The transaction was completed on 10 November 2017. Hunan Huiyin Tianxing is principally engaged in investment management services.

The fair values of the identifiable assets and liabilities of Hunan Huiyin Tianxing as at the date of acquisition were as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment	745
Available-for-sale investments	2,685
Accounts receivable	5,409
Prepayments and deposits	130
Cash and cash equivalents	36,377
Other payables and accruals	(2,939)
Tax payables	(712)
Non-controlling interests	(20,431)
	21,264
Goodwill on acquisition	8,436
Satisfied by cash	29,700

The fair value of the accounts receivable as at the date of acquisition amounted to approximately HK$5,409,000. The gross contractual amount of accounts receivable was approximately HK$5,409,000, which are expected to be collectible.

The Group incurred transaction costs of approximately HK$352,000 for the acquisition of Hunan Huiyin Tianxing. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

None of the goodwill recognised is expected to be deductible for income tax purposes.

33. BUSINESS COMBINATIONS *(Continued)*

(c) Acquisition of Hunan Huiyin Tianxing Private Equity Investment Fund Management Co. Ltd. *(Continued)*

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

	HK$'000
Cash consideration	(29,700)
Cash and cash equivalents acquired	36,377
Net inflow of cash and cash equivalents included in cash flows from investing activities	6,677

Since the acquisition, Hunan Huiyin Tianxing contributed approximately HK$2,516,000 to the Group's revenue and profit of approximately HK$329,000 to the consolidated loss for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue and the consolidated loss of the Group for the year ended 31 December 2017 would have been approximately HK$276,437,000 and approximately HK$35,767,000, respectively.

34. PLEDGE OF ASSETS

Details of the Group's bank and other borrowings, which are secured by the assets of the Group, are included in 26 to the consolidated financial statements.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

During the year, the Group recognised the right-of-use assets and the corresponding lease liability upon initial application of HKFRS 16, in respect of the rights and obligations for using the leased premises, with aggregate amounts of HK$17,406,000 and HK$17,845,000, respectively.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Changes in liabilities arising from financing activities

	Trade finance loans	Finance lease payable	Loans from a third party/ shareholder	Unlisted bond	Lease liability
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017	12,088	228	–	–	–
Changes from financing cash flows	(10,159)	(85)	–	–	(6,309)
Interest expense	173	10	–	–	483
Effect of change in accounting policy (note 2.2(b))	–	–	–	–	16,994
New leases entered during the year	–	–	–	–	851
New borrowings	–	–	5,500	80,000	–
Foreign exchange movement	–	15	–	–	–
At 31 December 2017	2,102	168	5,500	80,000	12,019

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group sub-leased a property under an operating lease arrangement, with a lease negotiated for a term of two years (2016: nil).

As at the end of the reporting period, the Group had total future minimum lease receivables under a non-cancellable operating lease with its tenant falling due as follows:

	2017	2016
	HK$'000	HK$'000
Within one year	**504**	–
In the second to fifth years, inclusive	**126**	–
	630	–

36. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

The Group leases certain of its office premises and staff quarter under operating lease arrangements. The leases are negotiated for terms ranging from six months to three years (2016: one to five years). Certain leases are cancellable with notice periods ranging from one to three months.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases failing due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	**200**	5,547
In the second to fifth years, inclusive	**–**	2,876
	200	8,423

Following the Company election to early adopt HKFRS 16, the Company recognised lease liability for all leases with a term of more than twelve months. The resulting impact on the consolidated statement of profit or loss and the consolidated statement of cash flows are disclosed in note 14 to the consolidated financial statements.

