

# China Gem Holdings Limited 中國中石控股有限公司

(Incorporated in Bermuda with limited liability)  
(Stock Code: 1191)



## 2017 ANNUAL REPORT

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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. Liu Jieshan, *Chairman*  
Mr. Cui Lei, *Chief Executive*  
Mr. Yang Huaijun, *Vice Chief Executive*  
Mr. Han Litie, *Chief Financial Officer*

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Shiming  
Mr. Su Xihe  
Mr. Wong Wai Chun Alex

## BOARD COMMITTEES

### Audit Committee

Mr. Wu Shiming (*Chairman*)  
Mr. Su Xihe  
Mr. Wong Wai Chun Alex

### Remuneration Committee

Mr. Wu Shiming (*Chairman*)  
Mr. Su Xihe  
Mr. Wong Wai Chun Alex

### Nomination Committee

Mr. Liu Jieshan (*Chairman*)  
Mr. Wu Shiming  
Mr. Su Xihe  
Mr. Wong Wai Chun Alex

### Executive Committee

Mr. Cui Lei (*Chairman*)  
Mr. Liu Jieshan  
Mr. Yang Huaijun  
Mr. Han Litie

## COMPANY SECRETARY

Mr. Liu Wai Kin

## AUTHORISED REPRESENTATIVES

Mr. Cui Lei  
Mr. Liu Wai Kin

## AUDITOR

BDO Limited  
Certified Public Accountants  
25/F., Wing On Centre  
111 Connaught Road Central  
Hong Kong

## PRINCIPAL BANKERS

Bank of Communications Co., Ltd.  
Chiyu Banking Corporation Ltd.

## LEGAL ADVISERS

*On Bermuda Law*  
Conyers Dill & Pearman  
2901 One Exchange Square  
8 Connaught Place, Central  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08  
Bermuda

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2606B, 26/F.  
Bank of America Tower  
12 Harcourt Road  
Central, Hong Kong

## WEBSITE

[www.1191hk.com](http://www.1191hk.com)

## STOCK CODE

1191

# LETTER TO SHAREHOLDERS

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report of China Gem Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the seventeen months ended 31 December 2017 (the "Reporting Period").

## REVIEW OF RESULTS

Under the complicated and constantly changing macro-economic environment, the group generated additional revenue through the linkage between domestic and overseas business, fully explored the synergy and interconnection by diversifying its business.

For the seventeen months ended 31 December 2017, the Group's total revenue from its principal business was approximately HK\$109,933,000 representing an increase of 1,026% compared with last year, of which the revenue was related to money lending, license and financial services business, fund investment and property investment.

## PROSPECTS

Our group will adhere to the business philosophy of "Professionalism, Dedication, Devotion" and "Customer First, Efficiency Priority, Synergic Development, Pursuit of Excellence", actively seize the development opportunities made available by the "One Belt, One Road" initiative, and continue to focus on the existing business while at the same time exploring new operations.

We expect to make meaningful progress in year 2018 toward to a stable growth targets. We are committed to do everything we can to deliver consistent, reliable, balanced and sustainable growth and value creation for you and our shareholders.

## APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to our shareholders for the trust and support. I would also like to express my gratitude to our management team and all staff for their dedication and contributions in the execution of the Group's strategies and operations during the Reporting Period.

**Mr. Liu Jieshan**  
*Chairman*

Hong Kong, 29 March 2018

# MANAGEMENT DISCUSSION AND ANALYSIS

## I. BUSINESS REVIEW

### (1) Money Lending

Revenue in this segment was approximately HK\$6,780,000 during the seventeen months ended 31 December 2017 (year ended 31 July 2016: HK\$5,497,000). The revenue was mainly attributed to the money-lending business through the provision of corporate loans and personal loans to the borrowers who have been carefully evaluated by the Group on their repayment capabilities and securities pledged.

### (2) License and Financial Service Business

Subsequent to the completion of the acquisition of a licensed corporation with type 4 (advising on securities) and type 9 (asset management) regulated activities, the Group has been formulating its business model and strategies of the licensed corporation. Furthermore, during the Reporting Period, the Group introduced a number of senior executives with experience and knowledge in investment banking and corporate financing. Such executives could provide customers with financial services such as corporate development strategy consulting, fund administrative management, project management consulting etc, using their extensive professional knowledge, customer resource and channel resource.

For the seventeen months ended 31 December 2017, the Group completed three single businesses in its license and financial service business and achieved a business income of approximately HK\$82,756,000.

### (3) Strategic financial investment

In order to increase the efficiency of the use of the funds of the Company and match the resources with the business, the Group seizes opportunities in fund investment, efficiently and fully utilizes the financial resources of the Group, utilizes the professional advantages, talent advantages and management advantages of the fund companies, and makes portfolio investments through the subscription of private equity funds to spread risks, aiming to earn a higher return on investment. The Group will carefully consider the investment objective of the investment fund, the management experience and skills and the track record performance of the management team of the investment fund and the general partner, and the reasonable management fee of the general partner.

The investment targets include high yield private bonds, private equity investments, other convertible bonds, debt instruments, etc., the maturity of which are mostly more than two years and have no open market.

During the Reporting Period, the Group invested a total of approximately HK\$595,255,000 in five private equity funds established by five independent third parties and achieved an income of approximately HK\$15,491,000.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (4) Property Development

Revenue in this segment was derived from property development and leasing of properties. During the Reporting Period, the Group recorded the rental, management and related fee income of approximately HK\$4,906,000 (year ended 31 July 2016: HK\$4,268,000). The fair value of investment properties decreased by approximately HK\$17,051,000 (year ended 31 July 2016: loss of HK\$5,124,000). It was mainly attributable to a loss arising from change in fair value of investment properties located in Shunde, Guangdong Province, the PRC. The Group engaged an external valuer to perform the valuation on the properties in the Reporting Period. The decrease in fair value of investment properties was due to the adjustment of the plot ratio of the land parcel.

### Open Offer

On 24 October 2014, the Company and Kingston Securities Limited entered into an underwriting agreement in relation to the issue of shares by way of an open offer of 1,498,086,665 offer shares at the subscription price of HK\$0.10 per offer share on the basis of one offer share for every one share held by the qualifying shareholders of the Company (the "Shareholders") on the record date (the "Open Offer"). The Open Offer was completed on 3 February 2015. The Group intended to apply the net proceeds from the Open Offer as to (a) approximately HK\$55 million for the money lending business that the Group is tapping into; (b) approximately HK\$75 million for any potential business opportunities in the property development and/or property investment business and/or financial services business (if not utilised, for the money lending business to be developed by the Group); (c) approximately HK\$16 million as working capital of the Group.

The actual use of the net proceeds from the Open Offer up to 31 December 2017 has been utilised in the following manner: (a) used for money lending business; and (b) used as intended.

### Placing of new shares under general mandate

Pursuant to a placing agreement dated 19 September 2016 entered into between the Company and Kingston Securities Limited (the "Placing Agent"), the Placing Agent agreed to place up to 599,200,000 new shares at placing price HK\$0.25 per share to not less than six placees, who are professionals, institutional and/or other investor(s) who are third parties independent of and are not connected with the Company and its connected persons. The aforesaid placing was completed on 6 October 2016 and the net proceeds from the placing amounted to approximately HK\$145,905,000 (the "Placing").

The proceeds were intended to be utilised for the money-lending business and financial services business of the Group. Details of the Placing are set out in the Company's announcements dated 19 September 2016 and 6 October 2016. During the Reporting Period, the Company has been identifying the opportunities for financial services business. The Company reserved about HK\$45 million for the development of money-lending business and the financial services business.

On 18 May 2017, the Board identified a financial investment opportunity and used about HK\$100 million in the fund subscription. The Board believed the fund subscription would enable the Group to capture more investment opportunities and further diversify the Group's investment portfolio. The fund subscription was also in alignment with the Group's expansion plan on carrying out financial investments by investing in high yield equity and debt products to maximise the long-term investment return of the Group. The Directors considered that such change in the use of the unutilised proceeds was a more efficient and effective deployment of the Group's financial resources were in the best interests of the Group and the Shareholders as a whole.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Note Purchase Agreement

On 3 November 2017, the Company, as the note issuer, entered into a note purchase agreement (the "Agreement") with Prosper Talent Limited (the "Investor"), a wholly-owned subsidiary of CCB International (Holdings) Limited, in relation to 8% per annum, two-year notes in an aggregate principal amount of up to HKD180,000,000 (the "Notes"). China Gem Financial Group Limited, a substantial shareholder of the Company, charged 359,537,333 shares of the Company in favour of the Investor as security for the Notes. The purpose of the Notes is for funding the general working capital of the Company and its subsidiaries and project investments. The Notes are repayable on the maturity date falling immediately before the second anniversary of the date of issue of the Notes.

## Facility Agreement

On 7 November 2017, the Company, as the borrower, entered into a facility agreement with China Huarong International Holdings Limited as the lender in relation to a 9.7% per annum, five-year loan facility in an aggregate principal amount of up to US\$60,000,000 (the "Facility"). The purpose of the Facility is for funding the general working capital of the Company and its subsidiaries.

## II. FUTURE PLANS

Looking forward, the Group will continue to focus on the development of money lending, license and financial service business, fund investment and property development. Under the complicated and constantly changing macro-economic environment, the Group will adhere to the business philosophy of "Professionalism, Dedication, Devotion" and "Customer First, Efficiency Priority, Synergic Development, Pursuit of Excellence", and will be characterized by "Internationalized", "Funded", "Structured" and "Professional" in its business operation. The Group will fully explore the synergy and interconnection between our existing business segments, and actively seize the development opportunities made available by the "One Belt, One Road" initiative, aiming to promote the overall development of the business of the Company. The Board and management of the Company believe that, with a clear position, a team of professionals and effective execution capabilities, the Company will continue to enhance its core competitiveness and overall profitability to create greater value for the shareholders.

### (1) Money Lending

In the current economic environment and outlook, the Group will take a cautious approach in growing its loan book and in its assessment of the quality of any collateral that may be available from potential borrowers. In addition, we continue to refine our credit policy when granting loans to our customers. The aforementioned prudent measures helped the Group to maintain the overall credit quality of the loan portfolios.

In 2017, the economy of Hong Kong showed remarkable growth and continued a strong momentum from 2016. We projected that the Hong Kong's economy will maintain its growth potential in 2018, the Group will deem a pertinent time to expand the product scope to suit the everchanging needs for the prospective customers. The Group also targets to enlarge market share and segments in the money lending industry.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (2) License and Financial Service Business

For license business, in 2018, the Group will study on the establishment of Special Opportunity Investment Fund and actively carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

In the long run, the Group will continue to study and prepare for the establishment of a full service Hong Kong securities firm registered under the Securities and Futures Ordinance (the "SFO") for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities to facilitate securities trading and investments to the extent permitted under Hong Kong law. Revenue is expected to be generated in the form of, among others, trading commissions, brokerage and margin financing fees, financial advisory fees, placing or underwriting commission/arrangement fees, fund management fees and derived from investment and trading in securities.

In addition, for non-license financial service business, the Group will give full play to its talent advantages and intellectual output, provide tailor-made professional and comprehensive financial service solutions for customers. The Group will seek investment and growth opportunities in order to generate additional revenue through the linkage between domestic and overseas business, and the asset-light strategy.

## (3) Strategic financial investment

The Group will continue to seize opportunity in fund investment in order to utilize the Group's financial resources more efficiently and effectively. Cash revenue in this segment will mainly be derived from dividends from the investment fund periodically. The Directors will carefully consider the investment objective of the investment fund, the experience and skills and the track record performance of the management team of the investment fund and the general partner, and the reasonable management fee charged by the general partner under the subscription agreement for investments in the investment fund.

## (4) Property Development

The Group will evaluate its business from time to time for the macro and micro economic environment as well as the prospects of the property sector to formulate appropriate investment/exit strategies for the benefit of the Company and the Shareholders as a whole. The Group will continue to explore opportunity in property development in order to diversify its investment properties portfolio, strengthen the income base of the Group and provide capital appreciation potential to the Group.



# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Directors

**Liu Jieshan ("Mr. Liu")**, aged 44, joined the Company as the Chairman of the board and an executive director of the Company in February 2017. Mr. Liu is also the chairman of the nomination committee of the Company and a member of the executive committee of the Company. Mr. Liu graduated from the China University of Political Science and Law with a Doctor of Philosophy in Law degree in January 2016. He has led a number of acquisition projects conducted by listed companies, revamped business models, and led his team to generate several billions of dollars in business profits in the past years. Mr. Liu has extensive experience in financial and business sectors in Hong Kong and China. From July 2005 to January 2013, Mr. Liu worked on legal and internal risk control matters at a Chinese state-owned asset management company. From February 2013 to July 2014, Mr. Liu served as the general manager of the risk and compliance department of Huarong International Trust Co., Ltd.. From August 2014 to January 2015, Mr. Liu served as the general manager of the risk compliance department of Huarong (HK) International Holdings Limited. From January 2015 to August 2016, Mr. Liu served as the chief risk officer and associate chief executive officer of China Huarong International Holdings Limited. From August 2016 to December 2016, Mr. Liu served as the Deputy General Manager of Huarong Rongde (Hong Kong) Investment Management Co., Ltd.. Mr. Liu is also a director of China Gem Financial Group Limited (a substantial shareholder of the Company) and China Gem Group Limited since May 2017.

**Cui Lei ("Mr. Cui")**, aged 34, joined the Company as the chief executive officer, an executive director and an authorized representative of the Company in February 2017, and is also the chairman of the executive committee of the Company and a director of certain subsidiaries of the Company. He graduated from the Brock University in Canada with a Master of Business Administration degree in June 2008. Mr. Cui has been engaged in financing services and is familiar with both the Chinese and international markets. He has extensive experience in team and project diversification management. He also has extensive experience in various businesses including corporate financing, private equity investment, mezzanine investment, private equity funds, marketing of listed companies, mergers and acquisitions, privatisations, share buyback and share allotment. From May 2008 to January 2013, Mr. Cui served as the senior customer manager at the corporate department of Ping An Bank. From January 2013 to November 2016, Mr. Cui served as the investment banking director of China Huarong International Holdings Limited. Mr. Cui is also a director of China Gem Financial Group Limited (a substantial shareholder of the Company) and China Gem Group Limited since May 2017.

**Yang Huaijun ("Mr. Yang")**, aged 45, joined the Company as an executive director and the vice chief executive of the Company in May 2017, and is also a member of the executive committee of the Company and a director of certain subsidiaries of the Company. He graduated from the Business Administration School of the Renmin University of China with a Master Degree in Management in 2000. Mr. Yang has been engaged in asset management services and is familiar with the Chinese market. He has extensive experience in corporate management and asset management. From April 2000 to March 2016, Mr. Yang served as the project manager and the departmental general manager at the Beijing Branch of China Huarong Asset Management Co., Ltd. respectively. From March 2016 to February 2017, Mr. Yang served as the managing director of Huarong Jiantou Asset Management Co., Ltd (華融建投資產管理有限公司).

**Han Litie ("Mr. Han")**, aged 36, joined the Company as an executive director and the chief financial officer of the Company since in May 2017, and is also a member of the executive committee of the Company and a director of two subsidiaries of the Company. He graduated from the accounting department of School of Business, University of International Business and Economics and obtained a Master Degree in Management in 2006. He is a member of the Association of Chartered Certified Accountants. Mr. Han has extensive experience in accounting, auditing and finance field, and is very familiar with financial management, credit business, investment business, international business and negotiating translation. From July 2006 to June 2007, he was engaged in the audit work at Deloitte Touche Tohmatsu CPA Ltd. (Beijing). From June 2007 to March 2016, he served various positions including the commissioner of residential mission in Belgium and Netherlands, the deputy director of the accounting department, the commissioner of FX Facility Agreements Reviewing Committee, the independent commissioner of Road Show Committee at the Shenzhen Branch of China Development Bank Corporation. From March 2016 to March 2017, he was a director of the investment management department at China Huarong International Holdings Limited.

# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS *(Continued)*

### Independent Non-executive Directors

**Wu Shiming ("Mr. Wu")**, aged 41, joined the Company as an independent non-executive director of the Company in July 2014, also the chairman of the audit committee and the remuneration committee of the Company and a member of the nomination committee of the Company. He obtained a diploma in foreign economic enterprise financial accounting at Jimei University (集美大學) in the PRC in 1995 and a degree of finance at Xidian University (西安電子科技大學) in the PRC in March 2011, which is an online learning course. Mr. Wu has been the supervisor of Xiamen Bank Company Limited (廈門銀行股份有限公司) since December 2008. He is a qualified intermediate accountant and he was awarded such qualification in December 2001 by the Ministry of Finance and the Ministry of Personnel of the PRC which covered four examination papers, of which two related to accounting practice (intermediate level), one in financial management and one in Economic Law. Mr. Wu has over 15 years of experiences in accounting and financial management. He became the deputy chief executive officer of the major operating subsidiary Leyou Technologies Holdings Limited (樂遊科技控股有限公司), a company listed on the Stock Exchange (Stock Code: 1089) in November 2010 overseeing its financial and operational performance (including internal control). Mr. Wu is currently an executive director of Leyou in charge of the overall strategic management and the financial management of Leyou Group. Mr. Wu is also currently an independent non-executive director of China Putian Food Holding Limited (Stock Code: 1699), and Theme International Holdings Limited (Stock Code: 990). He was an independent non-executive director of Pak Tak International Limited (Stock Code: 2668) from 24 September 2014 to 31 August 2016.

**Su Xihe ("Mr. Su")**, aged 63, joined the Company as an independent non-executive director in May 2017, also a member of the audit committee, the remuneration, committee and the nomination committee of the Company. He obtained a Master Degree in Economics from Wuhan University in China in 2002. He worked in Henan Industrial and Commercial Bank for more than 13 years and held various positions, including the president of Yanjin County Branch, the head of the provincial credit department and the president of Xinxiang City Branch. He joined China Huarong Asset Management in April 2000 and retired in February 2015, during which he has served as deputy general manager of Zhengzhou office, general manager of audit department at head office, general manager of Shenyang office, general manager of Fuzhou office and others. He was the general manager at the Beijing Branch of China Huarong Asset Management Co., Ltd. upon retirement. Mr. Su has over 36 years of experience in finance and asset management.

