高富集團控股有限公司

GT GROUP HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 263)

ANNUAL REPORT 2017

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Li Dong *(Chairman)*
Ng Shin Kwan, Christine
Chan Ah Fei
Liang Shan
Feng Taiguo
Kwong Kai Sing, Benny

Independent Non-executive Directors

Wong Yun Kuen
Wong Shun Loy
Hu Chao

AUDIT COMMITTEE

Wong Shun Loy *(Chairman)*
Wong Yun Kuen
Hu Chao

NOMINATION COMMITTEE

Wong Yun Kuen *(Chairman)*
Wong Shun Loy
Hu Chao
Ng Shin Kwan, Christine

REMUNERATION COMMITTEE

Hu Chao *(Chairman)*
Wong Yun Kuen
Wong Shun Loy

COMPANY SECRETARY

Leung Ka Wai

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock code: 263)

REGISTERED OFFICE

Units 2502–5, 25th Floor
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd., Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited
Industrial Bank Company Limited, Hong Kong Branch

PRINCIPAL LEGAL ADVISERS

Reed Smith Richards Butler
Tsang, Chan & Wong

AUDITORS

Pan-China (H.K.) CPA Limited
Certified Public Accountants

SHARE REGISTRARS AND TRANSFER OFFICE

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

WEBSITE

www.gtghl.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of GT Group Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017.

BUSINESS REVIEW

According to the Global Economic Conditions Survey produced by ACCA (the Association of Chartered Certified Accountants) and IMA (the Institute of Management Accountants), the global economic confidence in 2017 remained high relative to the last couple of years. However, the global economic confidence had dipped slightly in the final quarter of the year 2017, especially in U.K and China. In U.K., the economic confidence has dropped compared with third quarter and still remained at a low level by historical standard. This is because of the BREXIT and there remained a great deal of uncertainties about how the situation will develop in 2018. In line with the published economic data of industrial production and fixed investment, the economic confidence in China also dropped in the final quarter of 2017, suggesting that the economy might have lost some momentum.

For the year ended 31 December 2017, the Group recorded a loss attributable to equity holders of the Company of approximately HK$566,826,000 (2016: approximately HK$993,106,000). The loss was mainly due to the recognition of a net realised loss from securities trading and unrealised loss on financial assets at fair value through profit or loss of approximately HK$294,360,000 and HK$160,380,000 respectively (2016: approximately HK$263,832,000 and approximately HK$423,938,000).

During the year, the Group continued to focus on the financial services business, such as money lending. The interest income generated by the financing operation is approximately HK$16,342,000, representing a substantial year-on-year growth (2016: approximately HK$10,388,000) of 57.3%. Such an improvement was mainly due to the higher average balance of loan advances to customers as compared with those of year 2016.

PROSPECT

Despite the strong economic figures recorded in the year 2017, we expect that there are still a number of downside risks in the medium term, such as soaring assets valuations and very compressed term premiums. It may give rise to the possibility of a financial market correction that could dampen growth and confidence. Inward-looking-policy in the U.S., geopolitical tensions in North Korea, and political uncertainties in some countries also pose downside risks.

Taking these views into consideration, the Group will adopt a more prudent approach in its investment strategy in the coming year. The Group will continue its strategy to concentrate in identifying suitable and/or attractive investment opportunities for possible acquisitions and further expansion of its financial services business, such as money lending, securities investment and margin loans financing.

APPRECIATION

I would like to take this opportunity to thank shareholders and investors of the Company for their continuous supports, as well as management and the staff of the Company for their commitment and dedication towards the Group in ensuring its growth and success. My heartfelt gratitude also goes to our customers, suppliers, bankers, business associates and all our stakeholders for their cooperation. Finally, I would also like to record my appreciation to my fellow directors on the Board for their invaluable contribution throughout the year.

Li Dong
Chairman

Hong Kong, 28 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year under review, the Group recorded a negative turnover of approximately HK$274,849,000 (2016: negative turnover of approximately HK$248,754,000), and a gross loss of approximately HK$276,107,000 (2016: approximately HK$250,511,000). Such a negative turnover was primarily attributable to the recognition of a net realised loss from securities trading of approximately HK$294,360,000 (2016: approximately HK$263,832,000).

For the year ended 31 December 2017, the Group recorded a loss attributable to equity holders of the Company of approximately HK$566,826,000 (2016: approximately HK$993,106,000). The loss was mainly due to the recognition of net realised loss from securities trading and unrealised loss on financial assets at fair value through profit or loss of approximately HK$294,360,000 and HK$160,380,000 respectively (2016: approximately HK$263,832,000 and approximately HK$423,938,000).

OPERATIONS REVIEW

Financing Operation

The interest income and operating profit generated by the financing operation were approximately HK$16,342,000 (2016: approximately HK$10,388,000) and approximately HK$8,539,000 (2016: approximately HK$8,451,000). Such an improvement on the interest income was primarily attributable to the higher average balance of loan advances to customers as compared to those of last year. It is the Group's policy to adopt a prudent approach and regularly review the composition of the loan portfolio and lending rates charged in order to maximise the return of the financing operation.

Brokerage and Securities Investment Operation

Taking into account the brokerage commission income and the net realised gains or losses from securities trading of the Group, the turnover of the brokerage and securities investment operation reported a negative turnover of approximately HK$291,191,000 (2016: negative turnover of approximately HK$259,142,000). The negative turnover was primarily attributable to the net realised loss from securities trading of approximately HK$294,360,000 (2016: approximately HK$263,832,000) during the year.

The overall performance of the operation recorded a loss of approximately HK$498,060,000 for the year ended 31 December 2017 (2016: approximately HK$696,841,000). The loss was primarily attributable to the unrealised loss on investment in securities which amounted to approximately HK$160,380,000 for the year ended 31 December 2017 (2016: approximately HK$423,938,000) as a result of the decrease in the market prices of listed securities held by the Group for investment purpose. As at 31 December 2017, the market value of the Group's listed securities portfolio was approximately HK$835,012,000 (2016: approximately HK$1,363,918,000).

MANAGEMENT DISCUSSION AND ANALYSIS

The Board would like to inform shareholders of the Company that all financial assets at fair value through profit or loss held as at 31 December 2017 represented shares listed in Hong Kong and the relevant information of the Group's financial assets at fair value through profit or loss which amounted to approximately HK$835,012,000 as at 31 December 2017 is summarised below:

Name of Securities	% of shareholding in the listed securities held by the Group as at 31 December 2017	Unrealised gain/(loss) on financial assets at fair value through profit or loss for the year ended 31 December 2017	Fair value of the investment in listed securities as at 31 December 2017
		HK$'000	HK$'000
China Shandong Hi-Speed Financial Group Limited (stock code: 412)	2.68%	(145,705)	216,939
China Smarter Energy Group Holdings Limited (stock code: 1004)	0.71%	4,599	66,100
Freeman FinTech Corporation Limited (stock code: 279)	1.20%	3,622	98,374
OCI International Holdings Limited (stock code: 329)	4.72%	(24,000)	60,500
SFund International Holdings Limited (stock code: 1367)	2.31%	55,037	93,857
Others		(53,933)	299,242
Total		(160,380)	835,012

The Hong Kong stock market has been volatile during the year and the Board envisages that the performance of the equities (and thus their values) will be susceptible to external factors. In order to mitigate possible financial risks related to the equities, the Group will further review the Group's investment portfolio and closely monitor the performance of the listed securities from time to time.

Trading Operation

The Group's trading operation remained inactive and therefore no turnover was generated during the year under review (2016: Nil). Although the Group has been placing its focus in the development of its other businesses in the past, yet it will continue to explore suitable business opportunities on trading in the future.

Property Development

The Group's property development business consists of 40% of the entire issued share capital of China Sky Holdings Limited (the "China Sky" and together with its subsidiary, the "China Sky Group").

The China Sky Group is principally engaged in the development, construction and building management of the Development Project which is located in Chongqing, the PRC. The "Development Project" comprises a residential and commercial complex known as "Jintang New City Plaza*"（金唐新城市廣場）(the "Plaza") which is situated at Long Tower Street in the west southern part of the Yubei Zone, Chongqing City（重慶市渝北區龍塔街道）in the PRC with a site area of approximately 30,817 square meters. The total gross floor area designated for residential use is 53,883.20 square meters; for shopping mall（商舖） is 36,012.85 square meters; for office premises is 40,865.48 square meters; for car parking areas and other uses is 56,512.26 square meters respectively. The terms for the grant of the land use right of the land are 52 years for the residential portion and 22 years for the commercial portion.

* *For identification purpose only*

China Sky Group has engaged into another property development project located in Chongqing, the PRC. The development project comprises 5 parcels of land with a total site area of approximately 72,559 square meters. The project will be developed into several commercial and residential buildings with a total planned gross floor area of approximately 463,357 square meters. According to the China Sky Group, the new property development project is intended to be completed in year 2022.

The turnover of the China Sky Group reached approximately HK$350,006,000 for the year ended 31 December 2017 (2016: approximately HK$894,127,000) mainly as a result of the sales of property units of the Development Project by the China Sky Group. As the Group holds 40% of the entire issued share capital of China Sky, the portion of the post-acquisition total comprehensive income of the China Sky Group shared by the Group was approximately HK$46,820,000 for the year ended 31 December 2017 (2016: approximately HK$100,803,000). Due to the completion time gap between "Jintang New City Plaza" and the new project, contribution to the Group's result from China Sky Group is expected to diminish in the short to medium term.

FINANCIAL REVIEW

Liquidity and Financial Resources

At 31 December 2017, the Group had current assets of approximately HK$1,303,600,000 (2016: approximately HK$1,653,011,000) and liquid assets comprising bank balances and marketable Hong Kong listed securities totaling approximately HK$895,745,000 (excluding bank balances held under segregated trust accounts) (2016: approximately HK$1,482,819,000). The decrease in the liquid assets was mainly due to the decrease in the market value of the Group's listed securities portfolio.

As at 31 December 2017, the Group's current ratio, calculated on the basis of current assets of approximately HK$1,303,600,000 (2016: approximately HK$1,653,011,000) over current liabilities of approximately HK$121,119,000 (2016: approximately HK$170,101,000) was at a strong level of approximately 10.76 (2016: 9.72). As at 31 December 2017, the Group had total loans payable of approximately HK$916,714,000 (2016: approximately HK$622,175,000) with the interest rate of between 8% to 17.13% per annum and no finance lease obligation (2016: Nil).

On 21 September 2017, the Company entered into a notes subscription agreement with an independent third party (the "Subscriber") pursuant to which the Company agreed to issue, and the Subscriber agreed to subscribe for, 8% per annum notes in the principal amount of up to US$40,000,000 (equivalent to approximately HK$312,596,000), which is guaranteed, secured by the security interest provided by a substantial shareholder of the Company, and repayable in September 2019 (extendable to 2020 subject to mutual agreements). The amount of net proceeds approximately HK$308,609,000 was used for the financing operation of the Group.

As at 31 December 2017, the Group had total liabilities of approximately HK$1,019,833,000 (2016: approximately HK$751,276,000). The gearing ratio (calculated as total liabilities divided by total equity) was approximately 116.23% as at 31 December 2017 (2016: approximately 52.85%).

At the end of the reporting period, the equity attributable to the Company's equity owners amounted to approximately HK$877,425,000 (2016: approximately HK$1,421,650,000), representing a decrease of approximately 38.28% as compared to 2016, which was equivalent to a consolidated net asset value of about approximately HK$0.63 per share of the Company (2016: HK$1.01 per share).

Foreign Currency Management

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in Hong Kong dollars, Renminbi (the "RMB"), US dollars and Australian dollars. The Group maintains a prudent strategy in its foreign currency risk management, and to a large extent, foreign exchange risks are minimised via balancing the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. In light of the above, it is considered that the Group's exposure to foreign exchange risks is not significant and no hedging measure has been undertaken and considered necessary by the Group.

Pledge of Assets

As at 31 December 2017, the Group's financial assets at fair value through profit or loss with an aggregate carrying amount of approximately HK$704,294,000 (2016: approximately HK$1,132,959,000) were pledged to securities brokers to secure certain margin financing granted to the Group. The equity interest of an associate with an aggregate carrying amount of approximately HK$543,294,000 (2016: approximately HK$496,474,000) was also pledged to secure loans from two financial institutions.

Capital Commitment

The Group had no capital commitment as at 31 December 2017 (2016: Nil).

Contingent Liabilities

(1) A subsidiary of the Company principally engaged in securities brokerage business may be subject to a maximum penalty of HK$10,000,000 to the enforcement agency in relation to certain allegedly irregular transactions conducted by a former employee of the subsidiary. The matter is currently under investigation by the enforcement agency. As the ultimate outcome of the matter cannot be reasonably predicted, it is reasonable for the Group to assume that the contingent liability of this case will be the maximum penalty of HK$10,000,000.

In addition, the subsidiary of the Company may also found liable to certain third parties for an aggregate amount of approximately HK$8,000,000.

As at 31 December 2016, the provision of the possible claim regarding to the above incident was HK$8,000,000.

During the year ended 31 December 2016, the Group obtained legal opinion from law firms in Hong Kong and the PRC which considered that the causes of action of the individuals in the above matter are time-barred and the time limitation had lapsed by 31 December 2016.

In the opinion of the directors, it is not probable that the individuals will issue claims against the Group and the possible claims of HK$8,000,000 is regarded as contingent liabilities as at 31 December 2017.

As explained above, the Group is subject to possible claims of HK$8,000,000 and a possible maximum penalty of HK$10,000,000 in respect of allegedly irregular transactions conducted by the former employee in prior years.

(2) Reference is made to the announcement of the Company dated 23 March 2017. Terms used hereinafter shall have the same meaning as defined in the above announcement.

On 21 March 2017, the Investee Company entered into a facility agreement with the Lending Bank in respect of a term loan facility of up to US$64,000,000 to finance the acquisition of the Convertible Bond in the principal amount of US$60,000,000. Each of the Personal Guarantor and the Corporate Guarantor has entered into the Personal Guarantee and the Corporate Guarantee respectively to guarantee all the obligations and liabilities of the Investee Company under the facility agreement and related finance documents.

On 23 March 2017, the Company provided an indemnity to the Personal Guarantor and the Corporate Guarantor, indemnifying them against any and all claims made by the Lending Bank under the Personal Guarantee and the Corporate Guarantee up to an aggregate amount which the Personal Guarantor and/or the Corporate Guarantor incur or suffer as a result of such claim multiplied by the percentage beneficial shareholding of the Group in the Investee Company.

As at 31 December 2017, the Investee Company was held as to approximately 9.09% by the Group, and the maximum amount of the indemnities (if any) is US$5,817,600 (equivalent to approximately HK$45,464,000).

On 9 January 2018, a deed of release and discharge was made by the Personal Guarantor and the Corporate Guarantor in favour of the Company, that the Personal Guarantor and the Corporate Guarantor have agreed to release the Company from any further liabilities under the indemnity agreement.

Save as disclosed above, there were no other material contingent liabilities as at 31 December 2017.

MATERIAL ACQUISITIONS AND DISPOSALS

(1) Reference are made to the announcements of the Company dated 27 January 2017 and 23 March 2017. Terms used hereinafter shall have the same meaning as defined in the above announcements.

On 27 January 2017, an indirect wholly-owned subsidiary of the Company has entered into the Subscription Agreement and the Shareholders' Agreement to subscribe one additional share in the Investee Company, upon issue of the additional share, the Investee Company was owned as to approximately 9.09% by the Group. The Subscription Price is primarily to finance the Investee Company's acquisition of the Convertible Bond issued by XinRen Aluminum Holdings Limited ("XinRen") in the principle amount of US$30,000,000.

On 23 March 2017, the Company entered into the Indemnity in favour of the Personal Guarantor and the Corporate Guarantor. Each of the Personal Guarantor and the Corporate Guarantor has entered into the Personal Guarantee and the Corporate Guarantee respectively to guarantee all the obligations and liabilities of the Investee Company under the facility agreement to facilitate to finance the acquisition of the convertible bond issued by XinRen in the principle amount of US$60,000,000. The Indemnity is the Group's provision of pro rata financial support to the Investee Company as agreed under the Shareholders' Agreement.

(2) Reference are made to the announcements of the Company dated 7 August 2017, 14 September 2017, 12 October 2017, 17 October 2017, 15 November 2017, 29 November 2017, 15 December 2017, 29 December 2017, 31 January 2018, 28 February 2018 and 1 March 2018. Terms used hereinafter shall have the same meaning as defined in the above announcements.

On 7 August 2017, an indirect wholly-owned subsidiary of the Company has entered into the Acquisition Agreement as amended by two supplemental agreements with the Vendor in relation to the Acquisition of the Sale Shares and the Sale Indebtedness at the total consideration of HK$130,000,000. The Consideration will be settled by the issuance of the promissory note by the Company to the Vendor upon Completion. The scope of business of the Target Group is included but not limited to property development, property leasing and ocean tourism project development in China.

Details of the Acquisition are set out in the announcements of the Company dated 7 August 2017. The circular is expected to be despatched to the Shareholders on or before 29 March 2018.