37. COMMITMENT

In addition to the operating lease commitments detailed in note 36 above, the Group had the following capital commitment at the end of the reporting period:

	2017 HK$'000	2016 HK$'000
Contracted, but not provided for:	**–**	790

38. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following significant transactions with related parties during the year:

	Notes	**2017 HK$'000**	2016 HK$'000
Rental expense paid to Action Win Industries Limited	(i)	**–**	787
Rental expense paid to Liu & Cheng (Cambodia) Limited	(ii)	**–**	212
Interest expense payable to Kapok Spirit Investment Limited ("Kapok Spirit")	(iii)	**1,054**	–
Interest expense payable to Mr. Lai Leong	(iv)	**23**	–

38. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

Notes:

(i) In prior year, rental expense was paid to Action Win Industries Limited, which is controlled by Mr. Liu Ying Yin, James ("Mr. Liu"), for leases of an office premises and a warehouse located in Hong Kong and the monthly rentals charged were increased from HK$27,000 to HK$36,000 with effect from 1 January 2016 and from HK$35,000 to HK$37,000 with effect from 1 June 2016, respectively. Mr. Liu resigned as an executive director of the Company on 29 November 2016 and this transaction ceased to be a related party transaction.

(ii) In prior year, rental expense was paid to Liu & Cheng (Cambodia) Limited, which is controlled by Mr. Liu and Mr. Cheng Lap Yin ("Mr. Cheng"), for a lease of office located in Cambodia and was charged at a monthly rental of US$2,500 (approximately HK$19,000). Mr. Liu and Mr. Cheng resigned as executive directors of the Company on 29 November 2016, this transaction ceased to be a related party transactions.

(iii) The interest expense on bond payable was paid to Kapok Spirit, a company indirectly wholly-owned by a substantial shareholder of the Company. Details of which are included in note 28 to the consolidated financial statements.

(iv) The interest expense on a shareholder's loan was paid to Mr. Lai Leong. Details of the shareholder's loan are included in note 26 to the consolidated financial statements.

The related party transactions in respect of item (iii) and (iv) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules for the year ended 31 December 2017.

(b) Compensation of key management personnel of the group

	2017 **HK$'000**	2016 HK$'000
Short term employee benefits	**9,001**	9,228
Post-employment benefits	**67**	73
Total compensation paid to key management personnel	**9,068**	9,301

Further details of directors' emoluments are included in note 8 to these consolidated financial statements.

39. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

31 December 2017

	Financial assets at fair value through profit or loss – designated as such upon initial recognition HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	**–**	**–**	**2,713**	**2,713**
Accounts receivable	**–**	**51,177**	**–**	**51,177**
Loan receivable	**–**	**16,275**	**–**	**16,275**
Financial assets included in prepayments, deposits and other receivables	**–**	**22,782**	**–**	**22,782**
Equity investment at fair value through profit or loss	**7,238**	**–**	**–**	**7,238**
Cash and cash equivalents	**–**	**99,841**	**–**	**99,841**
	7,238	**190,075**	**2,713**	**200,026**

31 December 2016

	Financial assets at fair value through profit or loss – designated as such upon initial recognition HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investment	–	–	926	926
Accounts receivable	–	51,811	–	51,811
Loan receivable	–	20,000	–	20,000
Financial assets included in prepayments, deposits and other receivables	–	43,983	–	43,983
Equity investment at fair value through profit or loss	10,528	–	–	10,528
Cash and cash equivalents	–	49,286	–	49,286
	10,528	165,080	926	176,534

39. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost	
	2017	2016
	HK$'000	HK$'000
Trade and bills payables	**12,304**	14,260
Financial liabilities included in other payables and accruals	**20,897**	2,564
Interest-bearing bank and other borrowings	**7,770**	12,316
Bond payable	**80,000**	–
	120,971	29,140

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amount and fair value of the Group's financial instrument, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amount		Fair value	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial asset				
Equity investment at fair value through profit or loss	**7,238**	10,528	**7,238**	10,528

Management has assessed that the fair values of accounts receivable, loan receivable, the current portion of financial assets included in prepayments, deposits and other receivables, cash and cash equivalents, trade and bills payables, the current portion of financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, interest-bearing other borrowing and bond payable have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing other borrowing and bond payable as at 31 December 2017 was assessed to be insignificant. In the opinion of the directors, their carrying amounts are not significantly different from their respective fair values.

The fair value of listed equity investment is based on quoted market price.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS
(Continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instrument:

Asset measured at fair value:

	2017 **HK$'000**	2016 HK$'000
Fair value measurement using quoted prices in active markets (Level 1)		
– Equity investment at fair value through profit or loss	**7,238**	10,528

The Group did not have any financial liabilities measured at fair values as at the end of the reporting period.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2016: nil).