**Wong Wai Chun Alex ("Mr. Wong")**, aged 40, joined the Company as an independent non-executive director in May 2017, also a member of the audit committee, the remuneration, committee and the nomination committee of the Company. He obtained a bachelor degree in Accounting and Finance at the University of Glamorgan (now known as the University of South Wales) in the United Kingdom in 2001. Mr. Wong 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 over 7 years' experience in auditing and accounting field. He is a director of Chun Yip Waterworks Construction (HK) Ltd, Wan Hui Finance Co., Ltd., and Grand Moore Capital Ltd.

# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

**Sun Xuguo**, aged 37, joined the Company as the vice president in October 2017, also the deputy general manager of China Gem Financial Group Limited. Mr. Sun Xuguo has extensive experience in the financial industry and is responsible for the planning, implementation, and post-management of various types of trust projects such as real estate, coal energy and government financing platform. He has also extensive professional knowledge and practical experience in various business sectors including equity investment, mezzanine investment, trust loans, SME collective trust, equity yield rights trust, specific asset yield rights trust and property rights trust. From February 2010 to June 2017, Mr. Sun Xuguo served as departmental general manager of Huarong International Trust Co., Ltd.. During the period for more than seven years, he has provided financing services for several estate companies, coal energy companies and industrial and commercial companies, and the cumulative amount of financing has reached tens of billions of dollars.

**Liu Likai**, aged 36, joined the Company as the vice president in October 2017, also the deputy general manager of China Gem Financial Group Limited. Mr. Liu Likai has 11 years of experience in the financial industry and the cumulative amount of assets under his management reaches tens of billions of dollars. The investment scope includes real estate, mineral resources, public utilities, industrial and commercial companies, and securities investment. From September 2008 to December 2010, Mr. Liu Likai served as the trust manager and assistant to departmental general manager at Trust Operations Division III of Huarong International Trust Co., Ltd. respectively. From January 2011 to May 2017, Mr. Liu Likai served as the general manager at Trust Operations Division II and the general manager at Asset Management Division II of Huarong International Trust Co., Ltd. respectively.

# DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of China Gem Holdings Limited (the "Company", together with its subsidiaries, the "Group") for the seventeen months ended 31 December 2017 (the "Reporting Period").

## CHANGE OF COMPANY NAME

Pursuant to a special resolution passed on 7 July 2017 and with the approval of the Registrar of Companies in Bermuda on 14 July 2017 and the Registrar of Companies in Hong Kong on 25 August 2017, the name of the Company was changed from Yueshou Environmental Holdings Limited to China Gem Holdings Limited.

## CHANGE OF FINANCIAL YEAR END DATE

Pursuant to a resolution of the Board dated 16 June 2017, the Company's financial year end date was changed from 31 July to 31 December.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are providing money lending, license and financial service business, fund investment and property development. The principal activities of the Company's principal subsidiaries are set out in note 35 to the consolidated financial statements.

## BUSINESS REVIEW

The business review of the Group for the seventeen months ended 31 December 2017 is provided in the Management Discussion and Analysis of this annual report.

## SEGMENT INFORMATION

An analysis to the Group's turnover and contribution to results by principal activities for the seventeen months ended 31 December 2017 is set out in note 6 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The Group's results for the seventeen months ended 31 December 2017 and the statements of financial position of the Group as at 31 December 2017 are set out in the consolidated financial statements on pages 38 to 39.

The Directors do not recommend the payment of any dividend in respect of the seventeen months ended 31 December 2017 (year ended 31 July 2016: Nil).

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining entitlement of the shareholders of the Company ("Shareholders") to attend and vote at the annual general meeting of the Company to be held on Tuesday, 15 May 2018 ("AGM"), the Register of Members will be closed from Thursday, 10 May 2018 to Tuesday, 15 May 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, Shareholders must lodge all transfer documents accompanied by the relevant share certificates with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Wednesday, 9 May 2018.

## FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets, liabilities and non-controlling interests of the Group for the last five years is set out on page 95. This summary does not form part of the audited consolidated financial statements.

# DIRECTORS' REPORT

## SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 33 to the consolidated financial statements.

## RESERVES

Details of movements in the reserves of the Company and the Group during the Reporting Period are set out in note 36 to the consolidated financial statements and in the consolidated statement of changes in equity on page 40 of the annual report respectively.

## DISTRIBUTABLE RESERVES

The Company has no reserves, comprise share premium and accumulated losses, available for distribution to shareholders as at 31 December 2017 (31 July 2016: no reserves available for distribution).

Pursuant to the Companies Act 1981 of Bermuda, the Company's share premium account of HK\$1,829,665,000 (31 July 2016: HK\$1,689,752,000) can be distributed in the form of fully paid shares.

## INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the Reporting Period are set out in note 17 to the consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 16 to the consolidated financial statements.

## DIRECTORS

The Directors of the Company during the Reporting Period and up to the date of this report are:

### Executive Directors

Mr. Liu Jieshan, *Chairman* (appointed on 9 February 2017)  
Mr. Cui Lei, *Chief Executive* (appointed on 9 February 2017)  
Mr. Yang Huaijun, *Vice Chief Executive* (appointed on 8 May 2017)  
Mr. Han Litie, *Chief Financial Officer* (appointed on 8 May 2017)  
Ms. Kwan Shan (resigned on 8 May 2017)  
Dr. Yang Zijiang (resigned on 9 February 2017)

### Independent Non-executive Directors

Mr. Wu Shiming  
Mr. Su Xihe (appointed on 8 May 2017)  
Mr. Wong Wai Chun Alex (appointed on 8 May 2017)  
Mr. Lin Chaofan (resigned on 8 May 2017)  
Ms. Deng Chunmei (resigned on 8 May 2017)

Biographical details of the existing Directors are set out on pages 8 to 9.

# DIRECTORS' REPORT

In accordance with bye-laws 86(2), 87(1) and 87(2) of the Bye-laws of the Company, Mr. Wu Shiming shall retire from office by rotation and being eligible, will offer himself for re-election at the AGM. Mr. Liu Jieshan, Mr. Cui Lei, Mr. Yang Huaijun, Mr. Han Litie, Mr. Su Xihe and Mr. Wong Wai Chun Alex, all being newly appointed Directors, shall retire from office at the AGM and being eligible, offer themselves for re-election at the AGM.

## DIRECTOR'S SERVICE AGREEMENTS

Mr. Liu Jieshan was appointed as the Chairman of the Board and an executive Director under a service agreement for a term of two years commencing from 9 February 2017 unless terminated by at least three month's written notice served by either party at any time during the then existing term.

Mr. Cui Lei was appointed as the Chief Executive Officer, an executive Director and an Authorized Representative under a service agreement for a term of two years commencing from 9 February 2017 unless terminated by at least three month's written notice served by either party at any time during the then existing term.

Mr. Yang Huaijun and Mr. Han Litie were appointed as executive Directors under service agreements for a term of two years commencing from 8 May 2017 unless terminated by at least three month's written notice served by either party at any time during the then existing term.

Mr. Wu Shiming was appointed as independent non-executive Director under a renewed service agreement with the Company for a term of two year commencing from 17 July 2016 unless terminated by at least three month's written notice served by either party at any time during the then existing term.

Mr. Su Xihe and Mr. Wong Wai Chun Alex were appointed as independent non-executive Directors under service agreements for a term of two years commencing from 8 May 2017 unless terminated by at least three month's written notice served by either party at any time during the then existing term.

None of the Directors 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.

The term of office of each of the non-executive Directors (including the independent non-executive Directors) appointed from time to time is fixed subject to retirement by rotation and re-election in accordance with the requirements of code provisions A.4.1 and A.4.2 of the CG Code which state that non-executive directors should be appointed for a specific term, subject to re-election, and that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

## PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Reporting Period. The Company has arranged insurance coverage in respect of legal action against its Directors during the Reporting Period.

# DIRECTORS' REPORT

## CHANGE OF DIRECTORS

With effect from 9 February 2017, (i) Dr. Yang Zijiang has resigned as the Chairman of the Board, an executive Director and an authorized representative due to his intention to concentrate on his other affairs; (ii) Mr. Liu Jieshan has been appointed as the Chairman of the Board and an executive Director; and (iii) Mr. Cui Lei has been appointed as an executive Director, the Chief Executive Officer and an authorized representative.

With effect from 8 May 2017, (i) Ms. Kwan Shan has resigned as an executive Director in order to devote more time to her other commitments; (ii) Mr. Lin Chaofan has resigned as an independent non-executive Director, the chairman of the Nomination Committee, a member of the Audit Committee and the Remuneration Committee in order to devote more time to his other commitments; (iii) Ms. Deng Chunmei has resigned as an independent non-executive Director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee in order to devote more time to her family affairs; (iv) Mr. Yang Huaijun has been appointed as an executive Director and the vice chief executive of the Company; (v) Mr. Han Litie has been appointed as an executive Director and the chief financial officer of the Company; (vi) Mr. Su Xihe and Mr. Wong Wai Chun have been appointed as the independent non-executive Directors and members of the Audit Committee, the Remuneration Committee and the Nomination Committee; and (vii) Mr. Liu Jieshan has been appointed as the chairman of the Nomination Committee.

## CHANGE OF COMPANY SECRETARY AND AUTHORISED REPRESENTATIVE

With effect from 8 May 2017, Ms. Kwan Shan has resigned as the Company Secretary and an authorised representative and Mr. Lo Wah Wai has been appointed as the Company Secretary and an authorised representative.

With effect from 5 November 2017, Mr. Lo Wah Wai has resigned as the Company Secretary and an authorised representative and Mr. Liu Wai Kin has been appointed as the Company Secretary and an authorised representative.

## CHANGES IN INFORMATION ON DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in information on the Directors since the last published 2016-2017 second interim report of the Company and up to the date of this report are set out below:

- (a) Mr. Cui Lei was appointed as director of two members of the Group.
- (b) Mr. Yang Huaijun was appointed as director of two members of the Group.
- (c) Mr. Han Litie was appointed as director of a member of the Group and resigned as director of a member of the Group.

Save as disclosed above, there is no change in information on the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Company's last published 2016-2017 second interim report and up to the date of this report.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading of "Directors' and chief executives' interests in shares" and the "Share option scheme" as disclosed below, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire such rights in any other body corporate.

# DIRECTORS' REPORT

## 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 Reporting Period.

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

As at 31 December 2017, none of the Directors nor the chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required to be recorded in the register required to be kept by the Company under section 352 of the SFO; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

## SHARE OPTION SCHEME

The existing share option scheme of the Company (the "Scheme") was approved and adopted by the Shareholders pursuant to an ordinary resolution passed on 28 July 2010 with scheme mandate limit refreshed on 25 May 2016. The primary purpose of the Scheme is providing incentive to the eligible employees and Directors. Under the terms of the Scheme, the Board may, at their discretion, grant options to the participants who fall within the definition prescribed in the Scheme including the directors and employees of the Company or its subsidiaries to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the offer date; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding to the offer date; and (iii) the nominal value of the shares. The maximum number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, which is 35,953,733 shares as at 31 December 2017 without prior approval from the Shareholders. Any grant of options to substantial Shareholders or independent non-executive Directors in excess of 0.1% of the Company's issued shares and with a value in excess of HK\$5,000,000 must be approved in advance by the Shareholders. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option. The Scheme shall be valid and effective for a period of ten (10) years commencing from its date of adoption on 28 July 2010 and expiring on 27 July 2020.

There were no options outstanding as at 31 December 2017 and no share options were granted, exercised, cancelled or lapsed during the Reporting Period.

## EQUITY-LINKED AGREEMENT

Save as disclosed in the section headed "Share Option Scheme" above, no equity-linked agreements were entered into by the Company during the seventeen months ended 31 December 2017 or subsisted at the end of the Reporting Period.



# DIRECTORS' REPORT

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Scheme as disclosed above, at no time during the seventeen months ended 31 December 2017 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors, nor chief executive of the Company, or any of their spouses or children under the age of 18 had any interests in, or had been granted, any rights to subscribe for any securities in or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights during the Reporting Period.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 31 December 2017, interests of Directors in competing businesses of the Group were as follows:

Name of Director	Nature of competing business	Nature of interest	Name of company
Mr. Liu Jieshan	Providing financial services	As a director	China Gem Financial Group Limited
Mr. Cui Lei	Providing financial services	As a director	China Gem Financial Group Limited

Save as disclosed above, as at 31 December 2017, none of the Directors or their respective close associates was interested in any business (apart from the Group's businesses) which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 38 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company, or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

# DIRECTORS' REPORT

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

So far as being known to the Directors or chief executive of the Company, as at 31 December 2017, the interests and short positions of the substantial Shareholders or other persons (other than the Directors or chief executive of the Company) in the shares and underlying Shares of the Company which have been disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and have been recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Capacity	Number of Shares held in long position (L)/ short position (S)	Approximate percentage of the total issued Shares (Note f)
China Gem Financial Group Limited	Beneficial owner	1,042,231,080 (L) 359,537,333 (S)	28.99 % (L) 10.00% (S)
China Gem Group Limited (Note a)	Interests in controlled corporation	1,042,231,080 (L) 359,537,333 (S)	28.99 % (L) 10.00% (S)
Zhong Ling (Note b)	Interests in controlled corporation	1,042,231,080 (L) 359,537,333 (S)	28.99% (L) 10.00% (S)
Hua Tai Investment Co. Ltd.	Beneficial owner	493,160,000 (L)	13.72% (L)
Zhu Jinlong (Note c)	Interests in controlled corporation	493,160,000 (L)	13.72% (L)
至卓飛高企業管理諮詢服務(韶關)有限公司	Person having a security interest in shares	493,160,000 (L)	13.72% (L)
Topsearch Printed Circuits (HK) Limited (Note d)	Interests in controlled corporation	493,160,000 (L)	13.72% (L)
Topsearch Industries (Holdings) Limited (Note d)	Interests in controlled corporation	493,160,000 (L)	13.72% (L)
Topsearch Industries (BVI) Limited (Note d)	Interests in controlled corporation	493,160,000 (L)	13.72% (L)
China HKBridge Holdings Limited (Note d)	Interests in controlled corporation	493,160,000 (L)	13.72% (L)
Prosper Talent Limited (Note e)	Person having a security interest in shares	359,537,333 (L)	10.00% (L)
CCBI Investments Limited (Note e)	Interests in controlled corporation	359,537,333 (L)	10.00% (L)
CCB International (Holdings) Limited (Note e)	Interests in controlled corporation	359,537,333 (L)	10.00% (L)
CCB Financial Holdings Limited (Note e)	Interests in controlled corporation	359,537,333 (L)	10.00% (L)
CCB International Group Holdings Limited (Note e)	Interests in controlled corporation	359,537,333 (L)	10.00% (L)
China Construction Bank Corporation (Note e)	Interests in controlled corporation	359,537,333 (L)	10.00% (L)
Central Huijin Investment Ltd. (Note e)	Interests in controlled corporation	359,537,333 (L)	10.00% (L)

# DIRECTORS' REPORT

## Notes:

- (a) China Gem Group Limited was deemed to be interested in the 1,042,231,080 shares as it directly held 100% of the issued shares of China Gem Financial Group Limited.
- (b) Mr. Zhong Ling was deemed to be interested in the 1,042,231,080 shares as he indirectly held 100% of the issued shares of China Gem Financial Group Limited.
- (c) Mr. Zhu Jinlong was deemed to be interested in the 493,160,000 shares as he directly held 80% of the issued shares of Hua Tai Investment Co. Ltd.
- (d) 至卓飛高企業管理諮詢服務(韶關)有限公司 is a wholly-owned subsidiary of Topsearch Printed Circuits (HK) Limited, which in turn is a wholly-owned subsidiary of Topsearch Industries (Holdings) Limited, which in turn is a wholly-owned subsidiary of Topsearch Industries (BVI) Limited, which in turn is a wholly-owned subsidiary of China HKBridge Holdings Limited.
- (e) On 3 November 2017, the Company entered into a note purchase agreement with Prosper Talent Limited in relation to two-year notes in an aggregate principal amount of HKD180 million. China Gem Financial Group Limited charged 359,537,333 shares in favour of the Prosper Talent Limited as security for the notes.

Prosper Talent Limited is a wholly-owned subsidiary of CCBI Investments Limited, which in turn is a wholly-owned subsidiary of CCB International (Holdings) Limited, which in turn is a wholly-owned subsidiary of CCB Financial Holdings Limited, which in turn is a wholly-owned subsidiary of CCB International Group Holdings Limited, which in turn is a wholly-owned subsidiary of China Construction Bank Corporation, which is 57.11% held by Central Huijin Investment Ltd..

- (f) These percentages are calculated on the basis of 3,595,373,330 issued shares of the Company as at 31 December 2017.

Save as disclosed above, the Company has not been notified of any persons other than substantial shareholders who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 31 December 2017.

## CONNECTED TRANSACTIONS

On 14 April 2017, Old Peak Capital Limited ("Old Peak"), an indirect wholly-owned subsidiary of the Company, as administrator entered into an administration agreement (the "Administration Agreement") with China Gem L.P., an indirect wholly-owned subsidiary of China Gem Financial Group Limited ("CG Financial"), as client in respect of provision of administration services to China Gem L.P. for a period of one year. The total amount of the service fees received by Old Peak under the Administration Agreement did not exceed HK\$3,000,000. The transaction has been conducted on normal commercial terms. As at the date of the Administration Agreement, CG Financial was a then substantial Shareholder, which beneficially held 1,025,251,080 Shares (representing approximately 28.52% of the then total number of issued Shares).

Save as disclosed above, there is no connected transaction or continuing connected transaction undertaken by the Company during the seventeen months ended 31 December 2017 and up to the date of this report which is required to be disclosed pursuant to Chapter 14A of the Listing Rules.

