TFG International Group Limited
富元國際集團有限公司

(Formerly known as Ceneric (Holdings) Limited 新嶺域（集團）有限公司)
(Incorporated in the Cayman Islands with limited liability)

Stock Code : 542

2017
Annual Report

Contents

Corporate Information

EXECUTIVE DIRECTORS

YANG Lijun *(Chairman) (appointed on 4 May 2017)*
WONG Kui Shing, Danny *(Chief Executive Officer)*
WAN Jianjun *(appointed on 4 May 2017)*
CHI Chi Hung, Kenneth *(resigned on 22 June 2017)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Hoi Ling
SO Wai Lam
SUNG Yat Chun

COMPANY SECRETARY

WOO Chung Ping

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

CCTH CPA Limited
Unit 5-6, 7/F., Greenfield Tower
Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui, Kowloon, Hong Kong

HONG KONG SHARE REGISTRAR

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

REGISTERED OFFICE

The Offices of Sterling Trust (Cayman) Limited
Whitehall House, 238 North Church Street
George Town, Grand Cayman KY1-1102
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 1101, 11/F., Tower A
Cheung Kei Center
18 Hung Luen Road,
Hung Hom, Kowloon
Hong Kong

On behalf of the Board of Directors, I hereby present the Annual Report of the Company and the Group for the year ended 31 December 2017.

FINANCIAL RESULTS

The Group reported a loss for the year ended 31 December 2017 of HK$19.8 million (2016: loss of HK$400.4 million). The Group's consolidated loss attributable to owners of the Company for 2017 amounted to HK$19.8 million (2016: loss of HK$398.9 million).

DIVIDEND

The Directors do not recommend to pay any dividend for the financial year ended 31 December 2017 (2016: Nil).

REVIEW OF OPERATIONS

Property Development Segment

For the year ended 31 December 2017, the Group's property development segment recorded loss amounted to HK$3.1 million, compared to the loss of HK$3.2 million for 2016.

Throughout the year, the Group continued to sell the remaining unsold units of our two existing projects namely Morning Star Villa ("MSV") and Morning Star Plaza ("MSP") in Zhongshan, Guangdong Province, the PRC. As at 31 December 2017, approximately 99.9% of all residential units of MSV and approximately 98.1% of all residential and commercial units of MSP were sold.

Hotel Business Segment

For the year ended 31 December 2017, the hotel business segment recorded loss amounted to HK$15.9 million, compared to a loss of HK$365.9 million for 2016.

During the year, the Group replaced its operating rights holders who defaulted on their obligations to pay the licensing fees with two new operating rights holders with whom new operating rights agreements have been signed and executed. The Group's entitlement to the licensing fees under the new operating rights agreements is much less than those under the old operating rights agreements. Nevertheless, the newly selected hotel operating rights holders currently performs its contractual duties in accordance with the terms and conditions of the new operating rights agreements. At the end of 2017, all licensing fees due by the newly selected hotel operating rights holders under the new operating rights agreements were collected in full.

The Group is continuously making requests for repayment of outstanding licensing fees from the defaulted hotel operating rights holders. Recently, the Group has signed and executed a settlement agreement with one of the default hotel operating rights holders who has committed to settle the outstanding licensing fees by thirty (30) instalments. Repayment of outstanding licensing fees has begun commencing January 2018.

Chairman's Statement

Acquisition of a Subsidiary

The Group is principally engaged in properties development and hotel business in the PRC.

In August 2017, the Group entered into a subscription agreement to subscribe 50% of the enlarged issued share capital of a company (the "Target Company"). The subscription was completed on 31 August 2017. In October 2017, the Group entered into a sale and purchase agreement to acquire 50% issued capital of the Target Company. Principal assets of the Target Company comprise a land parcel located in Zhuhai Hegqin District, the PRC with a total area of 60,339.83 square meters. The acquisition has been completed in January 2018. According to the "Overall programme of reform and innovative development in Zhuhai Hengqin District*" (橫琴自貿區發布改革創新發展總體方案), the Hengqin area will be transformed into a new platform for national economic and trade cooperation which emphasis on the development of tourism and leisure, business and financial services, cultural creativity science, education and high-tech industries. Given the unique location and the positive economic prospects of the land parcel, the Group plans to develop the land parcel into research and development complexes and commercial properties for sale and/or leasing so as to broaden the income stream of the Group and its asset base with potential capital appreciation.

OUTLOOK

Looking forward to 2018, China's economic development continues to improve with steady demand for residential and commercial properties though the global economy continues to be full of challenges. The Group is optimistic about the prospects of property market in China and will continue to focus on Southern China region to seek for other property development projects and investment opportunities. Looking forward, the Group will keep on concentrating property development as its core business and paying close attention to the performance of hotel operating rights holders.

ACKNOWLEDGMENT

On behalf of the Board, I would like to extend our sincere appreciation to all the members of the Board, our staff, valued customers, business partners, bankers, and shareholders for their continuous support. I would also like to compliment the management and staff for their genuine and valuable dedication towards the development of the Group.