(3) Reference are made to the announcements of the Company dated 1 September 2017, 22 September 2017, 3 November 2017, 1 December 2017, 29 December 2017, 31 January 2018, 28 February 2018 and 1 March 2018. Terms used hereinafter shall have the same meaning as defined in the above announcements.

On 1 September 2017, an indirect wholly-owned subsidiary of the Company has entered into the Sale and Purchase Agreement as amended by a supplemental agreement with the Vendor in relation to acquire the Sale Shares for the Consideration of HK$196,000,000. The Consideration will be settled by the issuance of the promissory note by the Company to the Vendor upon Completion. The target group is principally engaged in trading of computers and its peripherals, and is an authorised distributor of computer products for Lenovo and a retailer of baby care products on JD.com. It is also a distributor of computer products of Founder in the PRC.

Details of the Acquisition are set out in the announcements of the Company dated 1 September 2017. The circular is expected to be despatched to the Shareholders on or before 29 March 2018.

Save as disclosed above, there were no other material acquisitions and disposals as at 31 December 2017.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group is principally engaged in the trading of goods, provision of finance, property development, brokerage and securities investment. As stated in the "Chairman Statement", the Group will continue to explore suitable and/or attractive investment opportunities for further expansion of its existing businesses, such as money-lending, securities investment and enhancement of margin loans for its securities brokerage business and property development.

Save for the information disclosed below and in other parts of this section, during the year and up to the date of this report, the Group has no other plan for material investments or capital assets.

Property development

As stated in the above "Material Acquisition and Disposal" section and reference are made to the announcements of the Company dated 7 August 2017, 14 September 2017, 12 October 2017, 17 October 2017, 15 November 2017, 29 November 2017, 15 December 2017, 29 December 2017, 31 January 2018, 28 February 2018 and 1 March 2018. The Group entered into an acquisition agreement as amended by two supplemental agreements to acquire the entire issued share capital of and sale indebtedness of Well City Enterprises Limited ("Well City" and together with its subsidiary, "Well City Group"). As Well City Group is engaged in property development in Hainan where tourism industry has been growing in the recent years, it is believed that tourism-related property development in Hainan is in demand and the price of such property will rise. The Group intends to hold, upon completion of the acquisition, the property project as an investment which can be realised for capital gain, the property project is also anticipated to bring an income stream for the Company deriving from the operation of the property project as a hotel by the hotel operator. By investing in the Well City Group, it is expected that the Group can tap into the property development market in Hainan, the PRC and expand its property development business.

Trading

As stated in the above "Material Acquisition and Disposal" section and reference are made to the announcements of the Company dated 1 September 2017, 22 September 2017, 3 November 2017, 1 December 2017, 29 December 2017, 31 January 2018, 28 February 2018 and 1 March 2018. The Group entered into the sale and purchase agreement as amended by a supplemental agreement to acquire the 490 shares of Multi-Fame Group Limited ("Multi-Fame" and together with its subsidiary, "Multi-Fame Group"), representing 49% of the entire issued share capital of Multi-Fame. Multi-Fame Group is principally engaged in trading of computers and its peripherals, and is an authorised distributor of computer products for Lenovo and a retailer of baby care products on JD.com. It is also a distributor of computer products of Founder in the PRC. Being the authorised distributor of computer products for Lenovo on JD.com and a distributor of computer products of Founder in the PRC, the Multi-Fame Group had established a stable business network with both suppliers and customers of computer products. In light of the established business network and the profitable financial performance of the Multi-Fame Group, the prospect of the Multi-Fame Group is positive and the acquisition is in line with the Group's business plan to continue exploring new strategic development opportunities and optimising its business portfolio. Leveraged on the business network of the Multi-Fame Group, this acquisition will provide strategic support to the continual development of the Group in the PRC and enhance the Group's trading business.

Following the entering into the acquisition agreement and the sale and purchase agreement stated above, the two proposed acquisitions will expand the businesses of the Group in the future.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The significant events took place subsequent to the end of the reporting period are as below:

1. On 9 January 2018, the Group entered into a revolving loan facility agreement whereby the Group provided an unsecured and guaranteed revolving loan facility in the principal amount of up to HK$40,000,000 to an individual third party. Details of the transaction are set out in the announcement of the Company dated 9 January 2018.

2. On 26 January 2018, the Group entered into a revolving loan facility agreement whereby the Group provided a secured revolving loan facility in the principal amount of up to HK$50,000,000 to an individual third party. Details of the transaction are set out in the announcement of the Company dated 26 January 2018.

3. On 1 March 2018, the Group entered into a supplemental agreement relating to the sale and purchase agreement dated 1 September 2017 in respect to the acquisition of 49% of the entire issued share capital of Multi-Fame Group Limited, to extend the long stop date to 1 September 2018. Details of which are set out in the announcement of the Company dated 1 March 2018.

4. On 1 March 2018, the Group entered into a second supplemental agreement relating to the acquisition agreement dated 7 August 2017 in respect of the acquisition of the entire issued share capital of Well City Enterprises Limited, to extend the long stop date to 7 August 2018. Details of which are set out in the announcement of the Company dated 1 March 2018.

5. On 9 March 2018, the Group entered into a supplemental deed (i) to extend the maturity date of the loan facility to 2 March 2019, (ii) to lower the maximum principle amount of the loan facility to HK$75,000,000 and (iii) to include provisions on possible further extension of the loan facility by one year. Details of which are set out in the announcement of the Company dated 9 March 2018.

Save as disclosed above, there were no other significant events took place subsequent to the end of the reporting period.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2017, the Group had 61 (2016: 66) employees including all directors. Total staff costs incurred during the year (including directors' remuneration) amounted to approximately HK$27,256,000 (2016: approximately HK$27,420,000). The decrease in staff costs was in line with the decrease in the number of staff head counts. The Group generally remunerates its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Benefits offered by the Group to its employees included discretionary bonus, mandatory provident fund scheme, share options, training subsidies as well as medical insurance.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental protection and sustainable business operations. As a responsible enterprise the Group strives to comply will relevant laws and regulations in terms of the environmentally friendliness, health and safety, adopts effective measures, conserves energy and reduces waste.

A Separate environmental, social and governance report is expected be published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and on the website of the Company (www.gtghl.com) no later than three months after the annual report had been published.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year, to the best of the knowledge and prudence of the directors, the Company was not aware of any material breaches of or non-compliance with relevant and applicable laws and regulations, including that of the Companies Ordinance, the Securities and Futures Ordinance, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Stock Exchange's Trading Rules and Clear House Rules and all other laws and rules in Hong Kong governing the operations of the Company's businesses that might affect its going-concern.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group considers that maintaining a good relationship with its employees, customers, suppliers, business partners, bankers, regulators and shareholders are key elements to the long-term success of the Group's business.

The Group provides competitive remuneration package to motivate and retain quality staff and is committed to provide a safe and healthy working environment for its staff.

The Group has been closely monitoring its relationship with all of its business partners to ensure it maintains good communication with each one of them, the terms and agreements of all contracts are properly complied with and any discrepancies/issues are properly reviewed and followed up by the responsible staff members.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Li Dong, aged 57, has been Executive Director and Chairman of the Company since July 2015. Mr. Li also holds directorships in various subsidiaries of the Company. He graduated from the faculty of electric automation (電氣自動化系) of the Yuzhou University (渝州大學) in Chongqing. Mr. Li has worked as senior management for various banks in the PRC. He has extensive experience in banking, finance, risk management and treasury planning for over 20 years. Mr. Li was the governor of both Haikou Branch and Chengdu Branch of Shenzhen Development Bank, the deputy governor of Chongqing Branch of Industrial Bank, the deputy governor of Chongqing Branch of Evergrowing Bank and the governor of Chongqing Branch of Harbin Bank.

Ms. Ng Shin Kwan, Christine, aged 49, has been Executive Director of the Company since August 2007. Ms. Ng also holds directorships in various subsidiaries of the Company. She holds a Bachelor of Economics degree from University of Sydney in Australia and has over 20 years of experience in business development, corporate management and investment fields and held executive positions in various investment and securities companies.

Mr. Chan Ah Fei, aged 55, has been Executive Director of the Company since November 2010. Mr. Chan also holds directorships in various subsidiaries of the Company. He has more than 20 years of experience as key management in electric power supply, telecommunications, geological surveying and mining businesses. Mr. Chan received a geological surveying qualification from 甘肅蘭州礦業學院 (literally translated as Gansu Lanzhou Mining Academy). He has founded 青海創綠投資管理有限公司 (literally translated as Qinghai Chuanglu Investment Management Limited) since 2000, which is principally engaged in provision of consultancy service in relation to mining rights, including the mineral exploitation, extraction, processing and production at mines primarily located in the northwestern and southwestern regions of the PRC. Mr. Chan was a director of Great Wall Hong Kong Investment Co. Limited, which provides advisory services in relation to geological surveying and mining (a company dissolved on deregistration on 9 December 2016).

Mr. Liang Shan, aged 54, has been Executive Director of the Company since January 2014. Mr. Liang also holds directorships in various subsidiaries and an associate of the Company. He graduated from the Graduate School of Chinese Academy of Social Sciences with a master degree in monetary and banking studies (貨幣銀行學專業學習) of the Faculty of Finance and Economics (財貿經濟系). Mr. Liang has extensive experience in banking industry, iron ore trading and property development and has worked for various companies as director and general manager in the past.

Mr. Feng Taiguo, aged 55, has been Executive Director of the Company since May 2017. Mr. Feng graduated from Fudan University with a Master Degree in Business Administration. He has extensive experience in sales and marketing, iron and steel production operations and executive management as well as overall business management. Prior to joining the Company, Mr. Feng has worked as senior management for various departments in Baosteel Iron & Steel Co. Ltd. (a company whose shares are listed on Shanghai Stock Exchange) and China Baowu Steel Group Corporation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Kwong Kai Sing, Benny, aged 59, has been Executive Director of the Company since September 2017. Dr. Kwong holds a Bachelor Degree in Arts from Simon Fraser University in British Columbia, Canada and was awarded the Honor Degree of Doctor of Commerce by The University of West Alabama in 2007. He held senior positions with major international banks in Hong Kong in respective lending departments and China department for many years. For the past years, Dr. Kwong has served as executive director of over 10 publicly listed companies both in Hong Kong, Canada and the United Kingdom. He has extensive knowledge in corporate finance and banking. Dr. Kwong was a director of the Tung Wah Group of Hospitals from 2008 to 2010 and was a member of the Campaign Committee of The Community Chest from 2006 to 2010. He was an appointed member of the China People's Political Consultative Conference of the Hubei Province and Zhaoqing City of the Guangdong Province. Dr. Kwong was an executive director and managing director of China Soft Power Technology Holdings Limited (Stock Code: 139) from September 2014 to April 2015; an executive director and managing director of HengTen Networks Group Limited (Stock Code: 136) from May 2015 to October 2015; and an independent non-executive director of Imagi International Holdings Limited (Stock Code: 585) from January 2016 to May 2017.

Dr. Wong Yun Kuen, aged 60, has been Independent Non-executive Director of the Company since September 2004. Dr. Wong received a Ph.D. Degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. He has worked in financial industries in the United States and Hong Kong for more than 10 years, and has considerable experience in corporate finance, investment and derivative products. Dr. Wong is a member of Hong Kong Securities Institute. He is an executive director and chairman of Far East Holdings International Limited (Stock Code: 36), an executive director and a chairman of UBA Investments Limited (Stock Code: 768), an executive director of Boil Healthcare Holdings Limited (formerly known as "Ngai Shun Holdings Limited", Stock Code: 1246), an non-executive director of China Sandia Holdings Limited (Stock Code: 910), and an independent non-executive director of DeTai New Energy Group Limited (Stock Code: 559), Kaisun Energy Group Limited (Stock Code: 8203), Kingston Financial Group Limited (Stock Code: 1031), Tech Pro Technology Development Limited (Stock Code: 3823), and Synergis Holdings Limited (Stock Code: 2340). Dr. Wong was also an independent non-executive director of Bauhaus International (Holdings) Limited (Stock Code: 483) from October 2004 to December 2016, Huge China Holdings Limited (Stock Code: 428) from September 2004 to January 2015 and Sincere Watch (Hong Kong) Limited (Stock Code: 444) from September 2012 to December 2017.

Mr. Wong Shun Loy, aged 53, has been Independent Non-executive Director of the Company since March 2012. Mr. Wong is a Certified Public Accountant (Practising) in Hong Kong and a fellow member of the Hong Kong Institute of Certified Public Accountants. He obtained an Executive Master of Business Administration from Colorado University of Commerce in USA. Mr. Wong has extensive experience in banking, finance and accounting. He is the proprietor of S.L. Wong & Co. and appointed as an independent director of Dazhou City Commercial Bank with effect from July 2015. Mr. Wong is also an executive director of Chengdu Taihe Health Technology Group Inc., Ltd. (formerly known as Chengdu Huasun Group Inc., Ltd and a company whose shares are listed on Shenzhen Stock Exchange). He was an independent director of Nanchong City Commercial Bank from 2006 to April 2015.

Mr. Hu Chao, aged 34, has been Independent Non-executive Director of the Company since March 2012. Mr. Hu obtained a Bachelor Degree in Law from the Hunnan University of Technology (formerly known as Zhuzhou Institute of Technology). He has extensive experience in legal consultation and had been providing consultancy services for various businesses in the PRC. Mr. Hu is an executive director of Code Agriculture (Holdings) Limited (Stock Code: 8153).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Leung Ka Wai, aged 37, has joined the Group since June 2012 and currently holds the position of Financial Controller and the Company Secretary of the Company. Mr. Leung is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and holds a bachelor's degree in Economics and a postgraduate diploma in professional accountancy from the Chinese University of Hong Kong. Mr. Leung has over 10 years of experience in auditing, finance and accounting and corporate secretarial functions.

DIRECTORS' REPORT

The directors of the Company present their annual report and the audited consolidated financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in Note 39 to the consolidated financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss on page 34 of this annual report.

The Company had no distributable reserve at 31 December 2017 and the directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 28 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 38 of this annual report and in Note 39 to the consolidated financial statements, respectively.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment approximately HK$1,476,000 (2016: approximately HK$1,489,000) for the purpose of expanding the Group's operation. Details of this and other movements in the property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated and reclassified as appropriate, is set out on page 112 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of revenue (excluding the net realised results from securities trading) for the year attributable to Group's major customers are as follows:

— the largest customer	32%
— five largest customers combined	54%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major customers noted above.

During the year, less than 30% of the Group's purchases were attributable to the Group's five largest suppliers combined.

DIRECTORS' REPORT

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Li Dong *(Chairman)*
Ng Shin Kwan, Christine
Chan Ah Fei
Liang Shan
Feng Taiguo* (appointed on 9 May 2017)
Kwong Kai Sing, Benny** (appointed 18 September 2017)
Lee Jalen* (resigned on 9 May 2017)
Suen Yick Lun, Philip** (resigned on 18 September 2017)

Independent Non-executive Directors:

Wong Yun Kuen
Wong Shun Loy
Hu Chao

* Mr. Lee Jalen has resigned as an executive director of the Company with effect from 9 May 2017 to devote more time to his personal endeavours but he would remain as a director for several subsidiaries and associate of the Company. Mr. Feng Taiguo has been appointed as an executive director of the Company with effect from 9 May 2017. Details were set out in the announcement of the Company dated 9 May 2017.

** Mr. Suen Yick Lun, Philip has resigned as an executive director of the Company with effect from 18 September 2017 due to his other business commitment. Dr. Kwong Kai Sing, Benny has been appointed as an executive director of the Company with effect from 18 September 2017. Details were set out in the announcement of the Company dated 18 September 2017.

In accordance with Articles 96 and 105(A) of the Articles of Association of the Company, Dr. Kwong Kai Sing, Benny, Mr. Li Dong, Mr. Liang Shan and Mr. Hu Chao will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Each of the executive directors and the Chairman has entered into a letter of appointment with the Company and he/she is not appointed for any specific length or proposed length of service and his/her term of service shall continue unless terminated by either party giving to the other a prior notice in writing. Each of the independent non-executive directors is appointed for a term of twelve-month period. The term will be automatically renewed for successive twelve-month periods unless terminated by either party in writing prior to the expiry of the term. All the directors and the Chairman are also subject to retirement by rotation and re- election at least once every three years at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

None of the directors of the Company being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors of Subsidiaries

Other than the Directors named in the section headed "Biographical Details of Directors and Senior Management", the names of all directors who have served on the board of the subsidiaries of the Company during the year and up to the date of this report are as follows:

— Choi Sing Kay
— Fung Kwok Hung, Raymond
— Lee Cheuk Yue
— Lee Jalen
— Lui Sheung Pan
— Moral Dragon Trading Limited
— Newton Group Investment Limited
— Prime Way Development Limited
— Soo Siu Keung
— Wong Chi Keung, Sammy
— Yan King Tang
— Yau Yuet Yim, Rita

PERMITTED INDEMNITY AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the Articles of Association and subject to the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("Companies Ordinance"), every Director or other officer of the Company shall be indemnified out of the assets of the Company against all loss and liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that such Article shall only have effect in so far as its provisions are not avoided by the Companies Ordinance. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year.

INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF DIRECTORS AND SENIOR MANAGEMENT

As at 31 December 2017, the interests of the directors, chief executive and senior management of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of director	Capacity	Number of shares	Number of underlying shares	Total interests	Approximate percentage of the issued share capital of the Company
Wong Yun Kuen	Beneficial owner	1,800	–	1,800	0.00%

Save as disclosed above, as at 31 December 2017, none of the directors or chief executive or senior management of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

Particulars of the share option scheme of the Company and details of movements in the share options of the Company during the year are set out in Note 29 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' Interests in Shares, Underlying Shares and Debentures" and "Share Option Scheme" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate; and none of the directors or their spouse or children under the age of eighteen, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2017, the register of interest kept by the Company under section 336 of the SFO shown that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of shareholder	Capacity	Number of shares	Total interests	Approximate percentage of the issued share capital of the Company
Wealth Success Limited	Beneficial owner	406,681,579 *(Note 1, 2)*	406,681,579	29%
Lai Leong	Interest held by controlled corporation	406,681,579 *(Note 1, 2)*	406,681,579	29%

Notes:

1. These shares are beneficially owned by Wealth Success Limited. Wealth Success Limited is wholly-owned by Mr. Lai Leong. Accordingly, Mr. Lai Leong is deemed to be interested in 406,681,579 shares under SFO.

2. Wealth Success Limited has provided on interest in the Shares as security to a person other than a qualified lender.

Save as disclosed above, the Company has not been notified of other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2017 as required pursuant to section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this annual report, no director of the Company is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to Rule 8.10 of the Listing Rules, other than those businesses of which the directors of the Company were appointed as directors to represent the interests of the Company.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No 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, subsisting at the end of the year or at any time during the year.

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

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

AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the year ended 31 December 2017 had been reviewed by the Audit Committee of the Company before they were duly approved by the Board of Directors under the recommendation of the Audit Committee.

CORPORATE GOVERNANCE

Details of corporate governance are set out in the section headed "Corporate Governance Report" in this annual report.

EMOLUMENT POLICY

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits included insurance and medical cover, subsidised training programme as well as share option scheme.

The determination of emoluments of the directors of the Company had taken into consideration of their respective responsibilities and contribution to the Group and by reference to market benchmark.

SUFFICIENCY OF PUBLIC FLOAT

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

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$226,000 (2016: HK$150,000).

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period are set out in Note 40 to the consolidated financial statements.

AUDITORS

Pan-China (H.K.) CPA Limited ("Pan-China") retire and being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Pan-China as auditors of the Company.

On behalf of the Board

Li Dong
Chairman

Hong Kong, 28 March 2018

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company strives to attain high standards of corporate governance. The Board believes that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding and maximising shareholders' interests.

During the year, the Board and the Company has complied with the code provisions of Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the first part of code provision E.1.2 of the CG Code, the chairman of the Board, Mr. Li Dong did not attend the annual general meeting held on 21 June 2017 (the "Meeting") as he had another business engagement. The executive director of the Company, who took the chair of the Meeting and other members of the Board together with the chairmen of the Audit, Nomination and Remuneration Committees and other members of each of the Audit, Nomination and Remuneration Committees attended the Meeting. The Company considers that the members of the Board and the Audit, Nomination and Remuneration Committees who attended the Meeting were already of sufficient caliber and number for answering questions at the Meeting.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has 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 the code of conduct regarding securities transactions by the directors of the Company. All directors of the Company have confirmed, following specific enquiry by the Company, that they have fully complied with the required standard set out in the Model Code for the year ended 31 December 2017.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises six executive directors, namely Mr. Li Dong (Chairman), Ms. Ng Shin Kwan, Christine, Mr. Chan Ah Fei, Mr. Liang Shan, Mr. Feng Taiguo (appointed on 9 May 2017) and Dr. Kwong Kai Sing, Benny (appointed on 18 September 2017); and three independent non-executive directors, namely Dr. Wong Yun Kuen, Mr. Wong Shun Loy and Mr. Hu Chao. The directors' biographical information is set out in Biographical Details of Directors and Senior Management on pages 12 to 14 of this annual report.

During the year, the Board has at all times met the requirements of rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Each independent non-executive director has submitted annual confirmation of his independence to the Company pursuant to rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all of the independent non-executive directors are independent.

The independent non-executive directors represent one-third of the Board, which is required by Rule 3.10A of the Listing Rules. The Board believes there is sufficient independence element in the Board to safeguard the interest of shareholders.

A total of eight regular Board meetings and three general meetings of the Company was held during the year ended 31 December 2017 with individual attendance record of each of the directors as follows:

Directors	Attendance/ Number of meetings Board Meetings	General Meeting
Executive Directors:		
Li Dong	8/8	0/1
Ng Shin Kwan, Christine	8/8	1/1
Chan Ah Fei	8/8	1/1
Liang Shan	8/8	0/1
Feng Taiguo (appointed on 9 May 2017)	4/4	0/1
Kwong Kai Sing, Benny (appointed on 18 September 2017)	0/0	0/0
Lee Jalen (resigned on 9 May 2017)	4/4	0/0
Suen Yick Lun, Philip (resigned on 18 September 2017)	5/8	1/1
Independent Non-Executive Directors:		
Wong Yun Kuen	8/8	1/1
Wong Shun Loy	8/8	1/1
Hu Chao	8/8	1/1

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is primarily responsible for the leadership and control of the Company and is committed to make decision in the interests of both the Company and its shareholders. With delegating authorities from the Board, management of the Company is responsible for daily operations of the Group including management of all aspects of the Group's principal activities.

The Board delegates appropriate aspects of its management and administration functions to management. It also gives clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Board determines those functions reserved to the Board and those delegated to the management and these arrangements are reviewed on a periodic basis to ensure they remain appropriate to the needs of the Company.

Directors' Continuous Training and Development

Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

The Directors are committed to comply with the CG Code A.6.5 on Directors' training. All Directors are provided with training materials covering the topics of "Developments in SFC Enforcement: Listed Company Fraud and Misconduct and Update on Takeovers Regime in Hong Kong", "Update on Regulation of Listed Issuers" and "Internal Audit — Expect More". All Directors have participated in continuous professional development and provided to the Company a record of training they received for the year ended 31 December 2017.

Relationship among Directors

There is no relative relationship among the directors of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As at the date of this report, the Chairman is Mr. Li Dong and the Company does not have any individual with the title of Chief Executive Officer ("CEO"). The Chairman is responsible for overseeing all Board functions, while the role of CEO is performed collectively by the executive directors (excluding Mr. Li Dong) and senior management of the Company to overseeing the day-to-day operations of the Group and implementing the strategies and policies approved by the Board.

The Board considers that under the current arrangement, the balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting operations of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive directors is appointed for a term of twelve-month period. The term will be automatically renewed for successive twelve-month period unless terminated by either party in writing prior to the expiry of the term. All the independent non-executive directors are also subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the Company's Articles of Association.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") has been established by the Board with terms of reference as set out in the CG Code. As at the date of this report, the Nomination Committee consists of three independent non-executive directors, namely Dr. Wong Yun Kuen, Mr. Wong Shun Loy and Mr. Hu Chao and one executive director, namely Ms. Ng Shin Kwan, Christine. The Chairman of the Nomination Committee is Dr. Wong Yun Kuen. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee held three meetings during the year ended 31 December 2017 to discuss the retirement and re-appointment arrangement of the Directors in the Company's forthcoming annual general meeting with individual attendance record of each of the members as follows:

Members	Attendance/ Number of meetings
Wong Yun Kuen *(Chairman)*	3/3
Wong Shun Loy	3/3
Hu Chao	3/3
Ng Shin Kwan, Christine	3/3

The main duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and to identify suitably qualified individuals to become Board members. It is also responsible for assessing the independence of Independent non-executive directors and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors. The recommendations of the Nomination Committee are then put forward for consideration and adoption, where appropriate, by the Board.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established with terms of reference as set out in the CG Code. As at the date of this report, the Remuneration Committee consists of three independent non-executive directors, namely Mr. Hu Chao, Dr. Wong Yun Kuen and Mr. Wong Sun Loy. The Chairman of the Remuneration Committee is Mr. Hu Chao. The terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee held three meetings during the year ended 31 December 2016 to discuss the remuneration packages of the directors of the Company with individual attendance record of each of the members as follows:

Members	Attendance/ Number of meetings
Hu Chao *(Chairman)*	3/3
Wong Yun Kuen	3/3
Wong Shun Loy	3/3

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management of the Company; to determine the specific remuneration packages including benefits in kind, pension rights and compensation payments (including any compensation payments for loss or termination of their office or appointment) of all executive directors and senior management of the Company as well as making recommendations to the Board of remuneration of independence non-executive directors of the Company.

During the year, the Remuneration Committee reviewed the remuneration packages of the directors of the Company. No director was involved in deciding his/her own remuneration.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration of directors and senior management of the Company during the year are set out in Note 37 to the consolidated financial statements.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established with terms of reference as set out in the CG Code. As at the date of this report, the Audit Committee comprises three independent non-executive directors, namely Mr. Wong Shun Loy, Dr. Wong Yun Kuen and Mr. Hu Chao. The Chairman of the Audit Committee is Mr. Wong Shun Loy. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The Audit Committee held three meetings during the year ended 31 December 2017 with individual attendance record of each of the members as follows:

Members	Attendance/ Number of meetings
Wong Shun Loy *(Chairman)*	3/3
Wong Yun Kuen	3/3
Hu Chao	3/3

The main duties of the Audit Committee are to making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process and to discuss with the external auditor the nature and scope of the audit. It is also responsible for reviewing: (i) the interim and annual financial statements of the Group before submission to the Board and (ii) the Company's financial control, internal control and risk management systems.

During the year ended 31 December 2017, the Audit Committee reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including review of unaudited interim results and audited annual results of the Group.

AUDITORS' REMUNERATION

For the year ended 31 December 2017, remuneration paid to the auditors of the Company for providing audit and non-audit services amounted to approximately HK$1,450,000 and approximately HK$630,000 respectively. Non-audit services mainly consisted of advisory and other reporting services.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as follows:

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

(ii) to review and monitor the training and continuous professional development of directors and senior management;

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

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

(v) to review the Company's compliance with the code of corporate governance and disclosure in the Corporate Governance Report; and

(vi) to perform such other corporate governance duties and functions set out in the code of corporate governance (as amended from time to time) for which the Board are responsible.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting by shareholders

In accordance with sections 566 to 568 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance"), shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings, may request the directors of the Company to call a general meeting. The request must state the general nature of the business to be dealt with at the general meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the general meeting. The request may consist of several documents in like form and may be sent to the Company in hard copy form or in electronic form and must be authenticated by the person(s) making it.

If the directors of the Company do not within 21 days from the date of the deposit of the written request proceed duly to call a general meeting for a day not more than 28 days after the date on which the notice convening the general meeting, the shareholder(s) who requested the meeting, or any of them representing more than one-half of the total voting rights of all of them, may themselves call a general meeting, provided that the general meeting must be called for a date not more than 3 months after the date on which the directors of the Company become subject to the requirement to call the general meeting.

The general meeting convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the directors of the Company.

Enquiries to the Board

Shareholders may at any time send their written enquiries and concerns to the Board of Directors either by post, by facsimiles or by email, for the attention of Chairman of the Board or Company Secretary at the following address or facsimiles number or via email:

GT GROUP HOLDINGS LIMITED
Units 2502–5, 25th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong
Email: info@gtghl.com
Fax No.: (852) 3926 1999

The Company Secretary will forward the shareholders' enquiries and concerns to the Board and/or relevant board committees of the Company, where appropriate, to answer the shareholders' questions in writing.

Putting forward proposals at annual general meetings

In accordance with section 615 of the Companies Ordinance, the shareholders may request the Company to give, to shareholders entitled to receive notice of the annual general meeting, notice of a resolution that may properly be moved and is intended to be moved at that meeting. The request may be sent to the Company in hard copy form or in electronic form and must identify the resolution of which notice is to be given, be authenticated by the person or person(s) making it and be received by the Company not later than 6 weeks before the annual general meeting to which the requests relates; or if later, the time at which notice is given of that meeting.

The Company will give notice of a resolution of it has received the request form (a) shareholders representing at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at the annual general meeting to which the request relate; or (b) at least 50 shareholders who have a relevant right to vote on the resolution at the annual general meeting to which the request relate.

Proposing Directors for election at general meetings

Pursuant to Article 109 of the Company's Articles of Association, no person other than a director retiring at the meeting shall, unless recommended by the directors for election, be eligible for election as director at any general meeting unless a notice signed by a member (other than the person to be processed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the registered office of the Company provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that the period for lodgement of such notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

INVESTOR RELATIONS

Constitutional documents

There are no changes in the Company's constitutional documents during the year. The latest set of constitutional documents are available on the websites of the Company and the Stock Exchange.

Shareholders Communication Policy

The Company adopted a Shareholders' Communication Policy which aims to promoting effective communication with the shareholders of the Company, encouraging the shareholders of the Company to engage actively with the Company and enabling the shareholders of the Company to exercise their rights as shareholders effectively. The information would be communicated to shareholders of the Company through various official channels (including Company's corporate communication, website and the shareholders' meeting) so that the shareholders of the Company can access the Company's public information equally in a timely manner. The Shareholders' Communication Policy is available on the website of the Company.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges their responsibilities for preparing the financial statements of the Company for each financial period in accordance with statutory requirements and applicable accounting standards so as to give a true and fair view of the state of affairs of the Group.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 29 to 33.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and he has confirmed that he has taken no less than 15 hours of relevant professional training in complied with the requirement of Rule 3.29 of the Listing Rules. The biography of the Company Secretary is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board recognises its responsibilities for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The systems and internal controls can only provide reasonable and not absolute assurance against any material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Group has not set up a special committee and/or department for an internal audit function due to the size of the Group and for cost effectiveness consideration. The effectiveness of the internal control system of the Group was reviewed by the Board and the Audit Committee. In order to attain high standards of corporate governance, the Group has engaged an independent professional firm to conduct a review to assess the effectiveness of the Group's risk management and internal control systems during the year. The review covered major financial, operational and compliance controls. The relevant review report has been considered by the Audit Committee for assessing the effectiveness of the Internal Control System. The Board, through the reviews made by the independent professional firm and the Audit Committee, concluded that the Internal Control System was effective.

The Board and the Audit Committee have also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting internal audit and financial reporting functions.

The Group will continue to review the need for an internal audit function annually.

The Group has also formulated an inside information policy by providing guideline on handling inside information to directors and employees of the Company. The Group regularly reminds the directors and employees of the Company about compliance with all policies adopted by the Group regarding the inside information.

INDEPENDENT AUDITORS' REPORT

PAN-CHINA (H.K.) CPA LIMITED Certified Public Accountants
天健(香港)會計師事務所有限公司

TO THE MEMBERS OF GT GROUP HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of GT Group Holdings Limited and its subsidiaries (the "Group") set out on pages 34 to 111, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Interests in associates (Note 15)

Included in the Group's interests in associates as at 31 December 2017 was the Group's 40% equity investment in China Sky Holdings Limited ("China Sky") with the carrying amount of HK$543,294,000. China Sky and its subsidiaries ("China Sky Group") are mainly engaged in the property development of two development projects in Chongqing, the People's Republic of China (the "PRC"), namely the "Jintang Project" and the "Tanzishi Project". For the Jintang Project, the construction had been completed and substantial part of the properties project have been sold. As for Tanzishi Project, it is currently under construction and planned for completion in 2022.

The management of the Company relied on the audited consolidated financial statements of China Sky for the year ended 31 December 2017 prepared by an independent auditor ("Another Auditor") to apply equity accounting on China Sky Group in preparing the consolidated financial statements of the Group in accordance with Hong Kong Accounting Standard ("HKAS") 28, Investments in Associates and Joint Ventures, and to assess the recoverable amount of China Sky Group.

The properties under development for sale of the Tanzishi Project represented a significant component of China Sky Group's assets. Management of the Company engaged an independent valuer to perform a valuation of the properties under development for sale for the purpose of determining its net realisable value. The assessment of the net realisable value of the properties under development for sale involved significant judgements, which would have significant impact on the carrying amount of the Group's associates being accounted for using the equity method. Therefore, the assessment of the net realisable value of the properties under development for sale is considered as a key audit matter.

How the scope of our audit responded to the risk:

- We discussed with the management of China Sky Group and the Group as to whether indicators of impairment exist for the properties under development for sale.
- We obtained and reviewed the valuation report of the property development project.
- We discussed with the valuer in relation to the reasonableness and appropriateness of the key assumptions applied in the valuation.
- We performed site visit to the property development project.
- We evaluated the reasonableness of the valuation in relation to the property development project.
- We discussed with the Another Auditor as to whether they have any concern on the issue of the properties under development for sale.
- We searched for the market information of the comparable properties in Chongqing, the PRC.

Available-for-sale financial assets (Note 16)

Included in the Group's available-for-sale financial assets as at 31 December 2017 was the Group's investment in unlisted securities in a private entity named Singularity Advisory (Cayman) Limited ("Singularity") with the carrying amount of HK$23,302,000, which represented the major available-for-sale financial asset of the Group and was measured at cost less impairment. Therefore, the impairment assessment on the investment in Singularity is considered as a key audit matter.