## MAJOR SUPPLIERS AND CUSTOMERS

The amount of revenue attributable to the Group's largest customer represented 70% of the Group's total revenue.

The aggregate amount of revenue attributable to the Group's five largest customers represented 85% of the Group's total revenue.

# DIRECTORS' REPORT

In addition, the nature of the activities of the Group is such that the Group has no purchases during the Reporting Period.

As far as the Directors are aware, neither the Directors, their close associates nor those shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in the Group's five largest customers.

## PRE-EMPTIVE RIGHTS

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

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

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

## SUFFICIENCY OF PUBLIC FLOAT

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

## CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 20 to 27 of the annual report.

## AUDITOR

The consolidated financial statements of the Group for the seventeen months ended 31 December 2017 were audited by BDO Limited ("BDO") whose term of office will expire upon the AGM. BDO was re-appointed as the auditors of the Company by shareholders of the Company at the last annual general meeting and to hold office until the conclusion of the next annual general meeting of the Company. A resolution for the appointment of BDO as the auditors of the Company for the subsequent year is to be proposed at the AGM.

The consolidated financial statements of the Group for the years ended 31 July 2015 and 2016 were audited by BDO.

On Behalf of the Board

**Mr. Liu Jieshan**  
*Chairman*

Hong Kong, 29 March 2018

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to establish and maintain high standards of corporate governance practices and procedures to enhance shareholders' interest and promote sustainable development. The Company has adopted the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as its own code of corporate governance.

The corporate governance principles of the Company emphasis an effective Board, sound internal control, appropriate independence policy, transparency and accountability to the shareholders of the Company. The Board will continue to monitor and revise the Company's corporate governance policies in order to ensure that such policies may meet the general rules and standards required by the Listing Rules. Throughout the seventeen months ended 31 December 2017 (the "Reporting Period"), the Company has complied with the code provisions of the CG Code except for the following deviations:

### Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and the chief executive should be separate and should not be performed by the same person. The Company's chief executive was vacant until 9 February 2017 which the role has been filled up by Mr. Cui Lei.

### Code Provision A.6.7

Code Provision A.6.7 of the CG Code stipulates that independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of the Shareholders.

Mr. Wu Shiming, an independent non-executive Director, was unable to attend the annual general meeting of the Company held on 19 December 2016, special general meetings of the Company held on 11 January 2017 and 7 July 2017 both due to his other business engagement.

Mr. Su Xihe, an independent non-executive Director, was unable to attend the special general meeting of the Company held on 7 July 2017 due to his other business engagement.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. In response to specific enquiry made by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the seventeen months ended 31 December 2017. The Company also adopted a code of conduct governing securities transactions by its employees who may access to inside information relating to the Company.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS

As at the date of this report, the Board comprises seven Directors, including four Executive Directors and three Independent Non-executive Directors. The biographical details of the Directors are set out in the section entitled “Biographies of Directors and Senior Management” on pages 8 to 10 in this Annual Report. Each of the Directors had signed a service agreement setting out the key terms and conditions of his service. A list containing the names of all the Directors and their role and function has been published on the respective websites of the Stock Exchange and the Company pursuant to code provision A.3.2 of the CG Code, and will be updated from time to time as and when there are any changes.

The Company maintained a sufficient number of independent non-executive Directors representing more than one-third of the Board as required under the Listing Rules. The three independent non-executive Directors possessed professional expertise and a diverse range of experience. The Board can effectively and efficiently exercise independent judgment, give independent advice to the management of the Company and make decisions objectively to the benefits and in the interests of the Company and the Shareholders as a whole.

The Board delegated its functions to various Board committees (including the Audit Committee, Remuneration Committee, Nomination Committee and Executive Committee), with specific written terms of reference which clearly define their respective roles, authorities and functions while specifically reserving certain important matters and decisions for the Board’s approval.

Regular Board meetings are held at least four times a year with at least fourteen days prior notice being given to all the Directors. Additional Board meeting(s) will be arranged and held as and when required. The Directors may attend the Board meetings either in person or through electronic means of communication. A total of 30 Board meetings were held during the seventeen months ended 31 December 2017.

The Directors are provided with all relevant information in advance to enable them to make informed decisions and appropriate arrangements to ensure that they are given every opportunity to include matters in the agendas for the regular Board meetings. All Directors have separate and independent access to the advice and services of the Group’s senior management and consultants to ensure the Board complying with all applicable laws, rules and regulations.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS (Continued)

The attendance record of each individual Board member at Board meetings, various Board committee meetings and general meetings of the Company held during the Reporting Period are as follows:

Name of Directors	Board	Attendance/Number of Meetings					AGM	SGM
		Audit	Remuneration	Nomination	Executive			
<b>Executive Directors</b>								
Mr. Liu Jieshan (Chairman) (appointed on 9 February 2017)	16/17	-	-	1/1	8/8	-	1/1	
Mr. Cui Lei (appointed on 9 February 2017)	17/17	-	-	-	8/8	-	0/1	
Mr. Yang Huaijun (appointed on 8 May 2017)	14/14	-	-	-	8/8	-	1/1	
Mr. Han Litie (appointed on 8 May 2017)	14/14	-	-	-	8/8	-	1/1	
Dr. Yang Zijiang (resigned on 9 February 2017)	13/13	-	-	-	-	1/1	1/1	
Ms. Kwan Shan (resigned on 8 May 2017)	16/16	-	-	-	-	1/1	1/1	
<b>Independent Non-executive Directors</b>								
Mr. Wu Shiming	28/30	4/4	4/4	4/4	-	0/1	0/2	
Mr. Su Xihe (appointed on 8 May 2017)	14/14	1/1	1/1	1/1	-	-	0/1	
Mr. Wong Wai Chun Alex (appointed on 8 May 2017)	14/14	1/1	1/1	1/1	-	-	1/1	
Mr. Lin Chaofan (resigned on 8 May 2017)	16/16	3/3	3/3	3/3	-	1/1	1/1	
Ms. Deng Chunmei (resigned on 8 May 2017)	16/16	3/3	3/3	3/3	-	1/1	1/1	

## Chairman and Chief Executive

Since 9 February 2017, the roles of the Chairman and the Chief Executive, held by separate individuals, Mr. Liu Jieshan and Mr. Cui Lei respectively, are clearly segregated with an aim to providing a balance of power and authority. The Chairman is principally responsible for the strategic planning of the Group and the management of the operations of the Board. The Chief Executive is mainly responsible for the operations and business development of the Group.

## Appointment and Re-election of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Bye-laws. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of Independent Non-Executive Directors.

Pursuant to the bye-laws of the Company (the "Bye-laws") and the CG Code, every Director is subject to re-election and retirement by rotation at least once every three (3) years. All the non-executive Directors are subject to the aforesaid retirement requirements and are appointed for a specific term of not more than three (3) years.

## Non-executive Directors

The Board has three (3) independent non-executive Directors with at least one (1) of whom has the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules. The Company has received from each of the independent non-executive Directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS *(Continued)*

### Directors' Continuous Professional Development

All Directors are provided with training, updates and written materials on relevant laws, rules and regulations to ensure that Directors are aware of the latest changes in the commercial and regulatory environment in which the Company conducts its business. The Directors are encouraged to participate in various professional development programmes especially in relation to latest updates on relevant rules, regulations and compliance requirements to develop and refresh their knowledge and skills in order to ensure that the Directors' contribution to the Board remains informed and relevant.

According to the records of training provided by each Director to the Company, training received by all Directors is summarized in the following table:

	Types of Continuous Professional Development Programme		
	Updates on laws, rules and regulations or corporate governance matters	Updates on directors' roles, function and duties	Updates on accounting, financial or other professional skills
<b>Executive Directors</b>			
Mr. Liu Jieshan	✓	✓	
Mr. Cui Lei	✓	✓	
Mr. Yang Huaijun	✓	✓	
Mr. Han Litie	✓	✓	
<b>Independent Non-executive Directors</b>			
Mr. Wu Shiming			✓
Mr. Su Xihe	✓	✓	
Mr. Wong Wai Chun Alex	✓	✓	

### Directors' Insurance

During the Reporting Period, the Company has arranged insurance coverage in respect of legal action against the Directors and officers arising out of their duties. Such insurance coverage will be reviewed at least annually to ensure the adequacy of its coverage.

## AUDIT COMMITTEE

The Board has established the Audit Committee with specific written terms of reference which clearly define its role, authority and function. As at the date of this report, the Audit Committee comprises three members, all being independent non-executive Directors, namely Mr. Wu Shiming (Chairman of the Audit Committee), Mr. Su Xihe and Mr. Wong Wai Chun Alex.

The Audit Committee is responsible to evaluate the overall effectiveness of the internal control and risk management frameworks, to review the accounting principles and practices adopted by the Group and other financial reporting matters and ensure the completeness, accuracy and fairness of the financial statements, to monitor compliance with statutory and listing requirements and to oversee the relationship with the external auditor.

The Audit Committee reviews the interim and annual reports before submission to the Board. At least one member has an appropriate professional qualification or accounting or related financial management expertise. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.



# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE *(Continued)*

Senior representatives of the external auditor, Executive Directors and senior executives are invited to attend the meetings, if required. Each of the Audit Committee members has unrestricted access to the Group's external auditor and the management.

### Summary of works

Audit Committee held four meetings during the Reporting Period. The Audit Committee reviewed the annual and interim results; made recommendations to the Board on the terms of engagement of the external and internal auditors; and reviewed the system of internal control and its other duties in accordance with the Audit Committee's terms of reference.

## REMUNERATION COMMITTEE

The Board has established the Remuneration Committee with specific written terms of reference which clearly define its role, authority and function. As at the date of this report, the Remuneration Committee comprises three members, all being independent non-executive Directors, namely Mr. Wu Shiming (Chairman of the Remuneration Committee), Mr. Su Xihe and Mr. Wong Wai Chun Alex.

The Remuneration Committee is authorized to investigate any matter within its terms of reference and seeks any information it requires from any employee or Director of the Company and obtains outside legal or other independent professional advice at the cost of the Company if it considers necessary.

### Summary of works

The Remuneration Committee held four meetings during the Reporting Period. The Remuneration Committee reviewed the remuneration packages of the all the Directors and the senior management and made recommendations to the Board on the remuneration of the newly appointed Directors and the senior management in accordance with the terms of reference of the Remuneration Committee.

Pursuant to code provision B1.5 of the CG Code, the details of the annual remuneration of the members of the senior management by band for the seventeen months ended 31 December 2017 is as follows:

	Number of individuals
Nil to HK\$1,000,000	6
HK\$1,000,001 to HK\$1,500,000	1
HK\$1,500,001 to HK\$2,000,000	–
HK\$2,000,001 to HK\$2,500,000	2
HK\$2,500,001 to HK\$3,000,000	–
HK\$3,000,001 to HK\$3,500,000	–
HK\$3,500,001 to HK\$4,000,000	–
HK\$4,000,001 to HK\$4,500,000	1
HK\$4,500,001 to HK\$5,000,000	3
	<hr/>
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Details of the remuneration of each Director for the seventeen months ended 31 December 2017 are set out in note 11 to the consolidated financial statements.

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE

The Board has established the Nomination Committee with specific written terms of reference which clearly define its role, authority and function. As at the date of this report, the Nomination Committee comprises four members, namely Mr. Liu Jieshan (Chairman of the Nomination Committee), Mr. Wu Shiming, Mr. Su Xihe and Mr. Wong Wai Chun Alex. With the exception of Mr. Liu Jieshan who is an executive Director, all the other members of the Nomination Committee are independent non-executive Directors.

The Nomination Committee is scheduled to meet at least once a year for the review of the structure, size and composition (including skills, knowledge and experience) of the Board. In addition, the Nomination Committee also meets as it is required to consider nomination of related matters.

### Summary of works

Nomination Committee held four meetings during the Reporting Period. The Nomination Committee made recommendations to the Board on the appointment of the newly appointed Directors and the senior management in accordance with the terms of reference of the Nomination Committee, reviewed the board diversity policy, the structure, size and composition of the Board and made recommendations on any proposed changes to the Board to complement the Company's strategy.

### Board Diversity Policy

The Nomination Committee adopted a board diversity policy (the "Board Diversity Policy"). A summary of this policy, together with the measurable objectives set for implementing this Policy, and the progress made towards achieving those objectives are disclosed as below.

### Summary of the Board Diversity Policy

The Company recognized and embraced the benefits of having a diverse Board to the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of measurable aspects including gender, age, ethnicity, knowledge and length of services. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

### Measurable Objectives

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

### Implementation and Monitoring

The Nomination Committee reviewed the Board's composition under diversified perspectives, and monitored the implementation of the Board Diversity Policy annually.

As at the date of this report, the Board comprises seven Directors. Three of them are INEDs, and thereby to promote critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of age, length of services, professional background and skills.

The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy.

# CORPORATE GOVERNANCE REPORT

## EXECUTIVE COMMITTEE

The Board has established the Executive Committee with specific written terms of reference which clearly define its role, authority and function. As at the date of this report, the Executive Committee comprises four members, all being Executive Directors, namely Mr. Cui Lei (Chairman of the Executive Committee), Mr. Liu Jieshan, Mr. Yang Huaijun and Mr. Han Litie.

The Executive Committee managed the day-to-day operations and control of the business of the Group in conformity with its policies and procedures adopted by the Group from time to time.

## COMPANY SECRETARY

The Company Secretary is responsible for ensuring that Board procedures are followed and Board activities are effectively and efficiently conducted and for the Company's compliance with all obligations of the Listing Rules and all other relevant rules and regulations, including but not limited to the preparation, publication and despatch of the Company's annual and interim reports within the prescribed time limit as required by the Listing Rules and arrangement of Directors' CPD training as required by the CG Code.

Mr. Liu Wai Kin ("Mr. Liu") was appointed as the Company Secretary in replacement of Mr. Lo Wah Wai with effect from 5 November 2017. Mr. Liu is an employee of the Group and confirmed that he had complied with all the qualifications, experience and training requirements as required by the Listing Rules since his appointment. The said change of the Company Secretary has been approved by the Board at a physical Board meeting pursuant to the Listing Rules.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility for preparing the financial statements for each financial period to give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. In preparing the financial statements for the seventeen months ended 31 December 2017, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are fair and reasonable and prepared the financial statements on a going concern basis.

## AUDITOR'S INDEPENDENCE AND REMUNERATION

The Audit Committee is mandated to monitor the independence of the external auditor to ensure the objectivity in the financial statements. BDO Limited ("BDO") has been re-appointed as the independent auditor of the Company by shareholders at the last annual general meeting. During the seventeen months ended 31 December 2017, BDO provided the following audit and non-audit services to the Group:

Nature of Services	Amount HK\$'000
External Audit Services	1,200
Taxation Services	404
Others	354

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the system of risk management and internal controls of the Group and for reviewing its effectiveness. The Board is committed to implementing an effective and sound risk management and internal controls system to safeguard the interests of the shareholders and the Group's assets.

The Board, with the assistance of the heads of the finance team and the operating units of the Group, performed financial, operational compliance controls and risk management reviews of the Company and its subsidiaries. Summaries of major audit findings and control weaknesses, if any, as identified by the Board will be related to the operating units who will take the follow-up actions under the monitoring of the Board.

## COMMUNICATION WITH SHAREHOLDERS

Communication with shareholders could enhance the confidence of investors. The primary communication channel between the Company and its shareholders include the publication of interim and annual reports, announcements and circulars, annual general meeting and other general meetings; the Company encourages all shareholders to attend annual general meeting. The Company's website also provides regularly updated Group information to shareholders; enquires on matters relating to shareholdings and the businesses of the Group are welcome, and are dealt with in an informative and timely manner.

## SHAREHOLDERS' RIGHT

Pursuant to bye-law 58 of the Bye-laws, Shareholders 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 meeting of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

According to Sections 79 and 80 of the Companies Act 1981 of Bermuda, shareholder(s) of the Company, at his/their own expense, holding (i) not less than one-twentieth of the total voting rights of all shareholders having at the date of requisition the right to vote at general meeting; or (ii) of not less than 100 in number, can submit a written request stating the resolution intended to be moved at the next annual general meeting. The requisition signed by the relevant shareholder(s) must be deposited at the head office of the Company at Room 2606B, 26/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong for the attention to the Company Secretary not less than six weeks before the meeting. The request will be verified with the Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the notice for such general meeting.

## CONSTITUTIONAL DOCUMENTS

There are no significant changes in the Company's constitutional documents during the Reporting Period.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

China Gem Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") are principally engaged in money lending, license and financial services business, fund investment and property investment. This Environmental, Social and Governance Report of the Group ("ESG Report") for the seventeen months ended 31 December 2017 ("Reporting Period") was prepared in accordance with ESG Reporting Guide (the "ESG Guide") set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## A. ENVIRONMENTAL

### A.1 Use of Resources

Given the nature of its business, the Group's resource consumptions are primarily attributable to our electricity consumption in offices and petrol consumption for our use of company vehicles. In the Reporting Period, the Group consumed 24,602 kWh of electricity and 10,428 L of petrol.

#### Energy consumption

The following table shows our energy consumption in the Reporting Period.