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and interest-bearing bank and other borrowings and bond payable. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as available-for-sale investments, equity investment at fair value through profit or loss, accounts receivable, loan receivable, financial assets included in prepayments, deposits and other receivables, trade and bills payables and financial liabilities included in other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The directors review and agree policies for managing each of these risks and they are summarised below:

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates incurred for trade finance. The Group reviews interest rate risk regularly and monitors closely the fluctuation of interest rates and will make proper adjustment if necessary.

For United States dollar floating-rate bank borrowings, a 50 basis point increase/decrease in interest rates, with all other variables held constant, at 31 December 2017 and 2016 would have increased/decreased the Group's loss before tax by approximately HK$11,000 (2016: approximately HK$60,000).

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group has currency exposure as certain income earned and expenses incurred in Mainland China were denominated in RMB.

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of RMB against US$ may have impact on the operating results of the Group.

The Group has not entered into any hedging arrangement as the foreign currency risk is considered not material. The management has monitored the Group's foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

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

Credit risk

The accounts receivable and loan receivable balances included in the consolidated statement of financial position of the Group represent the Group's maximum exposure to credit risk in relation to the Group's accounts receivable and loan receivable.

The Group has certain concentration of credit risk in relation to accounts receivable arising from apparel trading and related services business and fund management services as the accounts receivable due from the Group's largest debtor and the five largest debtors accounted for a material proportion of the Group's accounts receivable as at 31 December 2017 and 2016 which is set out as follows:

	2017	2016
	%	%
Largest customers	**30.7**	55.2
Five largest customers	**92.9**	99.7

At the end of the reporting period, the Group also had concentration of credit risk of a loan receivable as 100% of the Group's loan receivable was due from a borrower.

The Group performs ongoing credit evaluations of its debtors' financial conditions. The allowance for doubtful debts is based on a review of the expected collectability of all accounts receivable and loan receivable.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, financial assets included in prepayments, deposits and other receivables, equity investment at fair value through profit or loss and available-for-sale investments arises from default of the counterparties, with a maximum exposure equal to the carrying amount of these financial assets in the consolidated statement of financial position. The Group seeks to maintain strict control over its outstanding receivables and has its credit control policy to minimise the credit risks. In addition, all receivable balances are monitored on an ongoing basis and overdue balances are followed up by senior management. Accordingly, the Group's exposure to bad debts is not significant.

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

Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

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

	2017			
	On demand HK$'000	**Within 1 year HK$'000**	**1 to 5 years HK$'000**	**Total HK$'000**
Trade and bills payables	**–**	**12,304**	**–**	**12,304**
Financial liabilities included in other payables and accruals	**–**	**13,538**	**7,990**	**21,528**
Interest-bearing bank and other borrowings (note)	**2,102**	**5,725**	**88**	**7,915**
Bond payable	**–**	**–**	**92,267**	**92,267**
	2,102	**31,567**	**100,345**	**134,014**

	2016			
	On demand HK$'000	Within 1 year HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade and bills payables	–	14,260	–	14,260
Financial liabilities included in other payables and accruals	–	2,564	–	2,564
Interest-bearing bank and other borrowings (note)	12,088	82	164	12,334
	12,088	16,906	164	29,158

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

Liquidity risk *(Continued)*

Note:

Included in the above interest-bearing bank and other borrowings are trade finance loans with an aggregate carrying amount of HK$2,102,000 (2016: HK$12,088,000). The loan agreements contain a repayment on demand clause giving to the bank the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "repayment on demand".

In accordance with the terms of the loans which contain a repayment on demand clause, the maturity profile of those loans as at the end of the reporting period, based on contractual undiscounted payment and ignoring the effect of any repayment on demand clause, is as follows:

	2017 HK$'000	2016 HK$'000
Within one year	**2,115**	12,154

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from an individual listed equity investment classified as financial asset at fair value through profit or loss (note 18) as at 31 December 2017. The Group's listed investment is listed on the Stock Exchange and is valued at quoted market prices at the end of the reporting period.