How the scope of our audit responded to the risk:

- We obtained the management accounts of Singularity as at 31 December 2017.
- We reviewed the Group's impairment assessment on the investment in Singularity.
- We obtained and reviewed the sale and purchase agreement in relation to the disposal of the main assets of Singularity after the end of the reporting period.
- We checked to the bank records for the subsequent distribution of the sale proceeds to the Group.

Recoverability of short-term loans receivable (Note 21)

As at 31 December 2017, the Group had short-term loans receivable with the aggregate carrying amount of approximately HK$315,059,000. No impairment was made for the loans receivable as at 31 December 2017.

In exercising impairment assessment of the loans receivable, the management applied own judgment and used subjective assumptions. It includes assessing customers with default risk and identifying indication of impairment based on creditworthiness of customers.

How the scope of our audit responded to the risk:

- We discussed with the management of the Company in order to understand the Group's loan advance policy and how the management of the Company assessed and mitigated credit risk in determining whether or not to lend monies to potential borrowers.
- We reviewed the Group's impairment assessment on the loans receivable.
- We assessed the reasonableness of recoverability of loans receivables with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of each individual customer.
- We reviewed the loan agreements and credit files of some customers selected on a sample basis.
- We assessed the conditions of collaterals including their fair values, if any.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

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

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

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

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

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

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

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

AUDITORS' 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 auditors' report that includes our opinion. Our report is made solely to you in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Chan Kin Wai.

PAN-CHINA (H.K.) CPA LIMITED
Certified Public Accountants

Chan Kin Wai
Practising Certificate Number: P05342

11/F., Hong Kong Trade Centre,
161–167 Des Voeux Road Central, Hong Kong.

Hong Kong, 28 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Turnover	6	**(274,849)**	(248,754)
Cost of services		**(1,258)**	(1,757)
Gross loss		**(276,107)**	(250,511)
Other income	8	**10,219**	12,834
Unrealised loss on financial assets at fair value through profit or loss		**(160,380)**	(423,938)
Share of profit of associates	15	**34,037**	122,330
Gain on disposal of a subsidiary	31	**–**	1,494
Impairment loss on available-for-sale financial assets	16	**–**	(256,946)
Impairment loss on goodwill	19	**–**	(4,500)
Administrative expenses		**(89,589)**	(93,406)
Finance costs	9	**(83,748)**	(98,410)
Loss before tax		**(565,568)**	(991,053)
Income tax expenses	12	**(1,258)**	(2,053)
Loss for the year	10	**(566,826)**	(993,106)
Attributable to:			
Owners of the Company		**(566,826)**	(993,106)
Non-controlling interests		**–**	–
		(566,826)	(993,106)
		2017 HK$	2016 HK$
Loss per share			
— Basic and diluted	13	**(0.40)**	(0.96)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
Loss for the year	10	**(566,826)**	(993,106)
Other comprehensive income, net of income tax			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of overseas operations		**288**	(36)
Share of other comprehensive income/(expense) of associates		**11,827**	(7,576)
Fair value change in available-for-sale financial assets		**10,486**	5,967
Impairment loss on available-for-sale financial assets	16(i)	**–**	41,946
Other comprehensive income for the year		**22,601**	40,301
Total comprehensive expense for the year		**(544,225)**	(952,805)
Attributable to:			
Owners of the Company		**(544,225)**	(952,805)
Non-controlling interests		**–**	–
		(544,225)	(952,805)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	14	**4,491**	5,164
Interests in associates	15	**543,294**	502,566
Prepayment		**700**	800
Available-for-sale financial assets	16	**42,943**	9,155
Other assets	17	**2,230**	2,230
Trading right	18	**–**	–
Goodwill	19	**–**	–
		593,658	519,915
Current assets			
Trade and other receivables	20	**65,241**	72,284
Short-term loans receivable	21	**315,059**	60,000
Financial assets at fair value through profit or loss	22	**835,012**	1,363,918
Tax recoverable		**123**	–
Bank balances held under segregated trust accounts	23	**27,432**	37,908
Bank balances and cash	23	**60,733**	118,901
		1,303,600	1,653,011
Current liabilities			
Trade and other payables	24	**103,119**	126,768
Short-term loans payable	25	**18,000**	41,000
Tax liabilities		**–**	2,333
		121,119	170,101
Net current assets		**1,182,481**	1,482,910
Total assets less current liabilities		**1,776,139**	2,002,825

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Long-term loans payable	25	**586,118**	581,175
Notes payable	26	**312,596**	–
		898,714	581,175
Net assets		**877,425**	1,421,650
Capital and reserves			
Share capital	28	**2,824,801**	2,824,801
Reserves		**(1,947,376)**	(1,403,151)
Equity attributable to owners of the Company		**877,425**	1,421,650
Non-controlling interests		**–**	–
Total equity		**877,425**	1,421,650

The consolidated financial statements on pages 34 to 111 were approved and authorised for issue by the Board of Directors on 28 March 2018 and are signed on its behalf by:

Li Dong
Director

Ng Shin Kwan, Christine
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company									
	Share capital HK$'000	Special reserve (Note a) HK$'000	Other reserve (Note b) HK$'000	Translation reserve HK$'000	Available-for-sale financial assets reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2016	2,674,001	3,587	–	(12,791)	(47,913)	52,865	(444,494)	2,225,255	3,390	2,228,645
Loss for the year	–	–	–	–	–	–	(993,106)	(993,106)	–	(993,106)
Other comprehensive income/ (expense) for the year	–	–	(7,576)	(36)	47,913	–	–	40,301	–	40,301
Total comprehensive income/ (expense) for the year	–	–	(7,576)	(36)	47,913	–	(993,106)	(952,805)	–	(952,805)
Issue of shares	150,800	–	–	–	–	–	–	150,800	–	150,800
Consideration paid to acquire additional interest in a non-wholly owned subsidiary	–	–	(1,600)	–	–	–	–	(1,600)	(3,390)	(4,990)
At 31 December 2016 and 1 January 2017	2,824,801	3,587	(9,176)	(12,827)	–	52,865	(1,437,600)	1,421,650	–	1,421,650
Loss for the year	–	–	–	–	–	–	(566,826)	(566,826)	–	(566,826)
Other comprehensive income/ (expense) for the year	–	–	11,827	288	10,486	–	–	22,601	–	22,601
Total comprehensive income/ (expense) for the year	–	–	11,827	288	10,486	–	(566,826)	(544,225)	–	(544,225)
Lapsed of share options (Note 29)	–	–	–	–	–	(52,865)	52,865	–	–	–
At 31 December 2017	2,824,801	3,587	2,651	(12,539)	10,486	–	(1,951,561)	877,425	–	877,425

Note:

(a) Included in the special reserve, the amount of approximately HK$3,587,000 was reclassified as special reserve from share premium in preceding periods.

(b) Included in the other reserve, the amount of approximately HK$1,600,000 representing the difference between the consideration paid to acquire additional interest in a non-wholly owned subsidiary and the decrease in non-controlling interest of that subsidiary during the year ended 31 December 2016.

The remaining balance of approximately HK$7,576,000 represents the share of other comprehensive expense of associates for the year ended 31 December 2016.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Loss for the year		**(566,826)**	(993,106)
Adjustments for:			
Income tax expenses recognised in profit or loss		**1,258**	2,053
Finance costs recognised in profit or loss		**83,748**	98,410
Interest income recognised in profit or loss		**(13)**	(17)
Depreciation of property, plant and equipment		**2,149**	4,046
Impairment loss recognised in respect of goodwill		**–**	4,500
Impairment loss recognised in respect of available-for-sale financial assets		**–**	256,946
Unrealised loss on financial assets at fair value through profit or loss		**160,380**	423,938
Share of profit of associates		**(34,037)**	(122,330)
Reversal of provision for claim		**–**	(8,000)
Gain on disposal of a subsidiary		**–**	(1,494)
Dividend income		**(3,104)**	–
Gain on disposal of property, plant and equipment		**(20)**	–
Operating cash flows before movements in working capital		**(356,465)**	(335,054)
Decrease in other assets		**–**	230
Increase in short-term loans receivable		**(255,059)**	(55,000)
Decrease/(increase) in prepayment		**100**	(800)
Decrease/(increase) in financial assets at fair value through profit or loss		**368,526**	(291,293)
Decrease/(increase) in trade and other receivables		**7,043**	(48,981)
Decrease in bank balances held under segregated trust accounts		**10,476**	63,537
Decrease in trade and other payables		**(30,287)**	(1,281)
Cash used in operations		**(255,666)**	(668,642)
Interest paid		**(77,110)**	(98,410)
Income tax paid		**(3,714)**	(2,386)
Net cash used in operating activities		**(336,490)**	(769,438)
Cash flows from investing activities			
Dividend income		**3,104**	–
Dividend received from an associate		**5,136**	7,859
Loan repayment from an associate		**–**	35,702
Interest received		**13**	17
Acquisition of property, plant and equipment		**(1,476)**	(1,489)
Acquisition of available-for-sale financial assets		**(23,302)**	–
Proceeds from disposal of property, plant and equipment		**20**	–
Net cash inflow on disposal of a subsidiary	31(b)/31(c)	**–**	7,984
Net cash outflow on acquisition of a subsidiary	30(c)	**–**	(4,500)
Net cash generated (used in)/from investing activities		**(16,505)**	45,573

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from financing activities			
Proceeds from issue of shares (net of share issue expenses paid)		–	150,800
Proceeds from loans		18,000	1,111,175
Repayment of loans		(41,000)	(489,000)
Acquisition of additional interest in a non-wholly owned subsidiary		–	(4,990)
Proceeds from issue of notes		312,596	–
Net cash generated from financing activities		289,596	767,985
Net (decrease)/increase in cash and cash equivalents		(63,399)	44,120
Effect of foreign exchange rate changes		5,231	–
Cash and cash equivalents brought forward		118,901	74,781
Cash and cash equivalents carried forward		60,733	118,901

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of the registered office and the principal place of business of the Company are disclosed in the corporate information section of this annual report.

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in Note 39.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Company and its subsidiaries (collectively, the "Group") had applied a number of amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are mandatorily effective for an accounting period that begins on or after 1 January 2017. These amendments have been applied by the Group for the first time in the current year unless otherwise specified. The impacts of these amendments are described below.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised losses
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle

The amendments to HKAS 7 require an entity to make disclosures that aim to enable users of financial statements to evaluate changes in liabilities arising from financing activities. Other than such additional disclosures, the application of the amendments has not had any material effect on the consolidated financial statements. The Group has applied the transitional provisions set out in the amendments not to disclose the comparable information for prior year.

The amendments to HKAS 12 clarify when unrealised losses on a debt instrument measured at fair value would give rise to a deductible temporary difference and how to evaluate whether sufficient future taxable profits are available to utilise a deductible temporary difference. The application of the amendments has not had any material effect on the consolidated financial statements.

Annual improvements to HKFRSs (2014–2016 cycle) include an amendment to HKFRS 12 that clarifies that, when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with HKFRS 5 *Non-current Assets held for Sale and Discontinued Operations*, it is not required to disclose summarised financial information for that subsidiary, joint venture or associate, as required by HKFRS 12 *Disclosure of Interests in Other Entities*.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The Group has not applied any of the following new HKFRSs, amendments to HKFRSs and new interpretations ("new and revised HKFRSs") that have been issued but are not yet mandatorily effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15 and amendments to HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2014–2016 Cycle[1]
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective date not yet determined
4 Effective for annual periods beginning on or after 1 January 2021

HKFRS 9 Financial Instruments

HKFRS 9 has introduced new requirements for (a) classification and measurement of financial assets, (b) impairment of financial assets and (c) general hedge accounting.

With regards to the classification and measurement of financial assets, financial assets that are within the scope of HKFRS 9 are subsequently measured at either amortised cost or fair value. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. All other financial assets are measured at fair value at the end of each of the subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt instrument financial assets and equity investments are measured at their fair value at the end of subsequent accounting periods with changes in fair value recognized in profit or loss, except that the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is neither held for trading nor being contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and the cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

With regards to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. This differs from the accounting treatment under HKAS 39, whereby the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is recognised in profit or loss.

With regards to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to the incurred credit loss model required under HKAS 39. In general, the adoption of the expected credit loss model will require the Group to assess at each reporting date whether there is a significant increase in credit risk of its financial assets since initial recognition and to recognise loss allowance equal to the lifetime or 12-month expected credit losses depending on whether or not there is a significant increase in credit risk.

With regards to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. HKFRS 9 will provide greater flexibility as to the types of transactions eligible for hedge accounting, specifically by broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced.

HKFRS 9 contains specific transitional provisions for (a) classification and measurement of financial assets; (b) impairment of financial assets; and (c) hedge accounting, which will be adopted by the Group when it applies HKFRS 9 on 1 January 2018.

The amendments to HKFRS 9 *Prepayment Features with Negative Compensation* mainly clarify and provide additional guidance as to when a debt instrument financial asset with a prepayment option would satisfy the 'solely payment of principal and interest' test.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

(a) Classification and measurement

For the Group's listed equity investment that is currently classified as an available-for-sale financial asset, HKFRS 9 will allow the management to make an irrevocable election to designate the investment as at fair value through other comprehensive income ("FVOCI"). Accordingly, the Group does not expect the new guidance to significantly affect the classification and measurement of the financial asset.

For the Group's another available-for-sale financial asset which is currently measured at cost less impairment, the management expects to make an irrevocable election to designate the investment as at FVOCI.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

(b) Impairment

The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets at amortised cost. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 15 Revenue from Contracts with Customers *(Continued)*

Under HKFRS 15, the Group will recognise revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

HKFRS 15 contains a number of transitional provisions as well as practical expedients to help preparers so through the transition. Please refer to HKFRS 15 for details.

The Group is currently assessing the effects of applying the new standard on the Group's consolidated financial statements and has identified the following areas that are likely to be affected:

- Accounting for revenue from sales of properties of the Group's associate

  Currently, revenue from sales of properties of the Group's associate is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales contracts and collectability of related receivables is reasonably assured. Under HKFRS 15, for those properties that have no alternative use to the Group's associate due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group would recognise revenue when the performance obligations are satisfied over time in accordance with the input method for measuring progress. In addition, the transaction price and amount of revenue from sales of properties will be adjusted when significant financing component relating to advance receipts exists in that contract.

- Accounting for costs incurred by the Group's associate to obtain a contract

  Following the adoption of HKFRS 15, stamp duty, sales commissions and other costs directly attributable to obtaining a contract, if recoverable, will be capitalised as contract assets.

The directors are in the process of assessing the impact of HKFRS 15 and preliminarily consider that it may have some impact on the Group's consolidated financial position and results of operation upon adoption of the new standard on 1 January 2018.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 16 Leases

HKFRS 16 will supersede the current lease guidance including HKAS 17 Leases and the related interpretations when it becomes effective.

With regards to lessee accounting, the distinction of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas, under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

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

Furthermore, HKFRS 16 requires extensive disclosures in the financial statements.

At 31 December 2017, the Group, as lessee, has non-cancellable operating lease commitments of approximately HK$12,050,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

HKFRS 17 Insurance Contracts and amendments to HKFRS 4 Insurance Contracts

HKFRS 17 and amendments to HKFRS 4 are not applicable to the Group as the Company or its subsidiaries are not engaged in insurance business.

Amendments to HKFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

- In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

- Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKFRS 2 Classification and Measurement of Share-based Payment Transactions *(Continued)*

- A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows: the original liability is derecognised. The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date. Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The Group does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments and hence the directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 and HKAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Group did not enter into these transactions in the current year. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to HKAS 40 Transfers of Investment Property

The amendments clarify that an entity should transfer a property to, or from, investment property when, and only when, there is a change in use. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The amendments emphasise that a change in management's intentions for the use of a property, in isolation, does not provide evidence of a change in use. Further, the amendments clarify that the list of circumstances set out in paragraph 57 of HKAS 40 are examples only.

The amendments require an entity to apply the amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments (i.e. the date of initial application). At the date of initial application, an entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date.

The directors of the Company do not anticipate any impact as the Group did not have any transfers in the past.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HK(IFRIC) Interpretation 22 Foreign Currency Transactions and Advance Consideration

This Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to be used on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The Interpretation concludes that the date of the transaction for the abovementioned purpose is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The directors of the Company do not anticipate that the application of the interpretation will have a material impact on the Group's consolidated financial statements.

HK(IFRIC) Interpretation 23 Uncertainty over Income Tax Treatments

This Interpretation clarifies how to apply the recognition and measurement requirements in HKAS 12 when there is uncertainty over income tax treatments.

The directors of the Company do not anticipate that the application of the interpretation will have a material impact on the Group's consolidated financial statements.

Except as described above, the directors of the Company consider that the application of the other new and revised HKFRSs and amendments is unlikely to have a material impact on the Group's financial position and performance as well as disclosure.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below:

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation *(Continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this financial information is determined on such a basis, except for share-based payments transactions that are within the scope of HKFRS 2 "*Share-based Payment*", leasing transactions that are within the scope of HKAS 17 "*Leases*" and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "*Inventories*" or value in use in HKAS 36 "*Impairment of Assets*".