Petrol Consumption	L	10,428
Petrol Consumption/Employee	L/employee	372.43
Towngas Consumption	MJ	1,440
Towngas Consumption/Employee	MJ/employee	51.43
Electricity Consumption	kWh	24,602
Electricity Consumption/Employee	kWh/employee	878.64

#### Water consumption

The following table shows the figures of water consumption in our business operations:

Water consumption	Unit	
Water Consumption	cubic metre	305
Water Consumption/Employee	cubic metre/employee	10.89

#### Material Consumption

The following table shows the figures of material consumption in our business operations:

Material Consumption	Unit	
Paper Consumption (for use in office)	tonnes	0.25
Paper Consumption (for publishing)	tonnes	0.93
Total Paper Consumption/Employee	tonnes/employee	0.04

The Group has implemented its environmental policies in lowering energy consumption:

- To reduce electricity consumption, lightings, air-conditioners and computers are switch-off when not in use; LED lightings are installed in office areas.
- To reduce petrol consumption on business travel, telephone conference meetings instead of face-to-face meetings are used for parties in different locations. For business travel, business-class seats instead of first-class seats are selected for senior management.
- To reduce paper and toner consumption, the office of the Group encourages double-sided printing and use of electronic files instead of printed filing.
- To reduce energy consumption in office, employees are required to work 5 days a week.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL *(Continued)*

### A.2 Emissions

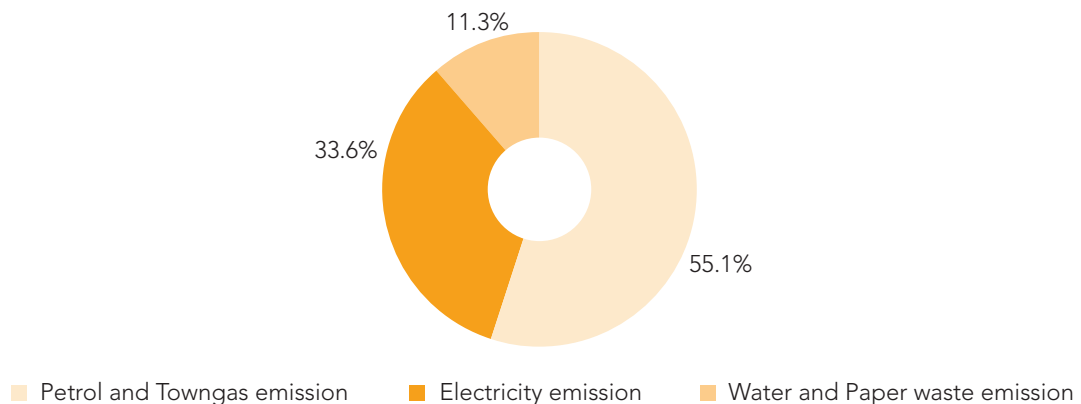
Our air emissions data are as follows:

Air emissions	Unit	
Total NOx Emissions	g	5.79
Total NOx Emissions/Employee	g/employee	0.21
Total SOx Emissions	g	153.32
Total SOx Emissions/Employee	g/employee	5.48

The following table shows our Greenhouse Gas ("GHG") emissions in the Reporting Period.

GHG Emissions	Unit	
Petrol and Towngas emission	tCO2e	28.31
Petrol and Towngas emission/Employee	tCO2e/employee	1.01
Electricity	tCO2e	17.26
Electricity/Employee	tCO2e/employee	0.62
Water and Paper	tCO2e	5.83
Water and Paper/Employee	tCO2e/employee	0.21
Total GHG Emissions	tCO2e	51.40
Total GHG Emissions/Employee	tCO2e/employee	1.84

#### Total Greenhouse Gas Emissions



The major source of greenhouse gas emission came from our use of company vehicles by our employees, representing 55.1% of the total emission; and the second largest source of emission came from our use of electricity, representing 33.6% of the total GHG emissions.

During the Reporting Period, the Group did not have any material non-compliance with relevant laws and regulations relating to environmental pollution.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL *(Continued)*

### A.3 The Environment and Natural Resources

The operation of the Group did not have direct material impact on the environment and natural resources. However, the Group has formulated policies on minimizing the impact on the environment and natural resources:

- Cleaning service providers are engaged to perform regular cleaning and pest control to maintain good hygiene conditions in office.
- Air purifiers are equipped in office to improve the indoor air quality.

During the Reporting Period, the Group did not have of any material non-compliance with relevant laws and regulations relating to the environment-related issues.

## B. SOCIAL

### B.1 Employment

During the Reporting period, the Group had employed 48 employees. As at 31 December 2017, the Group had 28 employees in Hong Kong and mainland China.

#### Proportion of employees by gender

Female employee	Male employee
33.33%	66.67%

#### Proportion of employees grouped by age

under 30	30–50	above 50
2.08%	79.17%	18.75%

#### Proportion of employees grouped by geographical region

Hong Kong	Mainland China
52.08%	47.92%

#### Turnover rate\* grouped by gender

Female employee	Male employee
31.25%	46.88%

#### Turnover rate\* grouped by age

under 30	30–50	above 50
0.00%	36.84%	66.67%

#### Turnover rate\* grouped by geographical region

Hong Kong	Mainland China
26.09%	60.87%

\* Note: There was a change of substantial shareholder and senior management of the Company during the Reporting Period. The turnover rate of the Group during the Reporting Period was relatively high due to the group restructuring.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL *(Continued)*

### B.1 Employment *(Continued)*

#### Recruitment Policy

The Group is an equal opportunity employer treats all job applicants equally without any unequal restrictions and preferential policies and provides equal opportunities for all job applicants. During the Reporting Period, no violations or complaints were reported to or found by the Group with regard to discrimination or recruitment.

#### Compensation Policy

The Group offers remuneration packages to employees taking into account their performance, contribution and the level of responsibility to the specific jobs. Employees are entitled to join the Group's Mandatory Provident Fund Scheme after worked for 60 days. During the Reporting Period, the Group complied with the relevant provisions of the Employment Ordinance and the Mandatory Provident Fund Schemes Ordinance in Hong Kong.

#### Work and Rest Policy

Employees are required to work 5 days per week and generally 8 hours per working day. Employees are seldom required to work overtime to maintain a well-balanced life. Employees are entitled to paid annual leave for each year.

#### Dismissal Policy

Employees may be subject to dismissal if they (i) commit material breach of the Employee Code of Conduct of the Group; (ii) causing material loss to the Group; or (iii) breaching criminal offences or Bribery Ordinance.

### B.2 Health and Safety

The Group values the health and well-being of employees. In order to provide employees with health coverage, employees are entitled to benefits including medical insurance as well as other competitive fringe benefits. In addition, a box of fresh fruits or a bottle of healthy drink was given to each employee on each of working days to improve the immunity and maintain all round good health of employees.

The offices of the Group are situated in property managed commercial buildings with security measures, employees are required to use staff card or enter passcode to gain entry to the offices.

The Group has installed fire extinguishers in offices and emergency exit floor plans are clearly posted. During the Reporting Period, the Group has invited officers in building management office to held a fire safety seminar and assigned employees to participate the annual fire drill.

The following table shows our health and safety statistics during the reporting year:

Health and Safety	Unit	
No. of Work-related Fatalities — Employees	Number	0
Rate of Work-related Fatalities	%	0.00
Lost Days due to Work Injury	Number	0

During the Reporting Period, the Group had not violated any local occupational health and safety related regulations.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL (Continued)

### B.3 Development and Training

To promote long-term career development for employees, the Group supports employees participation in training programs organised by external professional bodies, and provides funds and subsidies to employees based on their career development needs. During the Reporting Period, the Group dedicated around 133.5 hours to staff training, representing approximately 11.13 hours per trained employee.

#### Number and proportion of trained employees grouped by level

Employee level	Number of trained employees	Number of employees	Percentage (%)
Senior Management	4	8	50.00%
Manager	5	9	55.56%
General staff	3	11	27.27%
Total number	12	28	42.86%

#### Average training hours of employees grouped by level

Employee level	Training hour	Number of trained employees	Average training hour
Senior Management	8	4	2
Manager	60	5	12
General staff	65.5	3	21.83
Total number	133.5	12	11.13

### B.4 Labour Standards

The Group has been strictly complying with the national laws and regulations, and neither engagement of child labor nor forced labor were involved in any business of the Group. During the Reporting Period, the Group was not aware of any non-compliance with rules and regulations in respect of child or forced labour.

### B.5 Supply Chain Management

The principal business of the Group does not involve any major suppliers. For the procurement supplies to the office, besides the price factor, the Group will also consider the impacts on the environment and society. The Group chooses suppliers who provide durable products rather than disposable products and with less packaging materials to raise their awareness of sustainable development.

### B.6 Product Responsibility

The Group maintains a high standard of security and confidentiality of personal data throughout its businesses and operations. The Group requires employees to comply the Personal Data (Privacy) Ordinance in handling information of customers and employees in the collection, processing, use and keeping of their personal data.

The Group protects its intellectual property rights by registration of domain names in Hong Kong. Such domain name is renewed upon its expiration.

During the Reporting Period, the Group did not note any noncompliance cases of the relevant laws and regulations relating to the products and services standards.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL *(Continued)*

### B.7 Anticorruption

All employees are required to strictly comply with the Prevention of Bribery Ordinance and the code of conduct contained in the Employee Handbook, in particular the anti-bribery provisions. Guidelines have been issued to provide a practical guidance in relation to the operation of the above antibribery provisions.

The Group has whistle-blowing policy which encourages the reporting of suspected breach of the aforesaid to the Human Resources Department.

There was no legal case regarding corrupt practices brought against the Group or its employees during the Reporting Period.

### B.8 Community Investment

During the Reporting Period, the Group did not involve in any community investment as the Group had not identified any suitable charity activities.

# INDEPENDENT AUDITOR'S REPORT



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香港干諾道中111號  
永安中心25樓

## TO THE SHAREHOLDERS OF CHINA GEM HOLDINGS LIMITED

(Formerly known as Yueshou Environmental Holdings Limited)  
(中國中石控股有限公司)  
(前稱為粵首環保控股有限公司)  
(Incorporated in Bermuda with limited liability)

## OPINION

We have audited the consolidated financial statements of China Gem Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 38 to 94, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the seventeen months ended 31 December 2017, 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 seventeen months ended 31 December 2017 in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

### Valuation of financial assets at fair value through profit or loss

Refer to notes 4(h) and 32 to the consolidated financial statements.

The valuation of the financial assets at fair value through profit or loss was a key audit matter due to the significant assumptions and judgement involved in the key inputs used in the valuation techniques.

# INDEPENDENT AUDITOR'S REPORT

The Group's financial assets at fair value through profit or loss amounted to HK\$664,018,000 as at 31 December 2017. Fair value gain on financial assets at fair value through profit or loss of HK\$21,518,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the seventeen months ended 31 December 2017.

The fair value of the Group's financial assets at fair value through profit or loss was determined by adopting the valuation techniques with significant estimation and judgements on appropriate valuation techniques and inputs adopted.

*Our response:*

Our procedures in relation to assessing the appropriateness of the carrying values of the financial assets at fair value through profit or loss included:

- Reviewing the valuation report from independent qualified valuer and holding discussion with management and independent qualified valuer to understand the valuation basis, methodology used and underlying assumptions applied;
- Evaluating of the competency, capabilities and objectivity of the independent qualified valuers; and
- Obtaining supportive evidence for the significant judgements and estimates of the valuations and the key inputs used in the valuations.

## Valuation of investment properties

Refer to notes 4(e) and 17 to the consolidated financial statements.

The valuation of the investment properties was a key audit matter due to the significant assumptions and judgement involved in the key inputs used in the valuation techniques.

The Group's investment properties amounted to HK\$156,295,000 as at 31 December 2017. Fair value losses on investment properties of HK\$17,051,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the seventeen months ended 31 December 2017.

The fair value of the Group's investment properties was determined by adopting the valuation techniques with significant estimation and judgements on market conditions, appropriate valuation techniques and inputs adopted.

*Our response:*

Our procedures in relation to assessing the appropriateness of the carrying values of the investment properties included:

- Reviewing the valuation report from independent qualified valuer and holding discussion with management and independent qualified valuer to understand the valuation basis, methodology used and underlying assumptions applied;
- Evaluating of the competency, capabilities and objectivity of the independent qualified valuers;
- Selecting samples from the Group's investment property portfolio and obtaining the underlying data including comparables of market transactions being used by the independent qualified valuer and assessing whether they are appropriate; and
- Performing market research and analysis to assess whether the changes in fair value of investment properties resulted from the valuation was reasonable and consistent with market trends to our knowledge.

# INDEPENDENT AUDITOR'S REPORT

## OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

## DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

## 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. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, 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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

# INDEPENDENT AUDITOR'S REPORT

- 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.

From the matters communicated with the directors, 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.

## **BDO Limited**

*Certified Public Accountants*

**Amy Yau Shuk Yuen**

Practising Certificate no. P06095

Hong Kong, 29 March 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the seventeen months ended 31 December 2017

	Notes	Seventeen months ended 31 December 2017 HK\$'000	Year ended 31 July 2016 HK\$'000
Revenue	7	109,933	9,765
Other income	8	293	2,101
Administrative expenses		(57,116)	(23,758)
Other operating expenses		(4,366)	(2,909)
Fair value loss on investments held for trading		–	(682)
Fair value losses on investment properties	17	(17,051)	(5,124)
Fair value gain on financial assets at fair value through profit or loss	32	21,518	–
Loss on disposal of investments held for trading	25	(12,845)	–
Finance costs	13	(8,006)	(508)
Profit/(loss) before income tax	9	32,360	(21,115)
Income tax credit/(expense)	14	9,098	(1,427)
<b>Profit/(loss) for the period/year</b>		<b>41,458</b>	<b>(22,542)</b>
<b>Other comprehensive income for the period/year, net of nil tax</b>			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchanges differences on translation of foreign operations		133	(444)
<b>Total comprehensive income for the period/year</b>		<b>41,591</b>	<b>(22,986)</b>
<b>Profit/(loss) for the period/year attributable to:</b>			
Owners of the Company		41,465	(22,542)
Non-controlling interests		(7)	–
		<b>41,458</b>	<b>(22,542)</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		41,598	(22,986)
Non-controlling interests		(7)	–
		<b>41,591</b>	<b>(22,986)</b>
		<b>HK cents</b>	<b>HK cents</b>
<b>Earnings/(loss) per share</b>			
Basic and diluted	15	1.2	(0.7)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	At 31 December 2017 HK\$'000	At 31 July 2016 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	16	2,848	1,623
Investment properties	17	156,295	173,346
Intangible assets	18	2,029	4,141
Financial assets at fair value through profit or loss	32	146,957	–
Rental deposits		668	–
Total non-current assets		308,797	179,110
<b>Current assets</b>			
Properties held for sale	20	7,240	7,240
Properties under development	21	31,431	31,431
Financial assets at fair value through profit or loss	32	517,061	–
Trade and other receivables	23	98,897	101
Loan receivables	22	85,000	50,000
Deposits and prepayments	24	4,413	6,001
Investments held for trading	25	–	27,002
Cash and cash equivalents	26	171,081	101,822
Total current assets		915,123	223,597
<b>Current liabilities</b>			
Trade and other payables	27(a)	81,888	30,391
Accruals	27(b)	22,038	2,904
Loans from shareholders	28	49,598	49,598
Tax payable		–	343
Other borrowing	29	38,355	–
Senior notes	30	14,400	–
Total current liabilities		206,279	83,236
<b>Net current assets</b>		<b>708,844</b>	<b>140,361</b>
<b>Total assets less current liabilities</b>		<b>1,017,641</b>	<b>319,471</b>
<b>Non-current liabilities</b>			
Other borrowing	29	351,600	–
Senior notes	30	162,929	–
Deferred tax liabilities	31	19,213	27,968
		533,742	27,968
<b>NET ASSETS</b>		<b>483,899</b>	<b>291,503</b>
<b>Capital and reserves</b>			
Share capital	33	35,954	29,962
Reserves		443,052	261,541
<b>Equity attributable to owners of the Company</b>		<b>479,006</b>	<b>291,503</b>
<b>Non-controlling interests</b>		<b>4,893</b>	<b>–</b>
<b>TOTAL EQUITY</b>		<b>483,899</b>	<b>291,503</b>

The financial statements were approved and authorised for issue by the Board of Directors on 29 March 2017.