The market equity index for the Stock Exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and its respective highest and lowest points during the year were as follows:

	31 December 2017	**High/low 2017**	31 December 2016	High/low 2016
Hong Kong – Hang Seng Index	**29,919**	**30,003/22,134**	22,001	24,364/18,278

The following table demonstrates the sensitivity to every 20% change in fair value of the equity investment, with all other variables held constant and before any impact on tax, based on its carrying amount at the end of the reporting period.

	Carrying amount of equity investment HK$'000	**Changes in loss before tax** HK$'000
31 December 2017		
Investment listed in Hong Kong	7,238	1,448
31 December 2016		
Investment listed in Hong Kong	10,528	2,106

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

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or bond. The Group is required to comply with certain externally imposed capital requirements set out in certain of its banking facility agreements. Additionally, certain subsidiaries engaged in securities dealing and asset management, which are regulated entities under the SFC are required to comply with respective minimum capital requirements imposed by the SFC. During the year, these subsidiaries complied with respective minimum capital requirements imposed by the SFC. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2016.

The Group monitors capital on the basis of a gearing ratio. The ratio is calculated by dividing the total debts by total equity attributable to owners of the parent. Total debts are defined to include all borrowings and payables incurred not in the ordinary course of business. Accordingly, the gearing ratio (being the sum of bond payable, finance lease payable, other loan and, loan from a shareholder divided by the equity attributable to the owners of the parent) was 99.0% (2016: 0.2%) at the end of the reporting period.

42. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group has the following significant subsequent events:

(a) On 17 January 2018, the Group acquired a 49% equity interest in 湖南國開鐵路建設私募基金管理有限公司 (Hunan Guokai Railway Development Private Equity Fund Management) Company Limited) ("Hunan Guokai") from an independent third party for a consideration of RMB1,450,000 (equivalent to HK$1,668,000). Hunan Guokai is principally engaged in management of private equity fund investing in railway construction, management of proprietary investments in assets (including equity) and investment consultancy services.

Because the acquisition of Hunan Guokai was effected shortly before the date of approval of these consolidated financial statements, it is not practicable to disclose further details about the acquisition.

(b) The Group entered into a subscription agreement with GF Investments (Hong Kong) Company Limited, in relation to the issuance of 2 notes payable (the "Notes") by the Company with an aggregate principal amount of HK$230,000,000, at interest rate of 7.5% per annum. The Notes with principal amounts of HK$180,000,000 and HK$40,000,000 were issued on 24 January 2018 and 14 February 2018 and have maturity on the date falling 720 days from the date of drawdown.

(c) The Group advanced 2 loans, in aggregate of HK$220,000,000, to two independent third parties in January and February 2018. The loans bear interests at 10% or 12% per annum and is secured by share charge over unlisted companies and/or floating charge over property and/or assets of borrower, where appropriate. The loans are repayable in six months from the date of drawdown.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 **HK$'000**	2016 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**4**	1
CURRENT ASSETS		
Prepayments and other receivables	**387**	353
Due from subsidiaries	**114,757**	49,858
Cash and cash equivalents	**138**	193
Total current assets	**115,282**	50,404
CURRENT LIABILITIES		
Other payables and accruals	**3,096**	2,114
Due to a subsidiary	**5**	–
Total current liabilities	**3,101**	2,114
Net current assets	**112,181**	48,290
TOTAL ASSETS LESS CURRENT LIABILITIES	**112,185**	48,291
NON-CURRENT LIABILITY		
Bond payable	**80,000**	–
Net assets	**32,185**	48,291
EQUITY		
Issued capital	**4,800**	4,800
Reserves (note)	**27,385**	43,491
Total equity	**32,185**	48,291

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

Note:

A summary of the Company's reserves is as follows:

	Share premium HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2016	48,873	1,488	(15,797)	34,564
Profit and total comprehensive income for the year	–	–	8,927	8,927
At 31 December 2016 and 1 January 2017	48,873	1,488	(6,870)	43,491
Loss and total comprehensive loss for the year	–	–	(16,106)	(16,106)
At 31 December 2017	**48,873**	**1,488**	**(22,976)**	**27,385**

44. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 26 March 2018.