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiaries and non-controlling interests

Investments in subsidiaries are stated on the statement of financial position of the Company (Note 39) at cost less accumulated impairment loss.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

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

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

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

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

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

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

Property, plant and equipment

Property, plant and equipment held for use in the production and supply of goods and services, or for administrative purposes, are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided so as to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold improvements	Over the term of the leases
Furniture and fixtures	20%–33%
Motor vehicles and yacht	20%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Borrowing costs

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

Trading right

Trading right represents the right of trading on the Stock Exchange. Trading right is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation for trading right is provided to write off the relevant cost on a straight-line basis over the estimated useful lives.

Any gain or loss arising from derecognition of trading right is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL (Continued)

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other gains and losses. Fair value is determined in manner described in Note 5(b) to the consolidated financial statements.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, earnest money, bank balances held under segregated trust accounts and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment (see accounting policy on impairment loss on financial assets below).

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets

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

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

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

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 at the end of each reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period. For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of available-for-sale financial assets reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through 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.

Financial liabilities and equity instruments

Debts and equity instruments issued by a group entity are initially classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Equity instruments

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

Other financial liabilities

Other financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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

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

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

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted to the employees at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options granted to employees *(Continued)*

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Share options granted to other participants

For share options granted to parties other than employees in exchange for services, they are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses with a corresponding increase in equity (share options reserve), and when the counterparties render services, unless the services qualify for recognition as assets.

Impairment

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment losses, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Net income from sale of investments held for trading are recognised on the transaction date for realised profit or loss whilst the unrealised profits or losses are recognised from valuation at the end of the reporting period.

Commission and brokerage income are recognised on an accrual basis when the relevant services are provided in accordance with the terms of the underlying agreements.

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established provided that it is probable that economic benefits will flow to the Group and the amount of income can be measured reliably.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

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

Leasing

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

The Group as lessee

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

Retirement benefits costs

Payments to state-managed retirement benefits schemes/Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Related parties

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

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

(ii) has significant influence over the Group; or

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

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

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

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

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

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

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

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

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

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

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below:

(a) Income taxes and deferred taxation

The Group is subject to income taxes in the People's Republic of China ("PRC") and Hong Kong. Significant judgement is required in determining the provision for income taxes in these jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when the management of the Company determines it is likely that future taxable profits will be available against the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

(b) Impairment of assets

The carrying amounts of assets are reviewed annually and adjusted for impairment in accordance with HKAS 36 whenever certain events or changes in circumstances indicate that the carrying amount may not be recoverable. In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the management has to exercise judgment in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

(c) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant management judgement. During the year ended 31 December 2016, the management of the Company considers the investment in Joint Global contributes no significant value to the Group and accordingly, the investment cost should be fully impaired and an impairment loss of HK$215,000,000 has been recognised to the consolidated statement of profit or loss for the year ended 31 December 2016. Since the management continues to believe that the investment contribute any value to the Group, no reversal of impairment loss was made for the year ended 31 December 2017 (Note 16).

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Available-for-sale financial assets	**42,943**	9,155
Financial assets at FVTPL		
— held for trading	**835,012**	1,363,918
Loans and receivables		
— trade and other receivables	**60,963**	71,843
— short-term loans receivable	**315,059**	60,000
— bank balances held under segregated trust accounts	**27,432**	37,908
— bank balances and cash	**60,733**	118,901
	1,342,142	1,661,725
Financial liabilities		
Amortised cost		
— trade and other payables	**103,119**	126,768
— short-term loans payable	**18,000**	41,000
— long-term loans payable	**586,118**	581,175
— notes payable	**312,596**	–
	1,019,833	748,943

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale financial assets, financial assets at FVTPL, trade and other receivables, loans receivable, bank balances held under segregated trust accounts, bank balances and cash, trade and other payables, loans payable and notes payable. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments and 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.

Credit risk

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfill its obligation with the results that the Group thereby suffers financial loss. The carrying amounts of trade and other receivables, loans receivable, bank balances held under segregated trust accounts, bank balances and cash represent the Group's maximum exposure to credit risk in relation to financial assets. The carrying amounts of these financial assets presented in the consolidated statement of financial position are net of impairment losses, if any.

The Group expects that there is no significant credit risk associated with cash at banks since all the Group's bank balances and cash are deposited with major and creditworthy banks located in Hong Kong.

The directors consider that the Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers.

The Group is exposed to credit risk attributable to trade receivables arising from securities brokerage business and loans receivable arising from provision of finance business. Management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis. In respect of trade receivables from customers, individual credit evaluations are performed on all customers. These evaluations focus on the customer's financial background and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

In respect of loans and interest receivables, individual credit evaluations are performed on all borrowers requiring credit over a certain amount. These evaluations focus on the borrowers' past history of making payments when due and current ability to pay, and take into account information specific to the borrowers.

In order to minimise the credit risk, the directors have delegated a team responsible for determination of monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the directors review the recoverability of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables and loans receivable from customers are set out in Note 20 and Note 21 respectively.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

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

Market risk

(i) Foreign currency risk

Foreign currency risk is the risk that the holding of monetary assets and liabilities and entering into transactions denominated in foreign currencies which will affect the Group's financial position and performance as a result of a change in foreign currency exchanges rates. At the end of the financial year, certain available-for-sale financial assets, trade and other receivables, bank balances and cash and trade and other payables are denominated in or linked to foreign currencies, details of which are set out in respective notes, expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2017 HK$'000	2016 HK$'000
Assets		
Renminbi ("RMB")	**113**	84
United States Dollars ("US$")	**58**	54
Australian Dollars ("AUD")	**19,641**	9,155
Liabilities		
RMB	**–**	20
US$	**898,714**	581,175

As HK$ is linked to US$, the Group does not have material exchange rate risk on such currency. Thus, the Group is mainly exposed to the currency risk of RMB and AUD.

The following table demonstrates the sensitivity analysis of the carrying amounts of significant outstanding monetary assets and monetary liabilities denominated in RMB and AUD at the end of reporting period if there was a 5% change in the exchange rate of the HK$ against RMB and AUD, with all other variables held constant, of the Group's post-tax loss. 5% sensitivity rate used represents management's assessment of the reasonably possible changes in foreign exchange rates.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

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

Market risk *(Continued)*

(i) Foreign currency risk (Continued)

	2017		2016	
	(Decrease)/ increase in exchange rate %	(Decrease)/ increase in post-tax loss HK$'000	(Decrease)/ increase in exchange rate %	(Decrease)/ increase in post-tax loss HK$'000
If HK$ weakens against RMB	(5)	(5)	(5)	(3)
If HK$ strengthens against RMB	5	5	5	3

	2017		2016	
	(Decrease)/ increase in exchange rate %	Increase/ (decrease) in other comprehensive income HK$'000	(Decrease)/ increase in exchange rate %	Increase/ (decrease) in other comprehensive income HK$'000
If HK$ weakens against AUD	5	982	(5)	458
If HK$ strengthens against AUD	(5)	(982)	5	(458)

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

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

Market risk *(Continued)*

(ii) Price risk

The Group is exposed to equity security price risk through its available-for-sale financial assets and financial assets at FVTPL. Management manages this exposure by maintaining a portfolio of investments with different risk and return profiles.

Sensitivity analysis for held for trading investments:

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

	2017		2016	
	Increase/ (decrease) in equity prices %	(Decrease)/ increase in post-tax loss HK$'000	Increase/ (decrease) in equity prices %	(Decrease)/ increase in post-tax loss HK$'000
Financial assets at FVTPL				
Changes on equity prices	5	(34,862)	5	(56,944)
Changes on equity prices	(5)	34,862	(5)	56,944

	2017		2016	
	Increase/ (decrease) in equity prices %	Increase/ (decrease) in other comprehensive income HK$'000	Increase/ (decrease) in equity prices %	Increase/ (decrease) in other comprehensive income HK$'000
Available-for-sale financial assets				
Changes on equity prices	5	982	5	458
Changes on equity prices	(5)	(982)	(5)	(458)

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

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

Market risk *(Continued)*

(iii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to fair value interest rate risk in relation to fixed rate loans receivable and payable. The Group currently does not have an interest rate hedging policy. However, the directors of the Company monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk relates primarily to the interest bearing bank balances held under segregated trust accounts and bank balances and cash. The future variations in interest rates will not have a significant impact on the results of the Group, as the Group's variable rates bank balances are all short-term in nature and at the prevailing market interest rates. The Group currently does not have an interest rate hedging policy. However, the directors of the Company monitor interest rate exposure and will consider hedging significant interest rate risk should the need arise. The directors of the Company considered the Group's exposure to interest rate risk for bank balances is not material. Hence, no interest rate risks sensitively analysis is presented.

Liquidity risk

Liquidity risk management is mainly to maintain sufficient bank balances and cash and the availability of fundings through an adequate amount of committed credit facilities. The Group also aims at maintaining flexibility in funding by arranging and keeping committed banking facilities and other external financing available.

The Group's primary cash requirements have been for capital investments and repayment of related debts. The Group finances its working capital requirements through a combination of funds generated from operations and from fund raising through placement of new shares.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

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

Liquidity risk *(Continued)*

The following table shows the remaining contractual maturities as at 31 December 2017 and 2016 of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay:

Liquidity table

	Weighted average interest rate	On demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–5 years HK$'000	> 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amounts HK$'000
2017								
— Short-term loans payable	12%	–	–	19,509	–	–	19,509	18,000
— Long-term loans payable	14.08%	–	20,638	63,061	606,068	–	689,767	586,118
— Trade and other payables	–	103,119	–	–	–	–	103,119	103,119
— Notes payable	8%	–	12,504	12,504	337,603	–	362,611	312,596
		103,119	33,142	95,074	943,671	–	1,175,006	1,019,833

	Weighted average interest rate	On demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–5 years HK$'000	> 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amounts HK$'000
2016								
— Short-term loans payable	12%	42,782	–	–	–	–	42,782	41,000
— Long-term loans payable	11.17%	–	16,236	49,611	662,717	–	728,564	581,175
— Trade and other payables	–	126,768	–	–	–	–	126,768	126,768
		169,550	16,236	49,611	662,717	–	898,114	748,943

Fair value measurement

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Other than certain available-for-sale financial assets and financial assets at FVTPL, the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Available-for-sale financial assets measured at fair value at the end of reporting period and financial assets at FVTPL in respect of listed equity securities are determined by reference to the quoted bid prices in active markets.

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

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

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

Fair value measurement *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets	Fair values as at 31 December 2017 HK$'000	2016 HK$'000	Fair value hierarchy	Valuation techniques and key inputs
Available-for-sale financial assets — Listed equity securities	**19,641**	9,155	Level 1	Quoted bid prices in active markets
Financial assets at FVTPL — Listed equity securities	**835,012**	1,363,918	Level 1	Quoted bid prices in active markets

There were no transfers amongst Level 1, 2 and 3 during both years.

(c) 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 during both years.

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

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendation of the directors, the Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debts or the redemption of existing debts.

6. TURNOVER

An analysis of the Group's turnover for the year is as follows:

	2017 HK$'000	2016 HK$'000
Net realised results from securities trading*	**(294,360)**	(263,832)
Commission and brokerage income	**3,169**	4,690
Interest income from provision of finance	**16,342**	10,388
	(274,849)	(248,754)

* Represented the proceeds from the sale of investments at fair value through profit or loss of approximately HK$452,657,000 (2016: approximately HK$606,607,000) less cost of sales and the weighted average cost of the investments sold of approximately HK$747,017,000 (2016: approximately HK$870,439,000).

7. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION

Business segment information

The Group's reportable and operating segments, based on information reported to the board of directors of the Company, being the chief operating decision maker ("CODM"), are as follows:

- trading of goods;
- provision of finance; and
- brokerage and securities investment.

For the purposes of resource allocation and assessment of segment performance, CODM monitors the results and assets and liabilities attributable to each reportable segment on the following basis:

- Segment revenue represents revenue generated from external customers; net gain/(loss) on investments held for trading activities are also included in segment revenue;
- Segment results represent the profit earned or loss incurred by each segment without allocation of corporate income and expenses, share of results of associates, central administration costs, directors' salaries, finance costs for loans payable and income tax credit or expense;
- Segment assets include all tangible and intangible assets and current assets;
- Segment liabilities include all trade and other payables and notes payable other than current and deferred tax liabilities;
- Unallocated assets include available-for-sales investments, interests in associates and other assets for the corporate use; and
- Unallocated liabilities include short-term loans payable, long-term loans payable and other payables unallocated.

7. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION *(Continued)*

Business segment information *(Continued)*

For the year ended 31 December 2017

	Trading of goods HK$'000	Provision of finance HK$'000	Brokerage and securities investment HK$'000	Elimination/ unallocated HK$'000	Total HK$'000
Segment revenue and results					
REVENUE					
External sales	–	16,342	(291,191)	–	(274,849)
Inter-segment sales*	–	–	1,001	(1,001)	–
Segment revenue	–	16,342	(290,190)	(1,001)	(274,849)
RESULTS					
Segment results	–	8,539	(498,060)	–	(489,521)
Unallocated income					1,369
Unallocated expenses					(37,962)
Finance costs					(73,491)
Share of results of associates					34,037
Loss before tax					(565,568)
Segment assets and liabilities					
ASSETS					
Segment assets	–	321,298	1,015,496	(5,336)	1,331,458
Unallocated assets					565,800
Total consolidated assets					1,897,258
LIABILITIES					
Segment liabilities	–	481,509	95,749	(479,466)	97,792
Unallocated liabilities					922,041
Total consolidated liabilities					1,019,833
Other information:					
Additions to property, plant and equipment	–	–	1,476	–	1,476
Depreciation of property, plant and equipment	–	–	1,407	742	2,149
Net unrealised loss on financial assets at fair value through profit or loss	–	–	160,380	–	160,380
Income tax expenses	–	–	1,258	–	1,258

* Inter-segment sales were charged at terms determined and agreed between the group companies.

7. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION *(Continued)*

Business segment information *(Continued)*

For the year ended 31 December 2016

	Trading of goods HK$'000	Provision of finance HK$'000	Brokerage and securities investment HK$'000	Elimination/ unallocated HK$'000	Total HK$'000
Segment revenue and results					
REVENUE					
External sales	–	10,388	(259,142)	–	(248,754)
Inter-segment sales*	–	–	300	(300)	–
Segment revenue	–	10,388	(258,842)	(300)	(248,754)
RESULTS					
Segment results	–	8,451	(696,841)	–	(688,390)
Unallocated income					3,658
Unallocated expenses					(330,241)
Share of results of associates					122,330
Finance costs					(98,410)
Loss before tax					(991,053)
Segment assets and liabilities					
ASSETS					
Segment assets	–	64,261	1,548,260	–	1,612,521
Unallocated assets					560,405
Total consolidated assets					2,172,926
LIABILITIES					
Segment liabilities	–	424,737	122,615	(423,945)	123,407
Unallocated liabilities					627,869
Total consolidated liabilities					751,276
Other information:					
Additions to property, plant and equipment	–	–	719	770	1,489
Depreciation of property, plant and equipment	–	–	1,042	3,004	4,046
Net unrealised loss on financial assets at fair value through profit or loss	–	–	423,938	–	423,938
Income tax expenses	–	692	1,361	–	2,053

* Inter-segment sales were charged at terms determined and agreed between the group companies.

7. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION *(Continued)*

Geographical segment information

The Group's three reportable and operating segments operate in Hong Kong and all the Group's revenue from external customers for the years ended 31 December 2017 and 2016 were derived from Hong Kong.

The following table provides an analysis of the Group's non-current assets (excluding financial assets) based on the geographical markets as follows:

	2017 HK$'000	2016 HK$'000
PRC	**543,294**	496,474
Hong Kong	**7,421**	8,194
Others	**–**	6,092
	550,715	510,760

Information about major customers

The following is an analysis of revenue from customers contributing over 10% of total revenue of the Group (excluding the net realised results from securities trading) for the current and prior years:

	Reportable and operating segments	**2017 HK$'000**	2016 HK$'000
Customer A	Provision of finance/brokerage and securities investment	**6,153**	5,905
Customer B	Provision of finance	**3,002**	2,992
Customer C	Provision of finance	**N/A***	1,651

* Revenue from Customer C did not contribute over 10% of the total revenue of the Group (excluding the net realised results from securities trading) for the year ended 31 December 2017.

8. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Other income comprises:		
Interest income on:		
— Banks	**13**	17
— Other loan and receivables	**4,617**	3,909
Total interest income	**4,630**	3,926
Sundry income	**2,465**	908
Reversal of provision for claim	**–**	8,000
Dividend income	**3,104**	–
Gain on disposal of property, plant and equipment	**20**	–
	10,219	12,834

9. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on other borrowings wholly repayable within five years	**83,748**	98,410

10. LOSS FOR THE YEAR

	2017 HK$'000	2016 HK$'000
Loss for the year has been arrived at after charging:		
Staff costs including directors' remuneration		
— Salaries, allowances and other benefits	**26,529**	26,667
— Retirement benefits schemes contributions	**727**	753
	27,256	27,420
Auditors' remuneration		
Audit services	**1,450**	1,380
Non-audit services	**630**	876
	2,080	2,256
Impairment loss on available-for-sale financial assets (Note)	**–**	256,946
Depreciation of property, plant and equipment	**2,149**	4,046
Foreign exchange loss, net	**5,433**	4

Note:

Impairment loss on available-for-sale financial assets for the year ended 31 December 2016 comprises:

- impairment loss in respect of the investment in Aurelia Metals Limited of approximately HK$41,946,000, which was recognised from other comprehensive income to profit or loss (Note 16(i)); and
- impairment loss in respect of the investment in Joint Global of HK$215,000,000 (Note 16(ii)(a)).