**Cui Lei**  
Director

**Han Litie**  
Director



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the seventeen months ended 31 December 2017

	Attributable to owners of the Company							Total HK\$'000	Non- controlling interests HK\$'000	Total Equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000 Note (i)	Capital reserve HK\$'000	Exchange reserve HK\$'000 Note (ii)	Distributable reserve HK\$'000 Note (iii)	Contributed surplus HK\$'000 Note (iv)	Accumulated loss HK\$'000			
At 1 August 2015	29,962	1,689,752	11,613	6,852	77,033	1,080,948	(2,581,671)	314,489	-	314,489
Loss for the year	-	-	-	-	-	-	(22,542)	(22,542)	-	(22,542)
Other comprehensive income for the year:										
Exchanges differences on translating foreign operations	-	-	-	(444)	-	-	-	(444)	-	(444)
Total comprehensive income for the year	-	-	-	(444)	-	-	(22,542)	(22,986)	-	(22,986)
At 31 July 2016	29,962	1,689,752	11,613	6,408	77,033	1,080,948	(2,604,213)	291,503	-	291,503
Profit/(loss) for the period	-	-	-	-	-	-	41,465	41,465	(7)	41,458
Other comprehensive income for the period:										
Exchanges differences on translating foreign operations	-	-	-	133	-	-	-	133	-	133
Total comprehensive income for the period	-	-	-	133	-	-	41,465	41,598	(7)	41,591
<b>Transactions with owners</b>										
Issue of shares upon placing (note 33a)	5,992	139,913	-	-	-	-	-	145,905	-	145,905
Share capital contributed by non-controlling interests	-	-	-	-	-	-	-	-	4,900	4,900
At 31 December 2017	35,954	1,829,665	11,613	6,541	77,033	1,080,948	(2,562,748)	479,006	4,893	483,899

## Notes:

- (i) Pursuant to the Companies Act 1981 of Bermuda, the Company's share premium account can be distributed in the form of fully paid shares.
- (ii) The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the policy set out in note 4(l).
- (iii) The distributable reserve of the Group represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the Company's share issued for the acquisition at the time of the group reorganisation in 1994.
- (iv) The Company passed a special resolution on 31 December 2014 for a capital reduction and the issued share capital of the Company as reduced from approximately HK\$299,617,000 to HK\$14,981,000 on 2 January 2015. The capital reduction resulted in reducing the issued share capital of the Company by approximately HK\$284,636,000. Such amount was credited to the contributed surplus of the Company.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the seventeen months ended 31 December 2017

		Seventeen months ended 31 December 2017 HK\$'000	Year ended 31 July 2016 HK\$'000
<b>Cash flows from operating activities</b>			
Profit/(loss) before income tax		32,360	(21,115)
Adjustments for:			
Depreciation of property, plant and equipment	16	1,514	1,604
Amortisation of intangible assets	18	2,112	331
Fair value losses on investment properties	17	17,051	5,124
Fair value loss on investments held for trading		–	682
Fair value gain on financial assets at fair value through profit or loss	32	(21,518)	–
Loss on disposal of investment held for trading	25	12,845	–
Impairment provision against deposits paid for legal claim	9	–	7,000
Interest income	8	(643)	(193)
Finance costs	13	8,006	508
<b>Operating profit/(loss) before movements in working capital</b>		<b>51,727</b>	<b>(6,059)</b>
Decrease in properties held for sale		–	225
(Increase)/decrease in trade and other receivables		(142,896)	5,033
Increase in loan receivables		(35,000)	(50,000)
Decrease in deposits and prepayments		920	254
Decrease/(increase) in investments held for trading		14,157	(27,684)
Increase in financial assets at fair value through profit or loss		(593,500)	–
Increase/(decrease) in trade and other payables		51,497	(1,949)
Increase/(decrease) in accruals		15,616	(2,120)
<b>Net cash used in operating activities</b>		<b>(637,479)</b>	<b>(82,300)</b>
<b>Cash flows from investing activities</b>			
Net cash paid to acquire certain intangible assets (through acquisition of a subsidiary)		–	(4,472)
Interest received		643	193
Purchase of property, plant and equipment	16	(2,729)	(843)
Decrease in restricted bank balances		–	730
<b>Net cash used in investing activities</b>		<b>(2,086)</b>	<b>(4,392)</b>
<b>Cash flows from financing activities</b>			
Repayment of loans from shareholders	28	–	(3,000)
Proceeds from placing of new shares	33(a)	145,905	–
Proceed from other borrowing		390,000	–
Proceeds from issuance of senior notes		177,214	–
Interest paid		(4,418)	–
<b>Net cash from/(used in) financing activities</b>		<b>708,701</b>	<b>(3,000)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>69,136</b>	<b>(89,692)</b>
<b>Cash and cash equivalents at beginning of period/year</b>		<b>101,822</b>	<b>191,608</b>
<b>Effect of foreign exchange rate changes</b>		<b>123</b>	<b>(94)</b>
<b>Cash and cash equivalents at end of period/year, representing bank balances and cash</b>		<b>171,081</b>	<b>101,822</b>

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 1. GENERAL

China Gem Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) was incorporated in Bermuda on 29 June 1994 as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is Room 2606B, 26/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

Pursuant to a special resolution passed in the special general meeting of the Company on 7 July 2017, the Company changed its official registered English name from “Yueshou Environmental Holdings Limited” to “China Gem Holdings Limited” and adopted “中國中石控股有限公司” as the secondary name of the Company to replace “粵首環保控股有限公司”. The change of the Company’s official registered English name was approved by the Registrar of Companies in Bermuda and the Registrar of Companies in Hong Kong on 14 July 2017 and 25 August 2017 respectively. The change of the Company’s secondary name was approved by the Registrar of Companies in Bermuda and the Registrar of Companies in Hong Kong on 11 August 2017 and 25 August 2017 respectively.

On 16 June 2017, the Company announced to change its financial year end date from 31 July to 31 December in order to have a coterminous year end date with the companies listed in Hong Kong and business partners of the Group in the People’s Republic of China (the “PRC”) for comparable presentation of financial performance and position. As a result of this, the final results covered a period of seventeen months ended 31 December 2017. Accordingly, the comparative figures presented for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes, which were prepared for the year ended 31 July 2016, are not comparable with those of the current period.

The directors consider the immediate and ultimate parent of the Group are China Gem Financial Group Limited and China Gem Group Limited, which are incorporated in Hong Kong with limited liability, respectively. The directors consider the ultimate controlling party of the Group is Mr. Zhong Ling.

The principal activity of the Company is investment holding. The principal activities of principal subsidiaries are set out in note 35.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### (a) Adoption of new/revised HKFRSs — effective 1 August 2016

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation

#### Amendments to HKAS 1 — Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

Included in the clarifications is that an entity’s share of other comprehensive income from equity accounted interests in associates and joint ventures is split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

The adoption of the amendments has no impact on these financial statements.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### (a) Adoption of new/revised HKFRSs — effective 1 August 2016 (Continued)

#### **Amendments to HKAS 16 and HKAS 38 — Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not previously used revenue-based depreciation methods.

### (b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 7	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) <sup>2</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>2</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>3</sup>
HKFRS 16	Leases <sup>3</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

#### **Amendments to HKAS 7 — Disclosure Initiative**

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

#### **Amendments to HKAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses**

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### (b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

#### HKFRS 9 — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

#### HKFRS 15 — Revenue from Contracts with customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

#### HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

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

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

#### Amendments HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### (b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

#### **Amendments to HKAS 40, Investment Property — Transfers of Investment Property**

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

#### **Amendments to HKFRS 9 — Prepayment Features with Negative Compensation**

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

#### **HKFRS 16 — Leases**

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

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

#### **HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments**

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described follows.

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. In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model either on twelve-month basis or lifetime basis, as opposed to an incurred credit loss model under HKAS 39 Financial Instruments: Recognition and Measurement. Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company preliminarily assess the adoption of HKFRS 9 in the future may not result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

The directors of the Company have assessed the impact of HKFRS 15 and HKFRS 16 and it is not expected to have a material impact on the Group's consolidated financial statements but may require additional disclosures.

## 3. BASIS OF PREPARATION

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

### (b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis, except for investment properties, financial assets at fair value through profit or loss and investments held-for-trading, which are measured at fair values as explained in the accounting policies set out in note 4(e) and (h) below.

### (c) Functional and presentation currency

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

## 4. SIGNIFICANT ACCOUNTING POLICIES

### (a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the Reporting Period are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (a) Business combination and basis of consolidation *(Continued)*

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

### (b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

### (c) Intangible assets

#### Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.



# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Intangible assets (Continued)

#### Acquired intangible assets (Continued)

Amortisation is provided on a straight-line basis over their useful lives as set out below. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Licenses of regulated activities issued by Securities and Futures Commission ("SFC") for Type 4 "Advising on Securities" and Type 9 "Asset Management" 3 years

#### Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment of other assets as set out in note 4(o) below).

### (d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates/useful lives used for this purpose are as follows:

Buildings	Over the shorter of the term of the leases, or 20 years
Furniture, fixtures and equipment	10 – 20%
Motor vehicles	20 – 33 $\frac{1}{3}$ %
Plant and machinery	10%
Leasehold improvements	10 – 50%

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (d) Property, plant and equipment *(Continued)*

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

### (e) Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not held for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

### (f) Leasing

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

#### **The Group as lessor under operating leases**

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

#### **The Group as lessee under operating leases**

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

### (g) Properties held for sale/properties under development

Properties held for sale and properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to sale proceeds received after the reporting date less selling expenses, or by management estimates based on prevailing market conditions.

Costs of properties include acquisition costs, development expenditure, interest and other direct costs attributable to such properties. The carrying values of properties held by subsidiaries are adjusted in the consolidated financial statements to reflect the Group's actual acquisition costs where appropriate.

### (h) Financial instruments

#### (i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

#### (i) Financial assets (Continued)

##### *Financial assets at fair value through profit or loss*

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

##### *Loans and receivables*

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses, except where the effect of discounting would be immaterial, in which case, the loans and receivables are stated at cost less impairment losses.

##### *Available-for-sale financial assets*

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

#### (ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (h) Financial instruments *(Continued)*

#### (ii) Impairment loss on financial assets *(Continued)*

##### *For loans and receivables*

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

##### *For available-for-sale financial assets*

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

#### (iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. All of the Group's financial liabilities are financial liabilities at amortised costs which are initially measured at fair value, net of directly attributable costs incurred.

##### *Financial liabilities at amortised cost*

Financial liabilities at amortised cost, including trade and other payables, accruals, loans from shareholders, other borrowing and senior notes, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (h) Financial instruments *(Continued)*

#### (iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

#### (v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### (vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

### (i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### (j) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably.

Revenue from sale of completed properties is recognised upon the execution of a binding sale and purchase agreement.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

License and financial service fee income, project management consulting service income and building management fee income are recognised when the services are provided.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (k) Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

### (l) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) Foreign currency (Continued)

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollar) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the exchange reserve.

### (m) Employee benefits

#### (i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

#### (ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

#### (iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

### (n) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (n) Share-based payments *(Continued)*

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

### (o) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, intangible assets with finite lives and investments in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

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

### (p) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### (q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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



# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (r) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group.
- (b) An entity is related to the Group if any of the following conditions apply:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of 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 key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### (a) Impairment of loan receivables

The aged debt profile of loan receivables is reviewed on a regular basis to ensure that the balances of loan receivables are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of debtors balances are called into question, specific provisions for debtors are made based on credit status of the customers, the aged analysis of the debtors balances and past collection history. Any amount considered uncollectible is written off against the provision and the debtor balance. Changes in the collectability of debtors for which provisions are not made could affect the results of operations.

### (b) Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

### (c) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

Transfers of items between levels are recognised in the period they occur.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

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

### (c) Fair value measurement *(Continued)*

The Group measures a number of items at fair value:

- Investment properties (note 17);
- Financial assets at fair value through profit or loss (note 32); and
- Investments held-for-trading (note 25).

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

### (d) Investment in financial assets at fair value through profit or loss

The Group invests in financial assets at fair value through profit or loss through investment in funds, which are managed by experienced and competent fund managers. Redemption of financial assets is subject to various criteria such as approval of fund managers, lock-up period, fund and its underlying investments maturity etc. Classification of these investments as current asset or non-current asset involves significant estimation and judgements and is subject to its redemption criteria which may be changed from time to time. The maturity of the underlying investments will also lead to such investments cannot be realised within 12 months.

## 6. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

The Group has four (year ended 31 July 2016: two) reportable segments. License and financial service business and strategic financial investment are new segments for the seventeen months ended 31 December 2017.

The Group's operating segments are structured and managed separately according to the nature of their operations and the products and services they provided. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments.

Details of the operating segments are as follows:

- (i) The money lending segment involves the money lending business in Hong Kong (note 1).
- (ii) The license and financial service business involves the revenue generated from the licensed corporation with type 4 (advising on securities) and type 9 (asset management) regulated activities, and consultancy and administrative service income of fund portfolio, corporate development strategy consulting, project management consulting etc.
- (iii) The strategic financial investment involves the investment in financial products managed by fund managers who have good management skills, reasonable management fee etc.
- (iv) The property development segment involves the development of property, the management and rental of units/shops within a shopping arcade and the sales of residential units in the PRC.

Note 1: Renamed from "Financial service" to "Money lending".

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 6. SEGMENT REPORTING (Continued)

### (a) Segment revenues and results

	Money lending		License and financial service business		Strategic financial investment		Property development		Total	
	Seventeen months ended		Seventeen months ended		Seventeen months ended		Seventeen months ended		Seventeen months ended	
	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended
	31 December 2017	31 July 2016	31 December 2017	31 July 2016	31 December 2017	31 July 2016	31 December 2017	31 July 2016	31 December 2017	31 July 2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Reportable segment revenue</b>	<b>6,780</b>	<b>5,497</b>	<b>82,756</b>	<b>-</b>	<b>15,491</b>	<b>-</b>	<b>4,906</b>	<b>4,268</b>	<b>109,933</b>	<b>9,765</b>
<b>Results</b>										
Segment results	2,977	1,591	80,654	-	34,978	-	(19,309)	(4,317)	99,300	(2,726)
Unallocated corporate income									630	2,589
Unallocated corporate expense									(59,564)	(20,470)
Finance cost									(8,006)	(508)
Profit/(loss) before income tax									32,360	(21,115)
<b>Other segment information</b>										
Fair value loss on investment properties							(17,051)	(5,124)	(17,051)	(5,124)
Depreciation of property, plant and equipment	(2)	-					(1,174)	(1,437)	(1,176)	(1,437)
Fair value gain on financial assets at fair value through profit or loss					21,518	-			21,518	-
Loss on disposal of investment held for trading									(12,845)	-

Segment profit/(loss) represents the profit earned/(loss) incurred by each segment without allocation of amortisation of intangible assets, certain other revenue and other gain/(loss), central administrative expenses, finance costs and income tax credit/(expense).

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 6. SEGMENT REPORTING (Continued)

### (b) Segment assets and liabilities

	Money lending		License and financial service business		Strategic financial investment		Property development		Total	
	31 December 2017	31 July 2016	31 December 2017	31 July 2016	31 December 2017	31 July 2016	31 December 2017	31 July 2016	31 December 2017	31 July 2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets</b>										
Reportable segment asset	86,081	58,219	81,487	-	679,391	-	195,599	222,957	1,042,558	281,176
Unallocated assets									181,362	121,531
Total assets									1,223,920	402,707
<b>Liabilities</b>										
Reportable segment liabilities	(1,112)	(343)	(90)	-	(50,007)	-	(31,218)	(29,978)	(82,427)	(30,321)
Unallocated liabilities									(638,381)	(52,915)
Deferred tax liabilities									(19,213)	(27,968)
Total liabilities									(740,021)	(111,204)

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

- all assets are allocated to operating and reportable segments other than certain property and equipment, certain other receivables, deposits and prepayments and cash and cash equivalents.
- all liabilities are allocated to operating and reportable segments other than certain accruals and other payables, income tax payable, deferred taxation, notes payable and loans payable.

### (c) Geographical information

The following tables provides an analysis of the Group's revenue from external customers and its non-current assets on the location of operations and geographical location of assets respectively.

	Seventeen months ended 31 December 2017 HK\$'000	Year ended 31 July 2016 HK\$'000
Revenue from external customers		
— PRC	4,906	4,268
— Hong Kong	105,027	5,497
	109,933	9,765
	31 December 2017 HK\$'000	31 July 2016 HK\$'000
Specified non-current assets		
— PRC	156,793	174,207
— Hong Kong	152,004	4,903
	308,797	179,110

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 6. SEGMENT REPORTING (Continued)

### (d) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group as follows:

		Seventeen months ended 31 December 2017 HK\$'000	Year ended 31 July 2016 HK\$'000
Customer A	Revenue generated from the money lending segment	–	5,497
Customer B	Revenue generated from the property development segment	–	1,134
Customer C	Revenue generated from the property development segment	–	980
Customer D	Revenue generated from the license and financial services segment	77,412	–
		<b>77,412</b>	7,611

### (e) Reconciliation of reportable segment profit, assets and liabilities

	31 December 2017 HK\$'000	31 July 2016 HK\$'000
<b>Profit/(loss) before income tax expense</b>		
Reportable segment profit/(loss)	99,300	(2,726)
Unallocated corporate income	630	2,589
Unallocated corporate expenses	(59,564)	(20,470)
Finance costs	(8,006)	(508)
Consolidated profit/(loss) before income tax expense	<b>32,360</b>	(21,115)
<b>Assets:</b>		
Reportable segment assets	1,042,558	281,176
Unallocated corporate assets		
— Bank balance and Cash	171,081	90,568
— Investments held for trading	–	27,002
— Other corporate assets	10,281	3,961
	<b>181,362</b>	121,531
Consolidated total assets	<b>1,223,920</b>	402,707
<b>Liabilities:</b>		
Reportable segment liabilities	(82,427)	(30,321)
Unallocated corporate liabilities		
— Loan from shareholders	(49,598)	(49,598)
— Other corporate liabilities	(588,783)	(3,317)
	<b>(638,381)</b>	(52,915)
Deferred tax liabilities	(19,213)	(27,968)
Consolidated total liabilities	<b>(740,021)</b>	(111,204)

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 7. REVENUE

Revenue represents the aggregate of sales revenue from the sales of properties in the PRC, rental and building management fee income from properties in the PRC, loan interest income from money lending business, license and financial service income and interest income from financial assets investment.

	Seventeen months ended 31 December 2017 HK\$'000	Year ended 31 July 2016 HK\$'000
Sales of property in the PRC	–	280
Rental income	3,105	2,272
Building management fee income	1,801	1,716
Loan interest income	6,780	5,497
License and financial service income	82,756	–
Interest income from financial assets investment	15,491	–
	<b>109,933</b>	<b>9,765</b>

## 8. OTHER INCOME

	Seventeen months ended 31 December 2017 HK\$'000	Year ended 31 July 2016 HK\$'000
Other revenue:		
Interest income	643	193
Sundry income	438	16
	<b>1,081</b>	<b>209</b>
Other (loss)/gain:		
Exchange (loss)/gain, net	(788)	1,892
	<b>293</b>	<b>2,101</b>

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 9. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after charging:

	Seventeen months ended 31 December 2017 HK\$'000	Year ended 31 July 2016 HK\$'000
Cost of sales and services recognised as expenses*	4,366	2,909
Staff costs (note 10)#	34,696	7,227
Depreciation of property, plant and equipment (note (a))	1,514	1,604
Amortisation of intangible assets#	2,112	331
Operating lease rentals in respect of land and buildings (note (c))	3,072	938
Auditor's remuneration#	1,200	735
Impairment provision against deposits paid for legal claim (note (b))	–	7,000

Notes:

- (a) Depreciation of property, plant and equipment of HK\$891,000 (year ended 31 July 2016: HK\$1,438,000) and HK\$623,000 (year ended 31 July 2016: HK\$166,000) are included in other operating expenses and administrative expenses respectively.
- (b) Impairment provision against deposits paid for legal claim of HK\$7,000,000 for the year ended 31 July 2016 is included in administrative expenses. Further details of this impairment provision are set out in note 42(a).
- (c) Operating lease rentals in respect of land and buildings of HK\$2,269,000 (year ended 31 July 2016: HK\$825,000) and HK\$803,000 (year ended 31 July 2016: HK\$113,000) are included in other operating expenses and administrative expenses respectively.

\* Items included in other operating expenses

# Items included in administrative expenses

## 10. STAFF COSTS

	Seventeen months ended 31 December 2017 HK\$'000	Year ended 31 July 2016 HK\$'000
Staff costs (including Directors' emoluments) comprise:		
Salaries and other benefits	34,136	6,917
Contributions to defined contribution retirement plans	560	310
	<b>34,696</b>	<b>7,227</b>



# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the Directors were as follows:

	Fees HK\$'000	Salaries and other benefits HK\$'000	Contributions to defined contribution plans HK\$'000	Total HK\$'000
<b>For the seventeen months ended 31 December 2017</b>				
<b>Executive Directors:</b>				
Liu Jieshan (appointed on 9/2/2017)	–	4,583	17	4,600
Cui Lei (appointed on 9/2/2017)	–	4,583	17	4,600
Yang Huaijun (appointed on 8/5/2017)	–	4,525	12	4,537
Han Litie (appointed on 8/5/2017)	–	4,356	12	4,368
Yang Zijiang (resigned on 9/2/2017)	–	880	–	880
Kwan Shan (resigned on 8/5/2017)	–	1,197	15	1,212
<b>Independent Non-Executive Directors:</b>				
Wu Shiming	190	–	–	190
Wong Wai Chun Alex (appointed on 8/5/2017)	87	–	–	87
Su Xihe (appointed on 8/5/2017)	216	–	–	216
Lin Chaofan (resigned on 8/5/2017)	133	–	–	133
Deng Chunmei (resigned on 8/5/2017)	133	–	–	133
	<b>759</b>	<b>20,124</b>	<b>73</b>	<b>20,956</b>

	Fees HK\$'000	Salaries and other benefits HK\$'000	Contributions to defined contribution plans HK\$'000	Total HK\$'000
<b>For the year ended 31 July 2016</b>				
<b>Executive Directors:</b>				
Dr. Yang Zijiang	–	926	–	926
Ms. Kwan Shan (appointed on 1/4/2016)	–	340	6	346
Mr. Ng Chi Lung (resigned on 1/4/2016)	–	450	12	462
<b>Independent Non-executive Directors:</b>				
Mr. Wu Shiming	100	–	–	100
Mr. Lin Chaofan	100	–	–	100
Ms. Deng Chunmei	100	–	–	100
	<b>300</b>	<b>1,716</b>	<b>18</b>	<b>2,034</b>

None of the Directors waived or agreed to waive any emolument during the period/year ended 31 December 2017 and 31 July 2016.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 12. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with highest emoluments in the Group, four (year ended 31 July 2016: three) were Directors of the Company, whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining one (year ended 31 July 2016: two) individuals were as follows:

	Seventeen months ended 31 December 2017 HK\$'000	Year ended 31 July 2016 HK\$'000
Salaries and other benefits	2,181	863
Contributions to defined contribution plans	5	26
	<b>2,186</b>	<b>889</b>

Their emoluments were within the following bands:

	Seventeen months ended 31 December 2017 Number of individuals	Year ended 31 July 2016 Number of individuals
Nil to HK\$1,000,000	–	2
HK\$1,000,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$3,000,000	1	–

## 13. FINANCE COSTS

	Seventeen months ended 31 December 2017 HK\$'000	Year ended 31 July 2016 HK\$'000
Interest on loans from shareholders	724	508
Interest on other borrowing	5,529	–
Imputed interest on senior notes	1,753	–
	<b>8,006</b>	<b>508</b>

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 14. INCOME TAX CREDIT/(EXPENSE)

The amount of income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	Seventeen months ended 31 December 2017 HK\$'000	Year ended 31 July 2016 HK\$'000
Current tax	–	343
Over provision in respect of previous years	(343)	–
Deferred tax (note 31)	(8,755)	1,084
Tax (credit)/charge for the period/year	<b>(9,098)</b>	1,427

Hong Kong Profits Tax has been provided at the rate of 16.5% (year ended 31 July 2016: 16.5%) on the estimated assessable profits during the period/year.

Taxation arising in other jurisdictions are calculated at the rates prevailing in the respective jurisdictions.

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

	Seventeen months ended 31 December 2017 HK\$'000	Year ended 31 July 2016 HK\$'000
Profit/(loss) before income tax	<b>32,360</b>	(21,115)
Tax calculated at Hong Kong Profits Tax rate of 16.5% (year ended 31 July 2016: 16.5%)	<b>5,339</b>	(3,484)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(10,390)</b>	762
Tax effect of expenses not deductible for tax purpose	<b>11,773</b>	3,203
Tax effect of income not taxable for tax purpose	<b>(7,946)</b>	(505)
Tax effect of tax losses not recognised	<b>1,866</b>	1,451
Tax effect of other deductible temporary differences not recognised	<b>(3)</b>	–
Utilisation of tax losses previous not recognised	<b>(9,394)</b>	–
Over-provision in prior years	<b>(343)</b>	–
Income tax (credit)/expense for the period/year	<b>(9,098)</b>	1,427

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 15. EARNINGS/(LOSS) PER SHARE

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

	Seventeen months ended 31 December 2017 HK\$'000	Year ended 31 July 2016 HK\$'000
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### Profit/(loss)

Profit/(loss) for the period/year attributable to owners of the Company for the purposes of basic and diluted earnings/(loss) per share:	<b>41,465</b>	(22,542)
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	Seventeen months ended 31 December 2017	Year ended 31 July 2016
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### Number of shares

Weighted average number of ordinary shares for the purposes of basic and diluted profit/(loss) per share	<b>3,540,840,662</b>	3,167,374,509
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The denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share.

Diluted earnings/(loss) per share for the seventeen months ended 31 December 2017 and year ended 31 July 2016 are the same as the basic earnings per share as there is no instruments with potential dilutive shares issued by the Group during the seventeen months ended 31 December 2017 and year ended 31 July 2016.

The weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share for the seventeen months ended 31 December 2017 and year ended 31 July 2016 are after the adjustment of the bonus elements in the shares issued under the placing of shares completed in October 2017.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>				
At 1 August 2015	9,994	979	790	11,763
Exchange alignments	(593)	–	–	(593)
Additions	–	44	799	843
Write off	(539)	–	–	(539)
At 31 July 2016 and 1 August 2016	8,862	1,023	1,589	11,474
Exchange alignments	266	–	–	266
Additions	1,534	470	725	2,729
At 31 December 2017	10,662	1,493	2,314	14,469
<b>Accumulated depreciation and impairment</b>				
At 1 August 2015	7,576	892	790	9,258
Exchange alignments	(472)	–	–	(472)
Depreciation	1,437	34	133	1,604
Write off	(539)	–	–	(539)
At 31 July 2016 and 1 August 2016	8,002	926	923	9,851
Exchange alignments	256	–	–	256
Depreciation	1,010	85	419	1,514
At 31 December 2017	9,268	1,011	1,342	11,621
<b>Net book value</b>				
At 31 December 2017	1,394	482	972	2,848
At 31 July 2016	860	97	666	1,623

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 17. INVESTMENT PROPERTIES

	31 December 2017 HK\$'000	31 July 2016 HK\$'000
<b>Fair value:</b>		
Completed investment properties, in the PRC	90,297	91,462
Investment properties under construction, in the PRC	65,998	81,884
	<b>156,295</b>	173,346

The Group's properties are either held to earn rental income or for capital appreciation purpose, are measured using fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 December 2017 and 31 July 2016 were determined by the Directors with reference to the valuation report prepared by Greater China Appraisal Limited, an independent qualified professional valuer, based on the highest and best use approach.

The fair value measurement of the Group's investment properties have been categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair Value Measurement. The fair value of the investment properties as at 31 December 2017 is a level 3 (31 July 2016: level 3) recurring fair value measurement, which uses significant unobservable inputs in arriving at fair value. During the seventeen months ended 31 December 2017 and year ended 31 July 2016, in respect of investment properties there were no transfers between level 1 and level 2, or transfers into or out of level 3.

The fair value of investment properties is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below.

	31 December 2017 HK\$'000	31 July 2016 HK\$'000
<b>Fair value:</b>		
At beginning of year (level 3 recurring fair value)	173,346	178,470
Change in fair value	(17,051)	(5,124)
At end of year (level 3 recurring fair value)	<b>156,295</b>	173,346

The fair values of investment properties as at 31 December 2017 and 31 July 2016 were determined using direct comparison approach and investment method as appropriate. For investment properties determined by the direct comparison approach, recent market information about prices for comparable properties was used with significant adjustments for any differences in the characteristics of the Group's properties. For investment properties determined using the investment method, account was taken of the current passing rent and the reversionary income potential of the investment properties where applicable.

Fair value adjustment of investment properties is recognised in the line item "fair value losses on investment properties" on the face of the consolidated statement of profit or loss and other comprehensive income.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 17. INVESTMENT PROPERTIES (Continued)

Details about the valuation inputs for 31 December 2017 and 31 July 2016 are as follows:

As at 31 December 2017

Property	Location	Level	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Property held for further development	The PRC	3	Direct comparison method	Market selling price: RMB4,800 per square meter	The higher the market selling price, the higher the fair value
Retail shops – level 1	The PRC	3	Investment method	Market rent per month: RMB32 to RMB45 per square meter	The higher the market rent, the higher the fair value
				Term yield: 4.5% per annum	The higher the term yield, the lower the fair value
				Reversionary yield: 5.5% per annum	The higher the reversionary yield, the lower the fair value
Retail shops – level 2	The PRC	3	Investment method	Market rent per month: RMB11 per square meter	The higher the market rent, the higher the fair value
				Term yield: 7% per annum	The higher the term yield, the lower the fair value
				Reversionary yield: 8% per annum	The higher the reversionary yield, the lower the fair value
Car park space	The PRC	3	Direct comparison approach	Estimated market price per car park space: RMB110,000	The higher the market price, the higher the fair value

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 17. INVESTMENT PROPERTIES (Continued)

As at 31 July 2016

Property	Location	Level	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Property held for further development	The PRC	3	Direct comparison method	Market selling price: RMB1,600 per square meter	The higher the market selling price, the higher the fair value
Retail shops – level 1	The PRC	3	Investment method	Market rent per month: RMB34 to RMB48 per square meter  Term yield: 4.5% per annum  Reversionary yield: 5.5% per annum	The higher the market rent, the higher the fair value  The higher the term yield, the lower the fair value  The higher the reversionary yield, the lower the fair value
Retail shops – level 2	The PRC	3	Investment method	Market rent per month: RMB12 per square meter  Term yield: 7% per annum  Reversionary yield: 8% per annum	The higher the market rent, the higher the fair value  The higher the term yield, the lower the fair value  The higher the reversionary yield, the lower the fair value
Car park space	The PRC	3	Direct comparison approach	Estimated market price per car park space: RMB100,000	The higher the market price, the higher the fair value

Property rental income earned during the period was HK\$3,105,000 (year ended 31 July 2016: HK\$2,272,000) and the related direct operating expenses were approximately HK\$961,000 (year ended 31 July 2016: HK\$727,000). The property held had committed tenants for 1 to 5 years (31 July 2016: 1 to 5 years). At the end of reporting period, the Group contracted with tenants for the following future minimum lease receivables:

	31 December 2017 HK\$'000	31 July 2016 HK\$'000
Within one year	2,433	1,633
In the second to fifth year inclusive	4,944	3,933
	<b>7,377</b>	5,566



# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 18. INTANGIBLE ASSETS

	SFC licenses HK\$'000
<b>Cost</b>	
At 1 August 2015	–
Acquired through acquisition of a subsidiary	4,472
	<hr/>
At 31 July 2016, 1 August 2016 and 31 December 2017	4,472
	<hr/>
<b>Amortisation</b>	
At 1 August 2015	–
Amortisation	(331)
	<hr/>
At 31 July 2016 and 1 August 2016	(331)
Amortisation	(2,112)
	<hr/>
As at 31 December 2017	(2,443)
	<hr/>
<b>Net book value</b>	
At 31 December 2017	2,029
	<hr/>
At 31 July 2016	4,141
	<hr/>

The intangible assets represent licenses of regulated activities issued by SFC for Type 4 “Advising on Securities” and Type 9 “Asset Management” acquired through acquisition of a subsidiary.

## 19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2017 HK\$'000	31 July 2016 HK\$'000
Available-for-sale financial assets	–	–
	<hr/>	<hr/>

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 19. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Details of the available-for-sale financial assets are set out in the table below:

Name	Form of business structure	Place of incorporation	Place of operation and principal activity	Percentage of direct voting rights held by the Group
Alverna Dynamic Developments Inc* ("Alverna")	Corporation	Philippines	Investment holding in Philippines	40%
Shannalyne Inc. ("Shannalyne")	Corporation	Philippines	Tree plantation operations in Philippines	40%
2010 Duran Inc.	Corporation	Philippines	Tree plantation operations in Philippines	40%
Morton 2011 Inc.	Corporation	Philippines	Dormant	40%

\* Alverna holds 60% direct equity interest in Shannalyne.

The Group holds an interest in certain tree plantation operations situated in the Caraga region of Mindanao in the Philippines. These interests were acquired some time ago during the year ended 31 July 2011 for approximately HK\$2.02 billion, and are held through two former associates, Shannalyne and Alverna (together the "Associates"). Details of the tree plantation operations were set out in the Company's Very Substantial Acquisition Circular dated 30 June 2010. Up to 6 January 2014, the Group accounted for its interest in these tree plantation operations by way of equity accounting for its interests in the Associates.

However, from the time it acquired its interest in these operations, the Group experienced many problems, including unfavourable changes in local Philippine laws and regulations related to the forestry industry and a severe deterioration in the working relationship with its Philippine partner and majority equity rights holder in this venture, Ms. Juanita Dimla De Guzman ("Ms. De Guzman"). In addition, the Company's relationship with its then Chairman and Executive Director, Mr. Tan Cheow Teck ("Mr. CT Tan"), who held out himself as a forestry expert and a key proponent of these operations, also broke down irrevocably. These cumulative problems resulted in the Group abandoning the tree plantation operations in the Philippines and writing down the remaining carrying value of its investment in the Associates to nil on 6 January 2014. At the same date, the Group reclassified its interests in the Associates as available-for-sale financial assets ("AFS"), as the Company felt it no longer had any significant influence over the Associates. Details of the impairment of the investment in Associates and their reclassification as AFS are set out in the financial statements for the year ended 31 July 2014 and in the Company's announcements dated 19 December 2013, 13 January 2014, 19 February 2014, 10 March 2014 and 17 March 2014.

There have been no positive developments since the investments in the former Associates (now classified as AFS) were fully impaired, and as at 31 December 2017 and 31 July 2016, the Directors continue to believe the value of the AFS is nil and that no realistic recovery of any value in the Philippine tree plantation operations is presently likely or probable.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 20. PROPERTIES HELD FOR SALE

	31 December 2017 HK\$'000	31 July 2016 HK\$'000
Properties held for sale	<b>7,240</b>	7,240

Properties held for sale represent 35 (31 July 2016: 35) residential units located in Regal Garden, no. 888 Lunchang Road, Lunjiao Town, Shunde District, Foshan City, Guangdong Province, the PRC.

## 21. PROPERTIES UNDER DEVELOPMENT

	31 December 2017 HK\$'000	31 July 2016 HK\$'000
Properties under development	<b>31,431</b>	31,431

As at 31 December 2017, the carrying amount of properties under development of HK\$31,431,000 (31 July 2016: HK\$31,431,000) represented the deemed cost of 169 identified units of properties ("Properties") which had been specifically set aside for the settlement of an outstanding construction fee payable in accordance with 清付工程款項協議書 dated 15 August 2005 ("Settlement Agreement") in prior years.

The deemed cost of the Properties of HK\$31,431,000 represents the RMB20,439,000 (equivalent to HK\$25,653,000) which has been stipulated in the Settlement Agreement and the Pledge Agreement (as defined below) and further subsequent construction costs of RMB4,603,000 (equivalent to HK\$5,778,000).

In addition to the Settlement Agreement, the Group has entered into another agreement 抵押還款協議書 dated 27 April 2006 ("Pledge Agreement") with 廣州市第四建築工程有限公司 (the "Contractor") to pledge the Properties as security. Under the two said Agreements, the Group and the Contractor mutually agreed to use the designated Properties to settle the outstanding balance. In conjunction with this settlement arrangement, both parties also mutually agreed the outstanding balance were to be settled without recourse, which in case the sales proceeds of the Properties exceeded the outstanding balance, the Group could not claim the extra proceeds received by the Contractor. Similarly, if the sales proceeds were insufficient to settle the amount owed to the Contractor, the Contractor agreed to waive the residual unpaid portion. In light of this particular clause, management considered that the significant risks and rewards of ownership of the Properties had been transferred to the Contractor when the two Agreements were signed. As a result, these properties under development and the corresponding liability were offset against each other and not separately recognised in the financial statements in prior years before the year ended 31 July 2013.

During the year ended 31 July 2013, the Group received a demand letter from the Contractor to claim the said outstanding balance, plus interest and an exact amount of RMB15,000,000 (equivalent to HK\$18,827,000) without any basis. Apart from the amount due to the Contractor of RMB25,042,000 (equivalent to HK\$31,431,000) which has been recognised by the Group as explained above, the Group saw no merit of the other claims by the Contractor.

During the years ended 31 July 2014, 2015, 2016 and seventeen months ended 31 December 2017, the Contractor has not issued any further demand letters nor raised any formal proceedings against the Group to claim the outstanding amount.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 21. PROPERTIES UNDER DEVELOPMENT *(Continued)*

During the year ended 31 July 2014, two individuals, 余盛 and 張明贊, raised litigations in the PRC against the Group (being the property developer), the Contractor (being the primary outsourcer), and another two companies (being the subcontractors of the primary outsourcer and being the direct outsourcers of the two individuals) to claim certain outstanding construction fees in relation to the Group's property development project. The PRC court ruled on this matter in December 2013 and concluded that the Contractor was liable to settle the principal amount of RMB3,198,013 (equivalent to HK\$4,017,536) and RMB3,961,291 (equivalent to HK\$4,976,411) plus overdue interest to 余盛 and 張明贊 respectively. The PRC court also concluded that the Group has a joint liability to settle the said principal amounts to 余盛 and 張明贊 to the extent that the amount is within the outstanding amount payable by the Group to the Contractor. All parties appealed against this judgement. However, the appeal was dismissed by the People's Intermediate Court in January 2015. Following the result of the appeal, the Contractor made a further appeal to the Higher People's Court of Guangdong Province (廣東省高級人民法院) against the judgement of the appeal, but the result of the further appeal is still outstanding at the date of approval of these financial statements. As at the date of approval of these financial statements, no settlement to the Constructor has been made.