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to Listing Rules and section 383(1) of the Hong Kong Companies Ordinance are as follows:

		Fee		Salaries and other benefits		Retirement benefits schemes contributions		Discretionary bonus		Total	
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Note	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors											
Li Dong		200	1,477	1,100	–	15	–	–	–	1,315	1,477
Ng Shin Kwan, Christine		–	–	910	910	18	18	–	–	928	928
Chan Ah Fei		647	650	–	–	–	–	–	–	647	650
Liang Shan		618	650	–	–	–	–	–	–	618	650
Feng Taiguo	i	388	–	–	–	–	–	–	–	388	–
Kwong Kai Sing, Benny	ii	274	–	–	–	–	–	–	–	274	–
Lee Jalen	iii	531	780	–	–	–	–	–	–	531	780
Suen Yick Lun, Philip	iv	688	320	–	–	–	–	–	–	688	320
Lee Yuk Fat	v	–	393	–	–	–	–	–	–	–	393
Independent non-executive directors											
Wong Yun Kuen		120	120	–	–	–	–	–	–	120	120
Wong Shun Loy		144	144	–	–	–	–	–	–	144	144
Hu Chao		120	120	–	–	–	–	–	–	120	120
		3,730	4,654	2,010	910	33	18	–	–	5,773	5,582

Notes:

(i) Mr. Feng Taiguo was appointed on 9 May 2017.

(ii) Dr. Kwong Kai Sing, Benny was appointed on 18 September 2017.

(iii) Mr. Lee Jalen resigned on 9 May 2017.

(iv) Mr. Suen Yick Lun, Philip was appointed on 1 September 2016 and resigned on 18 September 2017.

(v) Mr. Lee Yuk Fat resigned on 1 September 2016.

Salaries, allowances and benefits in kind paid to or for the executive directors are generally entitlements paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

The performance related incentive payments are determined with reference to the operating results, individual performance and comparable market statistics.

None of the directors waived or agreed to waive any emoluments during the year ended 31 December 2017 (2016: Nil). During the year ended 31 December 2017, no emoluments have been paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office (2016: Nil).

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2016: three) were directors of the Company whose emoluments are included in the disclosures set out in Note 11(a) above. The emoluments of the remaining highest paid individuals were as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries, allowances and other benefits	**3,658**	2,470
Retirement benefit schemes contributions	**36**	18
	3,694	2,488

Their emoluments were within the following bands:

	2017 **No. of** **employees**	2016 No. of employees
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**2**	–
HK$1,500,001 to HK$2,000,000	**1**	1
	3	2

(c) During the year ended 31 December 2017, no emoluments were paid by the Group to any of the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2016: Nil).

12. INCOME TAX EXPENSES

	2017 HK$'000	2016 HK$'000
Income tax expenses comprise:		
Current tax		
— Hong Kong Profits Tax	**1,278**	2,073
— PRC Enterprise Income Tax	**–**	–
	1,278	2,073
Over-provision in prior years:		
— Hong Kong	**(20)**	(20)
	1,258	2,053
Deferred tax — current year	**–**	–
	1,258	2,053

Hong Kong Profits Tax is calculated at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the year ended 31 December 2017.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008.

Income tax expenses for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2017 HK$'000	2016 HK$'000
Loss before tax	**(565,568)**	(991,053)
Tax at Hong Kong Profits Tax rate of 16.5% (2016: 16.5%)	**(93,318)**	(163,523)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(24)**	(2)
Tax effect of share of results of associates	**(7,567)**	(20,184)
Tax effect of expenses not deductible for tax purpose	**6,154**	55,426
Tax effect of income not taxable for tax purpose	**(713)**	(9,175)
Tax effect of temporary differences not recognised	**76**	269
Utilisation of tax losses previously not recognised	**–**	(188)
Tax effect of tax losses not recognised	**96,670**	139,450
Over-provision for prior year	**(20)**	(20)
	1,258	2,053

Details of deferred taxation are set out in Note 27.

13. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company for the years ended 31 December 2017 and 2016 is based on the following data:

	2017 HK$'000	2016 HK$'000
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**566,826**	993,106

	2017 Number of shares '000	2016 Number of shares '000
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**1,401,917**	1,031,557

Diluted loss per share for the year ended 31 December 2017 was equal to the basic loss per share because the exercise prices of the Company's share options for the period from 1 January 2017 to 2 December 2017 were higher than the average market price and was therefore considered as anti-dilutive. The Company did not have any exercisable share option outstanding as at 31 December 2017 and there were no dilutive potential ordinary shares after all outstanding share options lapsed on 2 December 2017.

Diluted loss per share for the year ended 31 December 2016 was equal to the basic loss per share because the exercise prices of the Company's share options were higher than the average market price for the year and was therefore considered as anti-dilutive.

The bonus element effect of the rights issue on the basis of one rights share for every two shares with effect from 5 October 2016 has been included in the calculation of the weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the year ended 31 December 2016.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles and yacht HK$'000	Total HK$'000
COST				
At 1 January 2016	6,853	5,921	26,152	38,926
Additions	–	117	1,372	1,489
Derecognised on disposal of subsidiaries	–	–	(11,800)	(11,800)
At 31 December 2016 and 1 January 2017	6,853	6,038	15,724	28,615
Additions	–	1,476	–	1,476
Disposals	–	–	(3,180)	(3,180)
At 31 December 2017	6,853	7,514	12,544	26,911
DEPRECIATION AND IMPAIRMENT				
At 1 January 2016	5,931	4,033	14,751	24,715
Provided for the year	482	714	2,850	4,046
Eliminated on disposals of subsidiaries	–	–	(5,310)	(5,310)
At 31 December 2016 and 1 January 2017	6,413	4,747	12,291	23,451
Provided for the year	334	942	873	2,149
Eliminated on disposal	–	–	(3,180)	(3,180)
At 31 December 2017	6,747	5,689	9,984	22,420
CARRYING VALUES				
At 31 December 2017	106	1,825	2,560	4,491
At 31 December 2016	440	1,291	3,433	5,164

15. INTERESTS IN ASSOCIATES

(a) Details of the Group's interests in associates are as follows:

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Cost of investments in associates:		
— Unlisted	**333,919**	333,919
Amounts due from associates (Note 15(c)(i))	**36,081**	36,081
	370,000	370,000
Share of results of associates:		
— Post-acquisition profits and other comprehensive income, net of dividends received	**159,384**	118,656
— Bargain purchase	**13,910**	13,910
	173,294	132,566
	543,294	502,566

(b) Details of each of the Group's associates at 31 December 2017 and 2016 are as follows:

Name of associates	Place of incorporation/ establishment	Issued and fully paid ordinary/share capital/registered capital	Place of operation	Proportion of equity interest held by the Group Directly %	Indirectly %	Principal activities
China Sky Holdings Limited ("China Sky") (Note i)	The British Virgin Islands ("BVI")	US$100,000	Hong Kong	40	–	Investment holding
Kim Dynasty Realty & Development Co. Ltd. ("Jintang") (Note i)	The PRC	US$3,500,000	The PRC	–	40	Development, construction and building management
Success Quest Limited ("Success Quest") (Note ii)	BVI	US$100	Hong Kong	50	–	Investment holding

15. INTERESTS IN ASSOCIATES *(Continued)*

(b) Details of each of the Group's associates at 31 December 2017 and 2016 are as follows: *(Continued)*

Notes:

(i) China Sky and its subsidiary — Jintang ("China Sky Group")

The Group acquired 40% of total issued capital of China Sky at the consideration of HK$370,000,000 in 2015. Jintang, the operating subsidiary of China Sky, is principally engaged in the business of development and construction of two property development projects in Chongqing, the PRC.

One of the property development projects comprises a residential and commercial complex known as "Jintang New City Plaza" (金唐新城市廣場) (the "Jintang Project"), of which the construction had been completed and substantial part of the properties project have been sold. The other property development project comprises 5 parcels of land with a total site area of approximately 72,559 square meters ("Tanzishi Project"). Tanzishi Project will be developed into several commercial and residential buildings with a total planned gross floor area of approximately 463,357 square meters. It is currently under construction and planned for completion in 2022.

(ii) Success Quest

In 2015, the Group acquired 50% of the total equity interest of Success Quest and 50% shareholders loan (in the principal amount of HK$33,776,268) in Success Quest for a total consideration of approximately HK$33,773,000.

As at 31 December 2016, the principal business activity of Success Quest is investment in Anton Capital Investment Vehicle ("Anton Capital"), and the units of Anton Capital held by Success Quest represent approximately 91.7% interest of Anton Capital, the trustee of which is Anton Advisory Pty Ltd ("AAPL") who holds the remaining 8.3% of the units in Anton Capital. AAPL as trustee for Anton Capital holds 25% units on issue in George Street Property Trust which holds 100% interest in properties located at Sydney, Australia. The investment in Success Quest was then a passive investment in an Australian property fund by the Group.

Given the Group does not control the majority composition of the board of Success Quest, the Group has no control over Success Quest. However, the directors of the Company consider that the Group does have significant influence over Success Quest and Success Quest is therefore classified as an associate of the Group.

According to the terms stipulated in the trust deed of Anton Capital, Success Quest does not have control over the financial and operating policies of Anton Capital.

During the year ended 31 December 2016, the abovementioned Australia properties were disposed of for a consideration of AUD160,000,000 (equivalent to approximately HK$893,000,000). Part of the Group's share of the proceeds from the disposal of the Australia properties was in turn distributed to the Group in October 2016, of which approximately HK$37,695,000 represents the full repayment of the outstanding balance of loan to Success Quest and the remaining approximately HK$7,859,000 as a special dividend from Success Quest to the Group.

During the year ended 31 December 2017, the Group's share of the remaining part of the proceeds from the disposal of the Australia properties of AUD863,000 (equivalent to approximately HK$5,136,000) was in turn distributed to the Group in November 2017.

15. INTERESTS IN ASSOCIATES *(Continued)*

(c) Summarised financial information of associates

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

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

(i) China Sky Group

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Current assets	**1,772,163**	2,133,962
Non-current assets	**7,642**	7,949
Current liabilities	**(1,065,632)**	(1,257,157)
Non-current liabilities	**(285,449)**	(573,080)
Net assets	**428,724**	311,674

	2017 HK$'000	2016 HK$'000
Revenue	**350,006**	894,127
Profit for the year	**87,482**	270,947
Other comprehensive income/(expenses) for the year	**29,568**	(18,939)
Total comprehensive income for the year	**117,050**	252,008
Proportion of the Group's ownership interests in China Sky Group	**40%**	40%
Share of total comprehensive income of China Sky Group	**46,820**	100,803
Dividends received from China Sky Group during the year	**–**	–

15. INTERESTS IN ASSOCIATES *(Continued)*

(c) Summarised financial information of associates *(Continued)*

(i) China Sky Group *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interests in China Sky Group recognised in the consolidated financial statements:

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Net assets of China Sky Group	**428,724**	311,674
Proportion of the Group's ownership interest in China Sky Group	**40%**	40%
	171,489	124,669
Effect of fair value adjustments at acquisition	**335,724**	335,724
Amounts due from China Sky Group *(Note)*	**36,081**	36,081
Carrying amount of the Group's interest in China Sky Group	**543,294**	496,474

Note:

Amounts due from China Sky Group of HK$36,081,000 as at 31 December 2017 and 2016 were unsecured, non-interest bearing and repayable upon demand. The Group has no intention to exercise its right to demand repayment of these loans within the twelve months from the end of the reporting period. The directors believe the settlement of these loans is not likely to occur in the foreseeable future as they are, in substance, a part of the Group's net investment in associates as working capital of China Sky Group. Accordingly, the amount is classified as non-current asset and included in the Group's interests in associates for the purpose of presentation in the consolidated statement of financial position.

(ii) Success Quest

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Current assets	**–**	–
Non-current assets	**–**	12,191
Current liabilities	**–**	–
Non-current liabilities	**–**	–
Net assets	**–**	12,191

15. INTERESTS IN ASSOCIATES *(Continued)*

(c) Summarised financial information of associates *(Continued)*

(ii) Success Quest *(Continued)*

	2017 HK$'000	2016 HK$'000
Revenue	**10,271**	45,616
(Loss)/profit for the year	**(1,912)**	31,781
Proportion of the Group's ownership interests in Success Quest	**50%**	50%
Share of (loss)/profit of Success Quest	**(956)**	15,890
Less: Cumulative share of losses of Success Quest not recognised in profit or loss *(Note)*	**–**	(1,939)
Share of (loss)/profit of Success Quest recognised in profit or loss	**(956)**	13,951
Dividends received from Success Quest during the year	**5,136**	7,859

Note:

The Group has not recognised share of loss of Success Quest for the period from 7 July 2015 (date of acquisition) to 31 December 2015 amounting to approximately HK$1,939,000, as the Group has discontinued including its share of results of Success Quest once the cumulative share of losses of Success Quest is equal to the investment cost in Success Quest.

As Success Quest reports profit for the year ended 31 December 2016, the Group resumes recognising its share of profit of Success Quest after its share of the profit equals the cumulative share of losses of Success Quest not recognised amounting to approximately HK$1,939,000.

Reconciliation of the above summarised financial information to the carrying amount of the interests in Success Quest recognised in the consolidated financial statements:

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Net assets of Success Quest	**–**	12,191
Proportion of the Group's ownership interest in Success Quest	**50%**	50%
	–	6,095
Less: Pre-acquisition loss	**(3)**	(3)
Carrying amount of the Group's interest in Success Quest	**–**	6,092

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Notes	2017 HK$'000	2016 HK$'000
Equity securities			
— Listed securities	(i)	**19,641**	9,155
— Unlisted securities	(ii)	**23,302**	–
		42,943	9,155

Available-for-sale financial assets represented the Group's investment in listed and unlisted securities.

(i) Listed securities

The listed securities of the Group at the end of the reporting period represented the Group's listed investment in Aurelia Metals Limited of which its shares are listed on the Australian Securities Exchange. They are measured at fair value based on the quoted market bid prices available on the relevant stock exchange at the end of the reporting period. The prolonged decline in the fair value of the investment in Aurelia Metals Limited amounted to approximately HK$41,946,000 was reclassified from other comprehensive income to profit or loss as an impairment loss during the year ended 31 December 2016.

(ii) Unlisted securities

The unlisted securities of the Group at the end of the reporting period represented the Group's investments in unlisted equity securities in two private entities, namely, Joint Global Limited ("Joint Global") and Singularity Advisory (Cayman) Limited ("Singularity"). They were measured at cost less impairment at the end of the reporting period.

(a) In respect of the investment in Joint Global, full impairment of HK$215,000,000 was made for the year ended 31 December 2016 after taking into account the unaudited net asset value of Joint Global as at 31 December 2016, and other relevant factors. Legal advice was being sought with a view to taking appropriate legal action against the rogue management of Joint Global for the recovery of the Group's loss.

In the current financial year, the Group was informed by its legal advisor that as Joint Global was a company incorporated in the Republic of Marshall Islands and might not have had a place of business in Hong Kong, legal action may not be taken in the Hong Kong jurisdiction for leave to commence in the name of Joint Global against its rogue management for wrongdoings. In this regard, further legal advice will be sought by the Group in the Republic of Marshall Islands. Shareholders will be informed in due course of any major development of the case.

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

(ii) Unlisted securities *(Continued)*

(b) In respect of the investment in Singularity, the Group entered into a subscription agreement on 27 January 2017 whereby the Group and another investor, which is an independent third party, subscribed for one and eleven additional ordinary share(s) in Singularity respectively for the subscription price of US$3,000,000 (equivalent to approximately HK$23,302,000) and US$30,000,000 (equivalent to approximately HK$233,020,000) respectively. The cash consideration of US$3,000,000 was settled by the Group in February 2017. As at 31 December 2016, Singularity was owned as to one share and nine shares by the Group and the other investor respectively. Upon issue of the abovementioned additional shares in January 2017, Singularity was owned as to approximately 9.09% and 90.91% by the Group and the other investor respectively. Details of the transaction are set out in the announcement of the Company dated 27 January 2017.

In December 2017, Singularity and an independent third party entered into a sale and purchase agreement in relation to the disposal of its major assets, which were investments in convertible bonds with a principal amount of US$90,000,000 (equivalent to approximately HK$703,341,000) issued by XinRen Aluminum Holdings Limited (the "XinRen Bonds"), with the consideration of US$102,813,000 (equivalent to approximately HK$802,508,000. The disposal was completed in January 2018, and US$3,613,600 (equivalent to approximately HK$28,206,000), which represents part of the proceeds from the disposal net of the repayment of bank borrowing of Singularity, were distributed to the Group in February 2018.

Taking into account the unaudited net asset value of Singularity as at 31 December 2017, and other relevant factors, no impairment was made for the investment in Singularity as at 31 December 2017.

17. OTHER ASSETS

The amount represents the statutory deposits paid to The Stock Exchange and Securities and Futures Commission in relation to the Group's licensed activities in the Hong Kong securities market.

18. TRADING RIGHT

	HK$'000
COST	
Balance at 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	778
AMORTISATION AND IMPAIRMENT	
Balance at 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	778
CARRYING VALUES	
At 31 December 2017	–
At 31 December 2016	–

Trading right is amortised on a straight-line basis over the useful life of four years and the amount was fully amortised in prior years.

19. GOODWILL

	2017 HK$'000	2016 HK$'000
At beginning of the year	–	–
Acquisition of a subsidiary (Note 30)	–	4,500
Less: Impairment loss recognised	–	(4,500)
At end of the year	–	–

Goodwill arose during the year ended 31 December 2016 on the acquisition of the 100% equity interests in Growth Track Asset Management Limited ("Growth Track"), a company which is licensed to carry on the regulated activities of Type 9 — Asset Management under the Hong Kong Securities and Futures Ordinance. It represents the excess of the cost of the business combination over the net fair value of Growth Track's identifiable assets and liabilities as of the date of the acquisition.

Impairment testing of goodwill

Goodwill arising on the above acquisition was recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently assessed for impairment testing.

As at 31 December 2016, Growth Track had not yet commenced business. In addition, the management of the Company has yet to develop its strategy and business model for Growth Track. Accordingly, the management was unable to prepare financial projections based on reasonable and supportable assumptions. Goodwill of HK$4,500,000 was therefore fully impaired during the year ended 31 December 2016.

20. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**56,053**	33,715
Less: Impairment	**(1,492)**	(1,492)
	54,561	32,223
Other receivables and prepayments	**11,036**	40,417
Less: Impairment	**(356)**	(356)
	10,680	40,061
	65,241	72,284

Included in other receivables and prepayments as at 31 December 2016, approximately of HK$31,341,000 represent the balance held by a securities broker in respect of the proceeds arising from sales of the Group's securities investments which took place in December 2016. The balance had been released to the Group in January 2017. There was no such balance as at 31 December 2017.

Trade receivables analysed as:

	2017 HK$'000	2016 HK$'000
Trade receivables arising from securities brokerage business:		
— Margin account clients	**53,543**	32,543
— Cash account clients	**2,213**	875
— Others	**297**	297
	56,053	33,715

For trade receivables arising from securities brokerage business, the settlement term is two days after the trade date. Interests are charged on overdue cash account clients and margin account clients at Hong Kong prime rate plus 7% (2016: prime rate plus 7%) per annum and at prime rate plus 4% (2016: prime rate plus 4%) per annum, respectively.

20. TRADE AND OTHER RECEIVABLES *(Continued)*

An aging analysis of the trade receivables, presented based on the transaction date, at the end of the reporting periods are as follows:

	2017 HK$'000	2016 HK$'000
0 to 60 days	**9,515**	29,854
61 to 90 days	**8,770**	79
Over 90 days	**37,768**	3,782
	56,053	33,715

Aging of trade receivables which are past due but not impaired based on settlement date:

	2017 HK$'000	2016 HK$'000
Overdue by:		
1 to 60 days	**8,453**	11,135
61 to 90 days	**8,770**	79
Over 90 days	**36,276**	2,290
	53,499	13,504

The overdue trade receivables are mainly arising from margin clients. The Group did not provide any allowance on the past due receivables from margin clients as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading. As 31 December 2017, the total market value of securities pledged as collateral by the customers, with which the Group is permitted to repledge, in respect of the loans to margin clients was approximately HK$454,804,000 (2016: approximately HK$1,248,954,000). Impairment loss of approximately HK$1,195,000 had been provided for the margin clients, whose market value of securities pledged was less than the overdue amount as at 31 December 2017.

There was no movement in the impairment of trade receivables during the year ended 31 December 2017.

21. SHORT-TERM LOANS RECEIVABLE

	2017 HK$'000	2016 HK$'000
Short-term loans receivable		
— Secured	**90,559**	60,000
— Unsecured	**224,500**	–
	315,059	60,000

Loans receivable arise from the Group's money lending business. As at 31 December 2017, the Group has 8 (2016: 2) loans receivable, of which 2 (2016: 2) were secured and 6 (2016: Nil) were unsecured. Loans receivable are bearing interests at the rates mutually agreed with the contracting parties, ranging from 13% to 14% (2016: 14% to 15%) per annum.

Included in the two secured loans receivable, one of the loans with the principal amount of HK$50,000,000 and outstanding principal amount of approximately HK$6,504,000 as at 31 December 2017 was matured on 26 January 2018, interest-bearing at 14% per annum and secured by a first mortgage given by a mortgagor over two residential properties in Shenzhen, the PRC. The fair value of the collateral at 31 December 2017, as assessed by the management of the Company, with reference to the valuation report of the pledged properties, was not less than the outstanding principal amount and interest of the loan.

The other secured loan with the principal amount of HK$85,000,000 and outstanding principal amount of approximately HK$84,055,000 as at 31 December 2017 was matured on 2 March 2018, interest-bearing at 13% per annum, and secured by a first charge over securities accounts in the name of the customer according to the charge agreement dated 3 March 2017 and such securities accounts were maintained with a subsidiary of the Company, which is a brokerage firm. The market value of securities held under such securities accounts was approximately HK$111,016,000 as at 31 December 2017.

In respect of the unsecured loans receivable, the average loan principal amount was about HK$37,000,000 each. The Group had granted such unsecured loans with reference to the Group's loan approval procedures which include various credit assessments and analysis. All these customers had been assessed by the Group to have good financial background and from the management's view, the default risk for these customers were low, in particular, certain loans in the aggregate amount of HK$100,000,000 were guaranteed by independent third parties. The Group had developed various monitoring procedures on the financial position of these customers. Based on the Group's credit assessments and analysis, no impairment was required as at year ended 31 December 2017.

Before accepting any new customer, the Group uses an internal credit assessment process to assess the potential customer's credit quality and defines credit limits. The granting of loans is subject to approval by the management, whilst outstanding balances are reviewed regularly for recoverability.

21. SHORT-TERM LOANS RECEIVABLE *(Continued)*

The loans receivable have been reviewed by the management of the Company to assess impairment which are based on the evaluation of collectability, aging analysis of accounts and on their judgement, including the current creditworthiness and the past collection statistics. Management of the Company also performs ongoing reviews of all customers for any breach of repayment terms or any incident indicating a risk of non-recoverability.

A maturity profile of the loans receivable as at the end of the reporting period, based on the remaining period to contractual maturity date is as follows:

	2017 **HK$'000**	2016 HK$'000
0–90 days after the end of the reporting period	**120,559**	60,000
91–180 days after the end of the reporting period	**70,000**	–
181–365 days after the end of the reporting period	**124,500**	–
	315,059	60,000

The aging analysis of loans receivable that are not considered to be impaired is as follows:

	2017 **HK$'000**	2016 HK$'000
Neither past due nor impaired	**315,059**	60,000

Loans receivable that were neither past due nor impaired were related to 8 customers (2016: 2 customers) for whom there was no recent history of default.

As at 31 December 2017, total loan interest receivables of approximately HK$6,055,000 (2016: approximately HK$3,082,000) was included in other receivables.

Up to the date of this report, approximately HK$15,734,000 of the loans receivable and approximately HK$1,589,000 of the interest receivables as at 31 December 2017 were repaid by the customers.

Details of the provision of financial assistance are set out in the announcements of the Company dated 27 January 2017, 3 March 2017, 10 October 2017, 18 October 2017, 24 October 2017, 1 November 2017, 9 November 2017 and 1 December 2017.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 **HK$'000**	2016 HK$'000
Financial assets at FVTPL		
— Listed equity securities in Stock Exchange	**835,012**	1,363,918

23. BANK BALANCES HELD UNDER SEGREGATED TRUST ACCOUNTS AND BANK BALANCES AND CASH

	2017 **HK$'000**	2016 HK$'000
Bank balances held under segregated trust accounts *(Note)*	**27,432**	37,908
Cash and cash equivalents		
— Bank balances and cash	**60,733**	118,901
	88,165	156,809

Bank balances as at 31 December 2017 carry interest at floating rates based on daily bank deposit rate ranging from 0.001% to 0.02% (2016: 0.001% to 0.02% per annum).

Note: As the Group is engaged in the business of securities dealing and brokerage, it receives and holds money deposits by clients and other institutions in the course of the conduct of the regulated activities. These clients' monies are maintained in one or more segregated trust bank accounts which was recorded as "bank balances held under segregated trust accounts" under current assets in the consolidated statement of financial position. The Group has recognised the corresponding account payables to respective clients and other institutions. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

24. TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	**42,614**	88,868
Other payables and accruals	**21,422**	23,265
Securities accounts	**39,083**	14,635
Trade and other payables	**103,119**	126,768

Trade payables analysed as:

	2017 HK$'000	2016 HK$'000
Trade payables arising from securities brokerage business:		
— Cash account clients	**22,036**	73,258
— Margin account clients	**20,578**	15,610
	42,614	88,868

An aging analysis of the trade payables, presented based on the transaction date, at the end of the reporting period are as follows:

	2017 HK$'000	2016 HK$'000
0 to 60 days	**26,544**	12,838
61 to 90 days	**605**	883
Over 90 days	**15,465**	75,147
	42,614	88,868

The settlement term of trade payables arising from securities brokerage business is two days after the trade date while for amounts due to cash and margin account clients are repayable on demand.

Included in trade payables arising from securities brokerage business of approximately HK$27,432,000 (2016: approximately HK$37,908,000) was payable to clients and other institutions in respect of the trust bank balances received and held for clients and other institutions in the course of the conduct of the regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed. The deposits placed carry variable commercial interest rates.

25. LOANS PAYABLE

	2017 HK$'000	2016 HK$'000
Within 1 year or on demand (Note (iii))	**18,000**	41,000
After 2 years but within 5 years (Note (i) & (ii))	**586,118**	581,175
	604,118	622,175

At the 31 December 2017, the Group had loans payables as follows:

(i) Loan from a financial institution with principal amount of US$25,000,000 (equivalent to approximately HK$195,373,000) together with the accrued interest of approximately US$61,000 (equivalent to approximately HK$477,000), which is interest-bearing at 8% per annum, guaranteed, secured by the equity interest in a subsidiary of the Company and an associate of the Group, and repayable in March 2019.

(ii) Loan from a financial institution with principal amount of US$50,000,000 (equivalent to approximately HK$390,745,000) together with the accrued interest of approximately US$258,000 (equivalent to approximately HK$2,013,000), which is interest-bearing at 17.13% per annum, guaranteed, secured by equity interest in a subsidiary of the Company and an associate of the Group, and repayable in March 2019.

(iii) Loan from an individual who is an independent third party, with principal amount of HK$18,000,000 together with the accrued interest of approximately HK$651,000, which is interest-bearing at 12% per annum, unsecured and repayable in June 2018.

As at 31 December 2016, there was a loan from an independent third party with principal amount of HK$41,000,000 together with the accrued interest of approximately HK$1,094,000, which was unguaranteed, unsecured, interest-bearing at 1% per month. The loan was fully repaid in February 2017.

The total loan interest payable of approximately HK$3,141,000 as at 31 December 2017 (2016: approximately HK$3,090,000) was included in other payables and accruals.

26. NOTES PAYABLE

On 21 September 2017, the Company entered into a notes subscription agreement with an independent third party (the "Subscriber") pursuant to which the Company agreed to issue, and the Subscriber agreed to subscribe for, 8% per annum notes in the principal amount of up to US$40,000,000 (equivalent to approximately HK$312,596,000), which is guaranteed, secured by the security interest provided by a substantial shareholder of the Company, and repayable in September 2019 (extendable to 2020 subject to mutual agreements).

The first interest payment date shall be the date falling six months from the date of the issuance of the notes and the subsequent interest payment dates shall be the dates falling every six months thereafter up to the maturity date.

In September 2017, the 8% per annum notes with principal of US$40,000,000 were fully subscribed by the Subscriber.

According to the notes subscription agreement, the Group shall apply the proceeds from the issue of notes for expanding the lending and finance business of the Group.

27. DEFERRED TAX LIABILITIES

As at 31 December 2017, the Group has unused tax losses of approximately HK$2,162,048,000 (2016: approximately HK$1,576,167,000) available for offsetting against future profits. No deferred tax assets have been recognised as the Company and certain subsidiaries of the Company have been loss making for several years and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

28. SHARE CAPITAL

	2017		2016	
	Number of shares '000	**HK$'000**	Number of shares '000	HK$'000
Issued and fully paid:				
At 1 January	**1,401,917**	**2,824,801**	778,843	2,674,001
Issue of shares pursuant to placement of shares (Note (a))	**–**	**–**	155,768	37,770
Issue of shares pursuant to rights issue (Note (b))	**–**	**–**	467,306	113,030
At 31 December	**1,401,917**	**2,824,801**	1,401,917	2,824,801

Notes:

(a) On 15 August 2016, the Company issued a total of 155,768,530 new shares as a result of the placing. Net proceeds of approximately HK$37,770,000 were raised. Details of the placing are set out in the announcement of the Company dated 4 August 2016 and 15 August 2016.

(b) On 5 October 2016, the Company issued a total of 467,305,590 new shares as a result of the rights issue on the basis of one rights share for every two shares. Net proceeds of approximately HK$113,030,000 were raised. Details of the rights issue are set out in the announcements and the prospectus of the Company dated 10 August 2016, 18 August 2016, 29 August 2016, 13 September 2016 and 5 October 2016.

29. SHARE OPTION SCHEME

The share option scheme adopted by the Company on 8 November 2006 (the "2006 Share Option Scheme") was expired on 7 November 2016. At the end of the reporting period, no share option was outstanding under the 2006 Share Option Scheme as all share options granted were lapsed in accordance with the terms of the 2006 Share Option Scheme on 2 December 2017.

On 14 June 2016, the Company adopted a new share option scheme (the "2016 Share Option Scheme"). The primary purpose of the 2016 Share Option Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Further details of the 2016 Share Option Scheme are as disclosed in the circular of the Company dated 12 May 2016.

Pursuant to the 2016 Share Option Scheme, the Company may grant share options to all directors and employees of the Company or its subsidiaries and any other persons including consultants, advisors, agents, customers, suppliers, service providers, contractors, business partners or connected persons (as such term is defined in the Listing Rules) of any member of the Group who, in the sole discretion of the board of the directors of the Company, have contributed or will contribute to the Group to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted.

Share options granted should be accepted within 14 days from the offer date. Share options granted are exercisable during the period commencing on the date of grant and expiring on the date ten years after the date of grant. The maximum number of shares to be issued upon the exercise of options that may be granted under the 2016 Share Option Scheme and any other schemes of the Company was refreshed to be not exceeding 140,191,677 shares, representing 10% of the total number of shares in issue as at the date of the shareholders' approval of the refreshed limit. The total number of shares issued and to be issued upon exercise of the share options granted to each participant or grantee (as the case may be) (including both exercised and unexercised options) under the 2016 Share Option Scheme or any other share option schemes adopted by the Company in any 12 month period must not exceed 1% of the shares in issue unless otherwise approved by shareholders of the Company in accordance with the terms of the 2016 Share Option Scheme. The subscription price for the shares shall be no less than the highest of (i) the closing price of the shares as stated in the daily quotations sheets issued by The Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by The Stock Exchange for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share (if any) on the date of grant. The subscription price will be determined by the board of directors of the Company at the time the share option is offered to the relevant participant.

During the year ended 31 December 2017, no share option was granted and exercised under the 2016 Share Option Scheme. No share option was outstanding under the 2016 Share Option Scheme as at 31 December 2017.

29. SHARE OPTION SCHEME *(Continued)*

Details of specific categories of share options granted under the 2006 Share Option Scheme are as follows:

Tranche	Date of grant dd/mm/yyyy	Exercisable period dd/mm/yyyy	Closing price of the Company's shares immediately before the grant date HK$	Exercise price at grant date HK$	Exercise price at 31 December 2016 HK$
Three *(note below)*	03/12/2007	03/12/2007 to 02/12/2017	1.04	1.22	269.01

Details of movements of the Company's share options held by directors, employees (other than directors) and other participants under the 2006 Share Option Scheme are as follows:

			At 1 January 2017		Number of share options	
Name or category of participant	Date of grant dd/mm/yyyy	Exercisable period dd/mm/yyyy	Exercise price per share HK$	Number of share options	Lapsed during the year	Outstanding at 31 December 2017
Year ended 31 December 2017						
Directors						
Ng Shin Kwan, Christine	03/12/2007	03/12/2007–02/12/2017	269.01	76,087	(76,087)	–
Wong Yun Kuen	03/12/2007	03/12/2007–02/12/2017	269.01	236	(236)	–
Subtotal:				76,323	(76,323)	–
Employees (other than directors) in aggregate	03/12/2007	03/12/2007–02/12/2017	269.01	49,000	(49,000)	–
Other participants in aggregate	03/12/2007	03/12/2007–02/12/2017	269.01	353,357	(353,357)	–
Total:				478,680	(478,680)	–
Weighted average exercise price (HK$)			269.01		269.01	–

29. SHARE OPTION SCHEME *(Continued)*

Name or category of participant	Date of grant dd/mm/yyyy	Exercisable period dd/mm/yyyy	At 1 January 2016 Exercise price per share HK$	At 1 January 2016 Number of share options	After Adjustment (Note a) Exercise price per share HK$	After Adjustment (Note a) Number of share options	Number of share options Lapsed during the year	Number of share options Outstanding at 31 December 2016
Year ended 31 December 2016								
Directors								
Ng Shin Kwan, Christine	03/12/2007	03/12/2007–02/12/2017	304.63	67,191	269.01	76,087	–	76,087
Wong Yun Kuen	03/12/2007	03/12/2007–02/12/2017	304.63	208	269.01	236	–	236
Subtotal:				67,399		76,323	–	76,323
Employees (other than directors) in aggregate	03/12/2007	03/12/2007–02/12/2017	304.63	43,271	269.01	49,000	–	49,000
Other participants in aggregate	03/12/2007	03/12/2007–02/12/2017	304.63	312,043	269.01	353,357	–	353,357
Total:				422,713		478,680	–	478,680
Weighted average exercise price (HK$)			304.63				–	269.01
Weighted average remaining contractual life (Number of years)								0.92

Notes:

(a) As a result of the rights issue which was completed on 5 October 2016, the relevant exercise price was adjusted from HK$304.63 to HK$269.01, and the number of outstanding share options was adjusted accordingly.