In July 2015, the Higher People's Court of Guangdong Province (廣東省高級人民法院) granted leave for a retrial and suspended execution of orders previously made against the Contractor and Shunde China Rich Properties Limited ("Shunde China Rich"), a wholly-owned PRC subsidiary of the Group, by which dealings in respect of the Properties and credit standing in three bank accounts of Shunde China Rich has been frozen pending settlement of the litigations with 余盛 and 張明贊. As at 31 July 2015, the balance in the three bank accounts of Shunde China Rich were approximately RMB586,000 (equivalent to HK\$730,000). These bank balances were accordingly reclassified as "restricted bank balances" in the Group's consolidated statement of financial position at 31 July 2015. During the year ended 31 July 2016, the restrictions over these bank accounts were released by the Higher People's Court of Guangdong Province (廣東省高級人民法院) and the cash held in these accounts may be freely used by the Group.

In view of the dispute and the uncertainty in enforcing the settlement arrangement under both Agreements, management considers it is appropriate to separately recognise the Properties and the corresponding liabilities since 31 July 2013 as the previous offset arrangement may no longer be achievable.

As at the reporting date, registration of the authentic rights (確權) of these Properties were not yet completed as the Contractor has failed to provide the Group with the certain necessary supporting documents to complete the registration process and obtain the authentic rights (確權). Without the authentic rights, these Properties cannot be sold or transferred with proper/legal title in the PRC. Accordingly these Properties were classified as properties under development.

As at 31 December 2017, the fair value of the Properties was estimated to be approximately HK\$119,276,000 (31 July 2016: HK\$46,016,000) with reference to a valuation report issued by Greater China Appraisal Limited (31 July 2016: Greater China Appraisal Limited), an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the properties being valued.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 22. LOAN RECEIVABLES

	31 December 2017 HK\$'000	31 July 2016 HK\$'000
Loan receivables	<b>85,000</b>	50,000

The Group's loan receivables, which arise from the money lending business of providing corporate loans in Hong Kong, are denominated in Hong Kong dollar.

Loan receivables are secured by collaterals or personal guarantee provided by customers, bear interest ranging from 10%–15% (Year ended 31 July 2016: 13.2%) per annum and are repayable with fixed terms agreed with the Group's customers. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the receivables mentioned above.

As at 31 December 2017 and 31 July 2016, all of the loan receivables were neither past due nor impaired.

A maturity profile of the loan receivables as at the end of the reporting periods, based on the maturity date, is as follow:

	31 December 2017 HK\$'000	31 July 2016 HK\$'000
Within one year	<b>85,000</b>	50,000

The carrying amount of the loan receivables approximate to their fair values due to the short term maturities.

Further details on the Group's credit policy are set out in note 40.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 23. TRADE AND OTHER RECEIVABLES

	31 December 2017 HK\$'000	31 July 2016 HK\$'000
Trade receivables arising from license and financial service business <i>note (i)</i>	<b>79,456</b>	–
Interest income receivable arising from financial assets investment	<b>13,561</b>	–
Other receivables	<b>5,880</b>	101
	<b>98,897</b>	101

Note:

- (i) The settlement terms of trade receivables are normally due within one year from date of billing. All trade receivables are non-interest bearing.

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

	31 December 2017 HK\$'000	31 July 2016 HK\$'000
0–90 days	<b>79,456</b>	–

An ageing analysis of trade receivable that neither individually nor collectively considered to be impaired are as follows:

	31 December 2017 HK\$'000	31 July 2016 HK\$'000
Neither past due nor impaired	<b>79,456</b>	–

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

The Group does not hold any collateral or other credit enhancements over the trade and other receivables.

As at 31 December 2017, included in other receivables was an amount of HK\$4,900,000 (31 July 2016: Nil) which represents amount due from a non-controlling shareholder in respect of share capital injection of a subsidiary. The amount is unsecured, interest-free and repayable on demand.

None of the above receivables is either past due nor impaired. The financial assets included in the other receivables for which there was no history of default.

All of the trade and other receivables are expected to be recovered within one year.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 24. DEPOSITS AND PREPAYMENTS

	31 December 2017 HK\$'000	31 July 2016 HK\$'000
Deposits paid for legal claim	–	12,650
Less: Impairment provision against security deposits for legal claim	–	(7,000)
	–	5,650
Deposits paid	<b>1,364</b>	339
Prepayment	<b>3,049</b>	12
	<b>4,413</b>	6,001

As at 31 July 2016, included in 'deposits paid for legal claim' is a sum of approximately HK\$12,472,000 held in escrow by two legal firms in favour of the liquidators of Wing Fai Construction Company Limited ("Wing Fai"). These security deposits arose from certain legal actions taken against the Group by the liquidators of Wing Fai, Wai Shun Construction Company Limited ("Wai Shun") and Zhukuan Wing Fai Construction Company Limited ("ZWF") (collectively "the Liquidators"), who refused to recognise the effect of the set-off of inter-company accounts pursuant to a Set Off Agreement dated 23 November 2001 and the extinguishment of intragroup indebtedness and incidental transactions and arrangements upon the Group's sale of its interest in Wing Fai, Wai Shun and ZWF on 22 April 2002. Further details of the background to these legal proceeds are set out in note 42(a).

During the year ended 31 July 2016, the Company has been in negotiation with the Liquidators to reach a full and final settlement to all the long outstanding legal proceedings with these parties. Subsequent to the year end, on 26 September 2016, all parties were able to reach full and final settlements, pursuant to which the Company agreed to release HK\$7,000,000 of the security deposits to the Liquidators. The Company has accordingly made an impairment provision of HK\$7,000,000 against the security deposits as at 31 July 2016. Further details of the settlements are set out in note 42(a).

During the period ended 31 December 2017, the conditions precedent of and obligations of the parties under the settlement deeds entered into by the Group and the Liquidators were fully satisfied. The Group received HK\$5,650,000 in respect of the refund of deposits for legal claim. The legal proceedings between the Group and the Liquidators were settled.

None of the above assets is either past due nor impaired.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 25. INVESTMENTS HELD FOR TRADING

	31 December 2017 HK\$'000	31 July 2016 HK\$'000
Equity securities listed in Hong Kong at fair value	–	27,002

As at 31 July 2016, the equity securities held by the Group represents 3.52% of equity interest in Sunway International Holdings Limited (stock code: 58). The principal activities of Sunway International Holdings Limited are manufacturing and trading of pre-stressed steel bars, pre-stressed high strength concrete piles, ready-mixed concrete, sand-lime bricks, aerated concrete products and eco-concrete products. The fair value of the listed equity securities was determined with reference to the quoted market prices in an active market. The measurement of fair value for the investments was level 1.

During the seventeen months ended 31 December 2017, the equity securities were sold on the market. Loss on disposal of investments held for trading of HK\$12,845,000 was recognised in the consolidated statement of profit or loss and other comprehensive income.

## 26. CASH AND CASH EQUIVALENTS

	31 December 2017 HK\$'000	31 July 2016 HK\$'000
Cash and cash equivalents	<b>171,081</b>	101,822

As at 31 December 2017, cash and cash equivalents of the Group included currencies denominated in RMB amounting to approximately HK\$2,162,000 (31 July 2016: HK\$2,184,000) which is not freely convertible into other currencies.

## 27(a). TRADE AND OTHER PAYABLES

At 31 December 2017, included in the Group's trade and other payables of approximately HK\$81,888,000 (31 July 2016: HK\$30,391,000) were trade payables of approximately HK\$30,150,000 (31 July 2016: HK\$29,352,000), representing the outstanding construction fee in dispute, further details of which are set out in note 21 and 42(b).

	31 December 2017 HK\$'000	31 July 2016 HK\$'000
Trade payable	<b>30,150</b>	29,352
Other payables	<b>51,738</b>	1,039
	<b>81,888</b>	30,391

The aging analysis of trade payables, based on invoice date, is as follows:

	31 December 2017 HK\$'000	31 July 2016 HK\$'000
Over 365 days	<b>30,150</b>	29,352



# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 27(b). ACCRUALS

	31 December 2017 HK\$'000	31 July 2016 HK\$'000
Accrued staff bonus	14,100	–
Accrued interest expense	4,606	1,088
Others	3,332	1,816
	<b>22,038</b>	<b>2,904</b>

All of the accruals are expected to be settled within one year or are repayable on demand.

## 28. LOANS FROM SHAREHOLDERS

	31 December 2017 HK\$'000	31 July 2016 HK\$'000
Linshan Limited ("Linshan") (i)	<b>49,598</b>	49,598

- (i) The loan from Linshan is unsecured and bears interest at the rate of 1% (31 July 2016: 1%) per annum. Linshan is wholly owned by Mr. Shannon Tan Siang-Tau ("Mr. S Tan"), a former Executive Director of the Company and the son of Mr. CT Tan, a former Chairman and Executive Director of the Company. The loan was due for repayment on 31 December 2014, and in January 2015, the Group received a demand letter from Linshan for the settlement of the outstanding loan and accrued interest thereon.

Mr. S Tan and Mr. CT Tan were both key members of the management team of the Group's former tree plantation operations in the Philippines, details of which are set out in note 19. The Group has been highly dissatisfied with the performance, behaviour and misrepresentations of this management team, as the tree plantation operations were a total failure and has since been fully written off and abandoned by the Group during the year ended 31 July 2014. On 28 October 2014, a criminal action for misappropriation of certain funds and falsification of documents was filed in the Philippines against Ms. De Guzman, another key member of the management team and the majority equity rights holder of these tree plantation operations. In around May 2016, a warrant for the arrest of Ms. De Guzman was issued by the Regional Trial Court of Makati City. Ms. De Guzman subsequently filed a Motion for Reconsideration to dismiss the complaint raised against her. In June 2016 the Court denied Ms. De Guzman's motion and an arrest warrant was issued against her. Although several attempts have been made to serve the arrest warrant on Ms. De Guzman, none have been successful up to the date these financial statements were approved.

The Group is contemplating similar measures/actions against Mr. S Tan and Mr. CT Tan, and until that situation has been resolved, the Group has no intention of settling the loan and interest due to Linshan.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 29. OTHER BORROWING

	31 December 2017 HK\$'000	31 July 2016 HK\$'000
Other borrowing	389,955	–
Less: Current portion	(38,355)	–
	<b>351,600</b>	–

The borrowing is in respect of a facility agreement entered into between the Company and China Huarong International Holdings Limited on 7 November 2017, in relation to a 9.7% per annum, five years loan facility in an aggregate principal amount of up to US\$60,000,000 (the "Facility") which was secured by corporate guarantee provided by the immediate holding company. As at 31 December 2017, the Company had drawn US\$50,000,000 from the Facility.

The borrowing is subject to the fulfilment of covenant relating to certain ratio of the Group's financial position ratio which is commonly found in lending arrangements with financial institutions. If the Group breaches the covenants, the drawn down facilities would become repayable on demand.

The Group regularly monitors its compliance with this covenant and is up to date with the scheduled repayment of the term loan. Further details of the Group's management of liquidity risk are set out in note 40. As at 31 December 2017, the Group had not breached the covenant relating to this drawn down facility.

## 30. SENIOR NOTES

	31 December 2017 HK\$'000	31 July 2016 HK\$'000
Senior notes	177,329	–
Less: Current portion	(14,400)	–
	<b>162,929</b>	–

During the period, the Company issued two senior notes of two-year term (the "Notes") with nominal value in aggregate of HK\$180,000,000 to a third party. The Notes are repayable on the maturity date falling before the second anniversary of the date of issue of the Notes. The Notes carry interest at a rate of 8% per annum, which is payable annually in arrears.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 31. DEFERRED TAX LIABILITIES

Details of the deferred tax liabilities recognised and movements during the current period and prior years:

	Revaluation of investment properties HK\$'000
At 1 August 2015	26,884
Charge to profit or loss (note 14)	1,084
At 31 July 2016 and 1 August 2016	27,968
Credited to profit and loss (note 14)	(8,755)
At 31 December 2017	19,213

At 31 December 2017, the Group has estimated unused tax losses of HK\$91,087,000 (31 July 2016: HK\$139,015,000) available for offsetting against future profits, which are subject to the agreement of the relevant tax authorities. Included in the estimated unused tax losses, HK\$86,393,000 (31 July 2016: HK\$133,814,000) can be carried forward indefinitely and HK\$4,694,000 (31 July 2016: HK\$5,201,000) will expire in one to five years. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

## 32. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

### Level 3 recurring fair value measurement

	31 December 2017 HK\$'000	31 July 2016 HK\$'000
At beginning of the period/year		
Subscription of convertible bond	129,000	–
Subscription of debt securities	513,500	–
Change in fair value	21,518	–
At end of the period/year	664,018	–
Less: Current portion	(517,061)	–
Non-current portion	146,957	–

(i) Analysed by type:

	31 December 2017 HK\$'000	31 July 2016 HK\$'000
At fair value:		
— Debt securities, unlisted (note (iii))	517,061	–
— Convertible bond, unlisted (note (ii))	146,957	–
	664,018	–

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 32. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

- (ii) The convertible bond issued by a company listed on the Stock Exchange of Hong Kong Limited is measured at fair value by a firm of independent professional valuer, Norton Appraisals Holdings Limited, using the Goldman Sachs' Model, which is a financial modeling technique commonly adopted in valuation of financial assets, at the end of the reporting period.

	31 December 2017	Relationship of unobservable inputs to fair value
Significant unobservable inputs:		
Expected volatility	<b>42.28%</b>	The higher the expected volatility, the higher the fair value

- (iii) Debt securities issued by private corporates are measured at fair value by a firm of independent professional valuer, Colliers International (Hong Kong) Ltd., using the discounted cash flow method at the end of the reporting period.

	31 December 2017	Relationship of unobservable inputs to fair value
Significant unobservable inputs:		
Discount rate	<b>9.98% to 12.24%</b>	The higher the discount rate, the lower the fair value

There was no transfer into or out of level 3 during the seventeen months ended 31 December 2017.

Fair value adjustment of financial assets at fair value through profit or loss is recognised in the line item "fair value gain on financial assets at fair value through profit or loss" on the face of the consolidated statement of profit or loss and other comprehensive income.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 33. SHARE CAPITAL

	Number of shares	Amount HK\$'000
<b>Issued and fully paid:</b>		
<b>Ordinary shares</b>		
At 1 August 2015, 31 July 2016 and 1 August 2016, of HK\$0.01 each	2,996,173,330	29,962
Issue of shares upon placing (note a)	599,200,000	5,992
	<hr/>	<hr/>
At 31 December 2017, of HK\$0.01 each	3,595,373,330	35,954

Notes:

(a) On 6 October 2016, placing of 599,200,000 new shares (i.e. 16.67% of the enlarged shareholding) at HK\$0.25 per share to six placees through a placing agent was completed. The closing market price of the immediately preceding business day is HK\$0.37 per share, implying there was a 32.43% discount of the placing price to the market price. The net proceeds from the placing, after deducting the placing commission and other expenses in connection with the placing from the gross proceeds, are approximately HK\$145,905,000. The six placees are independent third parties of the Group. The proceeds are intended to be utilised for the money lending business and financial services business of the Group. The related share issue expense of HK\$3,895,000 for the share placement has been charged directly against the Company's share premium.

(b) **SHARE OPTION SCHEME**

On 28 July 2010, the Company passed an ordinary resolution regarding the termination of the old share option scheme and adopted a new share option scheme (the "New Scheme") for the primary purpose of providing incentive to the eligible employees and Directors of the Company. Under the terms of the New Scheme, the board of Directors of the Company may, at their discretion, grant options to the participants who fall within the definition prescribed in the New Scheme including the employees and Executive Directors of the Company or its subsidiaries to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the Offer Date; (ii) the average closing price of the Shares as stated the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding to the Offer Date; and (iii) the nominal value of the shares. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% (31 July 2016: 1 %) of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted to substantial shareholders or Independent Non-executive Directors in excess of 0.1% of the Company's share capital and with a value in excess of HK\$5,000,000 must be approved in advance by the Company's shareholders. Options granted under the New Scheme will entitle the holder to subscribe for shares from the date of grant up to ten years from the date of grant. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

There were no share options outstanding at 31 December 2017 and 31 July 2016, and no share options were granted during the seventeen months ended 31 December 2017.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 34. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2017 HK\$'000	31 July 2016 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		45	27
Interest in subsidiaries		–	–
Total non-current assets		45	27
<b>Current assets</b>			
Trade receivable		77,412	–
Deposits and prepayment		1,294	2,931
Amounts due from subsidiaries		909,727	173,242
Bank balances and cash		23,922	47,430
Total current assets		1,012,355	223,603
<b>Current liabilities</b>			
Other payables		397	313
Accruals		19,027	1,789
Other borrowing	29	38,355	–
Senior notes	30	14,400	–
Amounts due to subsidiaries		3,128	1,967
Total current liabilities		75,307	4,069
<b>Net current assets</b>		<b>937,048</b>	<b>219,534</b>
<b>Total assets less current liabilities</b>		<b>937,093</b>	<b>219,561</b>
<b>Non-current liabilities</b>			
Other borrowing	29	351,600	–
Senior notes	30	162,929	–
		514,529	–
<b>NET ASSETS</b>		<b>422,564</b>	<b>219,561</b>
<b>Capital and reserves</b>			
Share capital	33	35,954	29,962
Reserves	36	386,610	189,599
<b>TOTAL EQUITY</b>		<b>422,564</b>	<b>219,561</b>

On behalf of the Board of Directors

**Cui Lei**  
Director

**Han Litie**  
Director

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 35. PARTICULARS OF SUBSIDIARIES

The following list contains only the particulars of the principal subsidiaries as at 31 December 2017 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length.