(b) There was no vesting period for the share options granted by the Company under the 2006 Share Option Scheme.

As at the date of this report, 140,191,677 shares are available for issue under the 2016 Share Option Scheme, which represents 10% of the issued shares of the Company as at the same date.

30. ACQUISITION OF A SUBSIDIARY

On 21 July 2016, the Group completed the acquisition from an independent third party of 100% equity interests in Growth Track, a company which is licensed to carry on the regulated activities of Type 9 — Asset Management under Hong Kong Securities and Futures Ordinance. Growth Track was acquired from an independent third party so as to continue the expansion of the Group's brokerage and securities investment operations.

(a) Assets acquired and liabilities recognised at the date of acquisition

	2016 HK$'000
Current assets	311
Non-current assets	–
Current liabilities	–
Non-current liabilities	–
Net assets	311

(b) Goodwill arising on acquisition

	2016 HK$'000
Consideration transferred	4,811
Less: fair value of identifiable net assets acquired	(311)
Goodwill arising on acquisition	4,500

Goodwill arose in the acquisition of Growth Track represents the excess of the cost of the business combination over the net fair value of Growth Track's identifiable assets and liabilities as of the date of the acquisition.

(c) Net cash outflow on acquisition of a subsidiary

	2016 HK$'000
Consideration paid in cash	4,811
Less: cash and cash equivalent balances acquired	(311)
	4,500

At 31 December 2016, Growth Track has not yet commenced business operations and had no significant impact on the Group's result for the year ended 31 December 2016. Goodwill of HK$4,500,000 was fully impaired during the year ended 31 December 2016.

31. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2016, the Group disposed of Sharp Allied Limited which was an asset holding company.

(a) Analysis of assets and liabilities over which control was lost

Sharp Allied Limited	2016 HK$'000
Current assets	–
Non-current assets	
Property, plant and equipment	6,490
Current liabilities	–
Non-current liabilities	–
Net assets disposed of	6,490

(b) Gain on disposal of a subsidiary

Sharp Allied Limited	2016 HK$'000
Consideration received	7,984
Net assets disposed of	(6,490)
Gain on disposal	1,494

(c) Net cash inflow on disposal of a subsidiary

Sharp Allied Limited	2016 HK$'000
Consideration received in cash and cash equivalent	7,984
Less: cash and cash equivalent balances disposed of	–
	7,984

32. OPERATING LEASE ARRANGEMENTS

As lessee

	2017 HK$'000	2016 HK$'000
Minimum lease payments paid under operating leases during the year		
— Land and buildings	**10,665**	10,729
— Other assets	**165**	134
	10,830	10,863

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

	2017 HK$'000	2016 HK$'000
Within one year	**8,526**	9,116
In the second to fifth years, inclusive	**3,524**	5,944
Over five years	**–**	–
	12,050	15,060

Operating lease payments represent rentals payable by the Group for the Group's office premises and other assets. Leases are negotiated for an average term of two years with fixed rentals (2016: two years).

33. COMMITMENTS

Save as disclosed in this report, the Group has no significant capital commitments as at 31 December 2017 (2016: Nil).

34. PLEDGE OF ASSETS

As at 31 December 2017, the Group's financial assets at fair value through profit or loss with an aggregate carrying amount of approximately HK$704,294,000 (2016: approximately HK$1,132,959,000) were pledged to a securities broker to secure certain margin financing granted to the Group. The equity interest of an associate with an aggregate carrying amount of approximately HK$543,294,000 (2016: approximately HK$496,474,000) were also pledged to secure loans from two financial institutions.

35. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs not exceeding HK$1,500 per month for each eligible employee to the scheme monthly.

The employees of the Group's subsidiaries established in the PRC are members of state-managed retirement benefits schemes operated by the local government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement benefits schemes to fund the benefits. The only obligations of the Group with respect to the retirement benefits schemes are to make the specified contributions.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during the year ended 31 December 2017 are disclosed in Note 10.

36. CONTINGENT LIABILITIES

(i) A subsidiary of the Company principally engaged in securities brokerage is subject to possible claims of HK$8,000,000 and a possible maximum penalty of HK$10,000,000 in respect of allegedly irregular transactions conducted by a former employee in prior years.

During the year ended 31 December 2016, the Group obtained legal opinion from law firms in Hong Kong and the PRC which considered that the causes of action of the individuals in the above matter are time-barred and the time limitation had lapsed by 31 December 2016.

In the opinion of the directors, it is not probable that the individuals will issue claims against the Group and the possible claims of HK$8,000,000 is regarded as contingent liabilities as at 31 December 2017 (2016: HK$8,000,000).

In addition, pursuant to a legal advice, such subsidiary may also be subject to a maximum penalty of HK$10,000,000 to the enforcement agency for the allegedly irregular transactions conducted by the former employee. In the opinion of the directors, since the investigation of the matters by the enforcement agency is still in progress, up to the end of the reporting period no penalty against the subsidiary has been received and further, the directors cannot reasonably estimate the outcome of the matters and thus, the Group did not provide any provision on such potential penalty as at 31 December 2017 (2016: Nil). The possible maximum penalty of HK$10,000,000 is therefore regarded as a contingent liability of the Group as at 31 December 2017 (2016: HK$10,000,000).

Save as disclosed in this report, at the end of each reporting period, the Group and the Company did not have any significant contingent liabilities.

(ii) Reference is made to the announcement of the Company dated 23 March 2017. Terms used hereinafter shall have the same meaning as defined in the above announcement.

On 21 March 2017, the Investee Company entered into a facility agreement with the Lending Bank in respect of a term loan facility of up to US$64,000,000 to finance the acquisition of the Convertible Bond in the principal amount of US$60,000,000. Each of the Personal Guarantor and the Corporate Guarantor has entered into the Personal Guarantee and the Corporate Guarantee respectively to guarantee all the obligations and liabilities of the Investee Company under the facility agreement and related finance documents.

36. CONTINGENT LIABILITIES *(Continued)*

(ii) *(Continued)*

On 23 March 2017, the Company provided an indemnity to the Personal Guarantor and the Corporate Guarantor, indemnifying them against any and all claims made by the Lending Bank under the Personal Guarantee and the Corporate Guarantee up to an aggregate amount which the Personal Guarantor and/or the Corporate Guarantor incur or suffer as a result of such claim multiplied by the percentage beneficial shareholding of the Group in the Investee Company.

As at 31 December 2017, the Investee Company was held as to approximately 9.09% by the Group, and the maximum amount of the indemnities (if any) is US$5,817,600 (equivalent to approximately HK$45,464,000).

Further details are set out in the Company's announcement dated 23 March 2017.

On 9 January 2018, a deed of release and discharge was made by the Personal Guarantor and the Corporate Guarantor in favour of the Company, that the Personal Guarantor and the Corporate Guarantor have agreed to release the Company from any further liabilities under the indemnity agreement.

Save as disclosed above, there were no other material contingent liabilities as at 31 December 2017.

37. SIGNIFICANT MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel remuneration

During the year ended 31 December 2017, the Group had remuneration paid to the directors and other members of key management of the Group as follows:

	2017 HK$'000	2016 HK$'000
Directors:		
Salaries and other benefits	**5,740**	5,564
Discretionary bonuses	**–**	–
Retirement benefits schemes contributions	**33**	18
	5,773	5,582
Other members of key management:		
Salaries and other benefits	**715**	715
Discretionary bonuses	**–**	–
Retirement benefits schemes contributions	**18**	18
	733	733
	6,506	6,315

Save as disclosed in this report, the Group did not have any other significant transactions and balances with related parties during the year and/or at the end of each reporting period.

These transactions were not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

38. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's statement of cash flow as cash flows from financing activities.

	Short-term loans payable HK$'000	Long-term loans payable HK$'000	Notes payable HK$'000	Interest payable including in trade and other payable HK$'000	Total HK$'000
At 1 January 2017	41,000	581,175	–	3,090	625,265
Changes from financing cash flows:					
Proceeds from loan	18,000	–	–	–	18,000
Repayment of loan	(41,000)	–	–	–	(41,000)
Loan interest paid	–	–	–	(77,110)	(77,110)
Proceeds from Issue of notes	–	–	312,596	–	312,596
Total changes from financing cash flows	(23,000)	–	312,596	(77,110)	212,486
Exchange adjustments	–	4,944	–	–	4,944
Other changes					
Interest expenses	–	–	–	83,748	83,748
At 31 December 2017	18,000	586,119	312,596	9,728	926,443

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

As at 31 December 2017

	Notes	**2017 HK$'000**	2016 HK$'000
Non-current assets			
Interests in subsidiaries	(a)	**–**	–
Loans and interest receivable from a subsidiary	(b)	**473,993**	423,945
		473,993	423,945
Current assets			
Other receivables		**62**	62
Amounts due from subsidiaries	(c)	**982,035**	1,312,907
Bank balances and cash		**190**	90
		982,287	1,313,059
Current liabilities			
Accruals and other payables		**11,575**	4,845
Amounts due to subsidiaries	(c)	**11,215**	11,215
Short-term loans payable		**–**	41,000
		22,790	57,060
Net current assets		**959,497**	1,255,999
Total assets less current liabilities		**1,433,490**	1,679,944
Non-current liabilities			
Long-term loans payable	25	**586,118**	581,175
Notes payable	26	**312,596**	–
		898,714	581,175
Net assets		**534,776**	1,098,769
Capital and reserves			
Share capital		**2,824,801**	2,824,801
Reserves	(d)	**(2,290,025)**	(1,726,032)
Total equity		**534,776**	1,098,769

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors of the Company on 28 March 2018 and are signed on its behalf by:

Li Dong
Director

Ng Shin Kwan, Christine
Director

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

Notes:

(a) Particulars of the Company's principal subsidiaries at 31 December 2017 and 2016 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital held by the Company				Principal activities
			Directly		Indirectly		
			2017	2016	**2017**	2016	
Global Giant Development Limited	BVI	US$1	**100%**	100%	**–**	–	Investment holding
Charter Pearl Limited	BVI	US$1	**–**	–	**100%**	100%	Investment holding
Global Wealth Finance Limited	Hong Kong	HK$1	**–**	–	**100%**	100%	Provision of finance
GT Capital Limited	Hong Kong	HK$60,000,000	**–**	–	**100%**	100%	Securities brokerage
GT Financial Holdings Limited	BVI	US$1	**–**	–	**100%**	100%	Investment holding
Max Leap Asia Limited	BVI	US$1	**–**	–	**100%**	100%	Investment holding
Poly Minerals Holdings Limited	BVI	US$1	**–**	–	**100%**	100%	Investment holding
Star Bravo Development Limited	BVI	US$1	**–**	–	**100%**	100%	Investment holding
Upperclass Developments Limited	Hong Kong	HK$1	**–**	–	**100%**	100%	Securities investment
Yunnan Tin (Australia) Holdings Pty Ltd	Australia	AUD1,717,500	**–**	–	**100%**	100%	Investment holding

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

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

(b) The Company entered into a loan agreement with a subsidiary on 21 March 2016. Pursuant to the loan agreement, the Company agreed to provide a loan of US$50,000,000 (equivalent to approximately HK$390,745,000) to the subsidiary. The loan was interest-bearing at 12% per annum, unsecured and repayable on 20 March 2019.

(c) Amounts due from/(to) subsidiaries

	2017 HK$'000	2016 HK$'000
Amounts due from subsidiaries	**3,110,929**	2,924,907
Less: Impairment losses recognised	**(2,128,894)**	(1,612,000)
	982,035	1,312,907
Amounts due to subsidiaries	**11,215**	(11,215)

The amounts due from/(to) subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

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

Notes: (Continued)

(c) Amounts due from/(to) subsidiaries (Continued)

The movements in impairment losses in respect of amounts due from subsidiaries are set out as follows:

	2017 HK$'000	2016 HK$'000
Balance at beginning of the year	**1,612,000**	638,751
Impairment losses recognised during the year	**516,894**	973,249
Balance at end of the year	**2,128,894**	1,612,000

Because the related recoverable amounts of the amounts due from subsidiaries were estimated to be less than their carrying amounts, an impairment loss of approximately HK$516,894,000 (2016: approximately HK$973,249,000) was recognised during the year ended 31 December 2017.

(d) The reserves of the Company as at 31 December 2017 and 31 December 2016 are as follows:

	Capital reserve HK$'000	**Share options reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2016	3,547	52,865	(741,361)	(684,949)
Loss and total comprehensive expense for the year	–	–	(1,041,083)	(1,041,083)
At 31 December 2016	3,547	52,865	(1,782,444)	(1,726,032)
Loss and total comprehensive expense for the year	–	–	(563,993)	(563,993)
Lapsed of share options (Note 29)	–	(52,865)	52,865	–
At 31 December 2017	3,547	–	(2,293,572)	(2,290,025)

The Company has no distributable reserve as at the end of the reporting period.

The capital reserve of the Company represented the amount of initial payment from certain shareholders to subscribe for new shares in the Company and the amount was subsequently forfeited as a result of non-payment of the remaining committed contribution in prior years.

40. EVENTS AFTER THE REPORTING PERIOD

The followings are the significant events which have taken place subsequent to the end of the reporting period:

a. On 9 January 2018, the Group entered into a revolving loan facility agreement whereby the Group provided an unsecured and guaranteed revolving loan facility in the principal amount of up to HK$40,000,000 to an individual third party. Details of the transaction are set out in the announcement of the Company dated 9 January 2018.

b. On 26 January 2018, the Group entered into a revolving loan facility agreement whereby the Group provided a secured revolving loan facility in the principal amount of up to HK$50,000,000 to an individual third party. Details of the transaction are set out in the announcement of the Company dated 26 January 2018.

c. On 1 March 2018, the Group entered into a supplemental agreement relating to the sale and purchase agreement dated 1 September 2017 in respect to the acquisition of 49% of the entire issued share capital of Multi-Fame Group Limited, to extend the long stop date to 1 September 2018. Details of which are set out in the announcement of the Company dated 1 March 2018.

d. On 1 March 2018, the Group entered into a second supplemental agreement relating to the acquisition agreement dated 7 August 2017 in respect of the acquisition of the entire issued share capital of Well City Enterprises Limited, to extend the long stop date to 7 August 2018. Details of which are set out in the announcement of the Company dated 1 March 2018.

e. On 9 March 2018, the Group entered into a supplemental deed (i) to extend the maturity date of the loan facility to 2 March 2019; (ii) to lower the maximum principle amount of the loan facility to HK$75,000,000 and (iii) to include provisions on possible further extension of the loan facility by one year. Details of which are set out in the announcement of the Company dated 9 March 2018.

Save as disclosed above, there were no other significant events took place subsequent to the end of the reporting period.

41. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

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

FIVE YEAR FINANCIAL SUMMARY

	2013 HK$'000 (restated)	2014 HK$'000 (restated)	2015 HK$'000	2016 HK$'000	**2017 HK$'000**
RESULTS					
Turnover	(8,924)	(41,295)	179,653	(248,754)	**(274,849)**
(Loss)/profit for the year	(182)	180,861	446,184	(993,106)	**(566,826)**
(Loss)/profit attributable to:					
Owners of the Company	(178)	180,856	446,179	(993,106)	**(566,826)**
Non-controlling interests	(4)	5	5	–	**–**
	(182)	180,861	446,184	(993,106)	**(566,826)**
ASSETS AND LIABILITIES					
Total assets	1,382,278	1,488,596	2,367,360	2,172,926	**1,897,258**
Total liabilities	(161,205)	(98,002)	(138,715)	(751,276)	**(1,019,833)**
	1,221,073	1,390,594	2,228,645	1,421,650	**877,425**
Equity attributable to owners of the Company	1,217,693	1,387,209	2,225,255	1,421,650	**877,425**
Non-controlling interests	3,380	3,385	3,390	–	**–**
	1,221,073	1,390,594	2,228,645	1,421,650	**877,425**