Name of subsidiary	Place of incorporation or registration and operations <sup>@</sup>	Issued and fully paid ordinary share capital/registered capital	Percentage of ownership interests/voting rights/profit share		Principal activities
			Directly	Indirectly	
Professional Wealth Creation Limited	Hong Kong	HK\$1	100%	–	Money lending
Old Peak Capital Limited	Hong Kong	HK\$5,000,000	–	100%	Advising on securities and asset management
Grand Plus Investment Limited	Hong Kong	HK\$1	–	100%	Fund investment
Sky Horse INC Limited	Hong Kong	HK\$1	100%	–	Provision of administrative services to the Group
China Gem Investment Limited	Hong Kong	HK\$10,000,000	–	51%	Investment holding
Douma Investments Limited	British Virgin Islands (“BVI”)	US\$1	100%	–	Investment holding
Elate Sky Limited	BVI	US\$1	100%	–	Investment holding
China Gem Development International Limited	BVI	US\$1	100%	–	Investment holding
China Rich Properties Limited	Hong Kong	HK\$10,000,000	–	100%	Property development
Shunde China Rich Properties Limited	The PRC <sup>(b)</sup>	US\$11,200,000	–	100%	Property development
Benefit Holdings International Limited	BVI	US\$200	–	100%	Investment holding

@ Unless otherwise stated, the place of operations is the same as the place of incorporations.

Note:

- (a) None of the subsidiaries had issued any debt securities at the end of reporting period.
- (b) All PRC subsidiaries are corporations with limited liability.

The directors of the Company made an assessment as at the date of initial application of HKFRS 12 and at the end of the reporting period. In the opinion of the directors, there is no subsidiary that has non-controlling interest individually that is material to the Group and therefore no information is disclosed for those non-wholly owned subsidiaries.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 36. RESERVES OF THE COMPANY

	Share premium HK\$'000 (note i)	Contributed surplus HK\$'000 (note ii)	Distributable reserve HK\$'000 (note iii)	Accumulated losses HK\$'000	Total HK\$'000
At 1 August 2015	1,689,752	1,080,948	77,033	(2,639,870)	207,863
Loss for the year	-	-	-	(18,264)	(18,264)
At 31 July 2016 and 1 August 2016	1,689,752	1,080,948	77,033	(2,658,134)	189,599
Profit for the period	-	-	-	57,098	57,098
Issue of ordinary shares upon placing (note 33a)	139,913	-	-	-	139,913
At 31 December 2017	1,829,665	1,080,948	77,033	(2,601,036)	386,610

Notes:

(i) **Share premium**

Pursuant to the Companies Act 1981 of Bermuda, the Company's share premium account can be distributed in the form of fully paid shares.

(ii) **Contributed surplus**

The Company passed a special resolution on 31 December 2014 for a capital reduction and the issued share capital of the Company was reduced from approximately HK\$299,617,000 to HK\$14,981,000 on 2 January 2015. The capital reduction resulted in reducing the issued share capital of the Company by approximately HK\$284,636,000. Such amount was credited to the contributed surplus of the Company.

(iii) **Distributable reserve**

The distributable reserve of the Company represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the Company's share issued for the acquisition at the time of the group reorganisation in 1994.

## 37. LEASES

### Operating lease – lessee

The Group paid minimum lease payments of HK\$3,072,000 (year ended 31 July 2016: HK\$938,000) under operating leases in respect of rented premises.

At the end of reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which will fall due as follows:

	31 December 2017 HK\$'000	31 July 2016 HK\$'000
Within one year	4,999	912
In the second to fifth years inclusive	5,979	872
	<b>10,978</b>	<b>1,784</b>

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases of office premises are negotiated for an average term of 1 to 5 years for fixed monthly rentals.



# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 38. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Save for those disclosed elsewhere in these financial statements, details of transactions between the Group and other related parties are disclosed below.

- (a) During the period/year, the Group entered into the following transactions with related parties:

	Seventeen months ended 31 December 2017 HK\$'000	Year ended 31 July 2016 HK\$'000
Interest expenses incurred on loans from shareholders ( <i>note 13</i> ):		
Linshan Limited ( <i>note 28</i> )	724	508
License service income ( <i>note (i)</i> )	2,044	–
	<b>2,768</b>	508

Note:

- (i) The license service income was generated from the provision of administrative service provided to a fellow subsidiary of the Group. The transaction has been conducted on normal commercial terms.

- (b) **Compensation of key management personnel**

The remuneration of Directors and other members of key management during the period/year were as follows:

	Seventeen months ended 31 December 2017 HK\$'000	Year ended 31 July 2016 HK\$'000
Short-term benefits	25,245	3,196
Post-employment benefits	83	44
	<b>25,328</b>	3,240

- (c) Amounts with related parties are summarised below:

	31 December 2017 HK\$'000	31 July 2016 HK\$'000
Loans from shareholders	49,598	49,598

Details of the loans from shareholders are set out in note 28.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	31 December 2017 HK\$'000	31 July 2016 HK\$'000
<b>Financial assets</b>		
Loans and receivables at amortised cost (note i)	357,010	157,924
Investments held for trading, at fair value	–	27,002
Financial assets at fair value through profit and loss	664,018	–
	<b>1,021,028</b>	<b>184,926</b>
<b>Financial liabilities</b>		
Financial liabilities, at amortised cost	719,735	82,893

Note:

- (i) Loans and receivables comprises trade and other receivables, loan receivables, deposits and cash and cash equivalents.

## 40. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include trade and other receivables, loan receivables, deposits, investments held for trading, financial assets at fair value through profit or loss, cash and cash equivalents, trade and other payables, accruals, loans from shareholders, senior notes and other borrowing. Details of the financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall strategy remains unchanged from prior year.

### Market risk

#### Currency risk

Most of the Group's financial assets and liabilities are denominated in Hong Kong dollars, United States dollars and Renminbi, which are the functional currencies of respective group companies, and Hong Kong dollars is pegged to United States dollars. The Group does not expect any significant exposure to foreign currency risks.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 40. FINANCIAL RISK MANAGEMENT *(Continued)*

### Market risk *(Continued)*

#### Interest rate risk

The Group's fair value interest-rate risk mainly arises from loan receivables, loan from shareholders, other borrowing and senior notes were issued at fixed rates which expose the Group to fair value interest-rate risk. The Group has no cash flow interest-rate risk as there are no financial instruments which bear floating interest rates. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

#### Credit risk

The Group credit risk is primarily attributable to its trade and other receivables, loan receivables, financial assets at fair value through profit or loss and cash and cash equivalents. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables and loan receivables, management minimises such risk exposure by performing credit check to ascertain the background of potential clients and assessing the value of collateral held (as the case may be). The decisions of granting corporate loans are subject to approval by the board of directors.

At the end of the reporting period, the Group has a certain concentration of credit risk as 42% (year ended 31 July 2016: 99%) and 83% (as at 31 July 2016: 100%) of total trade and other receivables and loan receivables was due from the Group's largest customer and the five largest customers respectively. The Group's concentration of credit risk by geographical location is mainly in Hong Kong, which accounted for 99% (year ended 31 July 2016: 100%) of the total trade and other receivables.

The Group also invested in debt securities and convertible bonds designated as financial assets fair value through profit or loss which exposed to credit risk. The management of the Group reviews on a regular basis the portfolio of the debt securities and convertible bonds to ensure that the concentration risk is at an acceptable level. In this regard, the directors of the Company consider that the credit risk relating to the debt securities and convertible bonds is closely monitored.

Cash and cash equivalents are placed with financial institutions with sound credit ratings to minimise credit exposure.

The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables and loan receivables are set out in note 23 and note 22 respectively.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 40. FINANCIAL RISK MANAGEMENT (Continued)

### Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms as well as derivative financial instruments. The table has been drawn up based on the undiscounted cash flows of the financial instruments based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Within 1 year or on demand HK\$'000	More than 1 year but not more than 2 years HK\$'000	More than 2 years but not more than 5 years HK\$'000	More than 5 years HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>2017</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	80,815	-	-	-	80,815	80,815
Accruals	22,038	-	-	-	22,038	22,038
Loans from shareholders	49,598	-	-	-	49,598	49,598
Other borrowing	38,355	38,355	500,758	-	577,468	389,955
Senior notes	14,400	194,400	-	-	208,800	177,329
	<b>205,206</b>	<b>232,755</b>	<b>500,758</b>	<b>-</b>	<b>938,719</b>	<b>719,735</b>
<b>2016</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	30,391	-	-	-	30,391	30,391
Accruals	2,904	-	-	-	2,904	2,904
Loans from shareholders	49,598	-	-	-	49,598	49,598
	<b>82,893</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82,893</b>	<b>82,893</b>

### Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions are valued by an independent professional valuer; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 40. FINANCIAL RISK MANAGEMENT *(Continued)*

### Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 41. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt (which includes loans from shareholders, other borrowing and senior notes) and equity attributable to owners of the Company, comprising issued share capital and reserves. The Directors of the Company review the capital structure on a continuous basis. As part of this review, the Directors consider the cost of capital and the risks associated with capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends and issuance of new shares as well as the addition of new borrowings.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares to reduce debts.

The Group has no plan to use special measures to adjust its gearing ratio in the foreseeable future.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 42. CONTINGENT LIABILITIES

- (a) The liquidators of Wing Fai Construction Company Limited ("Wing Fai") and Wai Shun Construction Company Limited ("Wai Shun") refused to recognise the effect of set off of inter-company accounts pursuant to a Set Off Agreement (the "Agreement") dated 23 November 2001 and the extinguishment of intragroup indebtedness and incidental transactions and arrangements upon the Group's sale of its interest in Wing Fai, Wai Shun and Zhukuan Wing Fai Construction Company Limited ("ZWF") (the "Wing Fai Group") on 22 April 2002. As a result, the liquidators of these entities (the "Liquidators") took up legal action against the Company and several of its subsidiaries. Notices of Intention to proceed have been filed by the solicitors for the Liquidators about early 2010 after years of inaction. Certain defendants including the Company made an application to dismiss one of the legal actions for want of prosecution. A hearing was held on 19 October 2010 to hear such application and the High Court of the Hong Kong Special Administrative Region (the "High Court") allowed the application and dismissed one of the legal actions against the Company for want of prosecution. The liquidators appealed the said Court Order of the High Court dismissing one of its claims against the Company and the appeal was pending in the Court of Appeal up to 31 July 2016. As part of these legal proceedings, the Company was required to place approximately HK\$12,472,000 in security deposits on escrow with its then lawyers for these proceedings in favour of liquidator of Wing Fai Group. Details of these security deposits are set out in note 24.

During the year ended 31 July 2016, the Company has been in negotiation with the Liquidators to reach a full and final settlement to all the long outstanding legal proceedings with these parties. Subsequent to the year end, on 26 September 2016 the Company entered into two settlement deeds with the Liquidators which ended these long-outstanding legal proceedings. The Directors rationalized that by doing so the Group would save huge related legal costs and release part of the security deposits held by the lawyers. After the settlements, there would be a mutual release, discharge and/or waiver from all claims and actions (including any claim for costs and interest), present and future, between the Group and the parties involved in the cases. The parties to the settlement deeds further agreed not to commence or maintain any claim or action, present or future, between any of the Group and the parties involved in the cases.

Under the settlements, the security deposits held in escrow amounting to HK\$12,472,000, would be released to the parties in the following proportions:

- (i) HK\$7,000,000 of the security deposit monies will be released to the Liquidators; and
- (ii) the remaining balance of the monies, amounting to approximately HK\$5,472,000, will be released to the Group.

Finally, following the receipt of the security deposits by the solicitors of the above parties, they would take steps to discontinue the legal proceedings as between the Group and the parties involved in the legal cases. Thereafter, the Group would be free from any liabilities or contingent liabilities related to the Wing Fai, Wai Shun and ZWF cases. Further details of the settlements with the Liquidators are set out in the Company's announcement dated 26 September 2016.

Based on these settlement discussions and negotiations, the Company has accordingly made an impairment provision against the security deposits held in escrow in the amount of HK\$7,000,000 as at 31 July 2016, and this has been charged to the profit and loss under 'administrative expenses' in the year 2016. Further details are set out in note 9.

# NOTE TO THE FINANCIAL STATEMENTS

For the seventeen months ended 31 December 2017

## 42. CONTINGENT LIABILITIES (Continued)

(a) (Continued)

On 26 September 2016, the Group entered into two settlement deeds (the "Settlement deeds") with the Wing Fai Group liquidator and the Wai Shun liquidator (the "Liquidators"). The conditions precedent of and obligations of the parties under the Settlement Deeds entered into by the Group and the Liquidators were fully satisfied. The legal proceedings between the Group and the Liquidators were settled. The Group received HK\$5,472,000 (net of direct expenses) in respect of the refund of deposits.

(b) A PRC Court (廣東省佛山市順德區人民法院) ruled in December 2013 that a wholly-owned PRC subsidiary of the Group (Shunde China Rich Properties Limited) was jointly liable with its former PRC Contractor to pay RMB3,198,000 (equivalent to HK\$3,837,000 as at 31 December 2017 (31 July 2016: HK\$3,736,000)) and RMB3,961,000 (equivalent to HK\$4,753,000 as at 31 December 2017 (31 July 2016: HK\$4,627,000)) to 余盛 and 張明贊 respectively in respect of certain long outstanding construction fees. The Group appealed this decision. However, the appeal was dismissed by the People's Intermediate Court in January 2015. Following the result of the appeal, the Contractor made a further appeal to the Higher People's Court of Guangdong Province (廣東省高級人民法院) against the judgement of the appeal, and the court hearing was held in December 2016. In August 2017, the Higher People's Court of Guangdong Province dismissed the appeal by the Contractor and maintained the original verdict of the PRC Court in December 2013. No provision for these amounts has been made as the Directors consider they are fully covered by the frozen bank accounts of the former PRC contractor which amounted to RMB11,038,000 (equivalent to HK\$13,245,000 as at 31 December 2017 (31 July 2016: HK\$12,893,000)) by the People's Intermediate Court.

## 43. DIVIDEND

No dividend has been declared or proposed by the directors of the Company in respect of the seventeen months ended 31 December 2017 (31 July 2016: Nil).

## 44. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

## 45. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 March 2018.

# FINANCIAL SUMMARY

## RESULTS

The consolidated results, assets and liabilities of the Group for the last five financial years/period as extracted from the audited financial statements of the Group and restated as appropriate are summarised below:

	For the year ended 31 July				For seventeen month ended 31 December
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Revenue					
– continuing operations	4,141	3,995	4,161	9,765	<b>109,933</b>
– discontinued operations	33,038	–	–	–	–
	<b>37,179</b>	<b>3,995</b>	<b>4,161</b>	<b>9,765</b>	<b>109,933</b>
Profit/(loss) before income tax					
– continuing operations	(1,031,211)	(17,528)	(22,124)	(21,115)	<b>32,360</b>
– discontinued operations	24,926	(760,988)	–	–	–
	<b>(1,006,285)</b>	<b>(778,516)</b>	<b>(22,124)</b>	<b>(21,115)</b>	<b>32,360</b>
Income tax credit/(expense)					
– continuing operations	(21,194)	(1,173)	(4,107)	(1,427)	<b>9,098</b>
– discontinued operations	–	–	–	–	–
	<b>(21,194)</b>	<b>(1,173)</b>	<b>(4,107)</b>	<b>(1,427)</b>	<b>9,098</b>
Profit/(loss) for the year/period					
– continuing operations	(1,052,405)	(18,701)	(26,231)	(22,542)	<b>41,458</b>
– discontinued operations	24,926	(760,988)	–	–	–
	<b>(1,027,479)</b>	<b>(779,689)</b>	<b>(26,231)</b>	<b>(22,542)</b>	<b>41,458</b>
Attributable to:					
Owners of the Company	(1,027,479)	(779,689)	(26,231)	(22,542)	<b>41,465</b>
Non-controlling interests	–	–	–	–	<b>(7)</b>
	<b>(1,027,479)</b>	<b>(779,689)</b>	<b>(26,231)</b>	<b>(22,542)</b>	<b>41,458</b>

## ASSETS AND LIABILITIES

	As at 31 July				As at 31 December
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Total assets	1,038,690	277,938	430,818	402,707	<b>1,223,920</b>
Total liabilities	(119,045)	(112,349)	(116,329)	(111,204)	<b>(740,021)</b>
	<b>919,645</b>	<b>165,589</b>	<b>314,489</b>	<b>291,503</b>	<b>483,899</b>
Attributable to:					
Owners of the Company	919,645	165,589	314,489	291,503	<b>479,006</b>
Non-controlling interests	–	–	–	–	<b>4,893</b>
	<b>919,645</b>	<b>165,589</b>	<b>314,489</b>	<b>291,503</b>	<b>483,899</b>



## PARTICULARS OF MAJOR PROPERTIES

	Lease Expiry	Approx. gross floor area (Sq.m.)	Type	Effective % held	Stage of completion	Anticipated completion
<b>Properties held for sale</b>						
Regal Garden No. 888 Lunchang Road, Lunjiao Town, Shunde District, Foshan City, Guangdong Province, The PRC	December 2065	4,384	35 Residential units	100%	Completed	N/A
<b>Properties under development</b>						
Regal Garden No. 888 Lunchang Road, Lunjiao Town, Shunde District, Foshan City, Guangdong Province, The PRC	December 2065	18,804	169 Residential units	100%	The registration of the authentic rights (確權) at these units were not yet completed. Details are set out in note 21 to the financial statements	N/A
<b>Investment properties</b>						
Regal Garden No. 888 Lunchang Road, Lunjiao Town, Shunde District, Foshan City, Guangdong Province, The PRC	December 2065	11,391	Property held for further development	100%	Vacant land not yet developed	N/A
	December 2065	19,671	Retail shops	100%	Completed	N/A
	December 2065	6,696	Car park space	100%	Completed	N/A