YANG Lijun
Chairman
Hong Kong, 14 March 2018

BUSINESS REVIEW

For the year ended 31 December 2017, the Group's revenue amounted to HK$30.8 million, compared to HK$88.5 million for 2016. The Group recorded a loss before tax of HK$35.8 million, compared to the loss of HK$464.9 million for 2016. Such loss is, among other things, mainly attributable to (i) the reduction of licensing income from hotel business segment because of the formation of new operating rights agreements with newly selected hotel operating rights holders after termination of the old hotel operating rights agreements during the year, whereby the Group's entitlement to the licensing income under the new operating rights agreements is substantially lower than those under the old hotel operating rights agreements, (ii) the amortisation and depreciation of leasehold land and property, plant and equipment which collectively shared significant amount of the Group's total expenses, and (iii) the impairment of trade receivables owing by hotel operating rights holders.

The Group's consolidated loss attributable to the owners of the Company for 2017 amounted to HK$19.8 million, compared to the loss of HK$398.9 million for 2016.

PROPERTY DEVELOPMENT SEGMENT

In 2017, sales of the property development segment amounted to HK$5.4 million, compared to HK$2.3 million for 2016. Loss of the segment for 2017 was HK$3.1 million, compared to the loss of HK$3.2 million for 2016.

As at 31 December 2017, approximately 99.9% of residential units of Morning Star Villa ("MSV") and approximately 98.1% of all residential and commercial units of Morning Star Plaza ("MSP") were sold.

The Group continues focusing on the sale of completed unsold properties.

HOTEL BUSINESS SEGMENT

In 2017, the hotel business segment recorded revenue from the sub-licensing of operating right amounting to HK$25.4 million, compared to HK$86.2 million for 2016. Loss of the segment amounted to HK$15.9 million for 2017, compared to a loss of HK$365.9 million for 2016. The loss is mainly attributable to the reduction of licensing income due to the change of operating rights agreements during the year, the depreciation of property, plant and equipment and the impairment of trade receivables.

GEOGRAPHICAL SEGMENT

During the year, the Group did not have revenue generated from Hong Kong, and the revenue generated from elsewhere in the PRC mainly related to hotel business and property development.

DISPOSAL OF SUBSIDIARIES

On 27 September 2016, one of the directly wholly-owned subsidiaries of the Company (the "Vendor") entered into a Sale and Purchase Agreement ("SPA") with an independent third party (the "Investor") and its connected persons (the "Purchaser") to dispose (i) 90% of the issued share capital of its indirectly wholly-owned subsidiaries (the "Target Company") which include certain companies licensed under the Securities and Futures Ordinance (the "SFO") to carry on certain regulated activities, and (ii) shareholder's loan (the "Disposal") subject to the approval of the Securities and Futures Commission (the "SFC"). Consideration of the Disposal comprised a cash payment of HK$26.1 million and the Shareholder's loan disposed of not exceeding HK$20.0 million. The Disposal was completed on 21 April 2017.

On 8 June 2017, the Group entered into an agreement with a connected person to dispose the Group's 10% equity interest in available for sale investments for a consideration of HK$3.2 million. This disposal was completed on 4 July 2017 which resulted in a gain on disposal amounted to HK$4.4 million recognised in the current year (see Notes 9, 31 and 40).

INVESTMENT IN A JOINT VENTURE AND ACQUISITION OF A SUBSIDIARY

On 11 August 2017, a wholly-owned subsidiary of the Company, New Stage Holdings Limited ("New Stage") entered into a subscription agreement (the "Subscription Agreement") with a company (the "Target Company"), to subscribe for 50% of the enlarged issued share capital of the Target Company (as enlarged by the allotment and issuance of subscription shares) at a consideration of HK$28.39 million and to provide a shareholder's loan of HK$146.61 million (the "Shareholder's Loan") to the Target Company. The transactions had been completed on 31 August 2017 and the Target Company was classified as a joint venture company of the Group, accordingly.

On 30 October 2017, New Stage further acquired (i) 50,000 shares of the Target Company; and (ii) the shareholder's loan in the amount due and owing by the Target Company for a total amount of HK$175 million, subject to adjustment ("the Consideration"). The Consideration comprises a cash payment of HK$15 million and non-convertible 3-year 12% coupon notes of HK$160 million issued by New Stage.

Principal assets of the Target Company comprise a land parcel located in Zhuhai Hegqin District, the PRC with a total area of 60,339.83 square meters. Given the unique location and the positive economic prospects of the land parcel, the Group plans to develop the land parcel into research and development complexes and commercial properties for sale and/or leasing so as to broaden the income stream of the Group and its asset base with potential capital appreciation.

During the year, the acquisition was not yet completed until 31 January 2018.

Save for the aforesaid investment, acquisition or disposal, the Group did not have any other significant investments, acquisitions or disposals.

REVIEW OF FINANCIAL POSITION

Overview

Non-current assets of the Group as at 31 December 2017, consisting mainly of property, plant and equipment, prepaid land lease payment, and licensing rights amounted to HK$546.4 million, compared to HK$547.3 million as at 31 December 2016. Current assets of as at 31 December 2017 amounted to HK$318.2 million, compared to HK$162.4 million as at 31 December 2016. Current liabilities as at 31 December 2017 amounted to HK$28.9 million, compared to HK$135.3 million as at 31 December 2016. Non-current liabilities as at 31 December 2017 amounted to HK$118.5 million, compared to HK$35.3 million as at 31 December 2016.

Capital Structure, Liquidity and Financial Resources

As at 31 December 2017, the Group's total interest bearing borrowings amounted to HK$96.1 million (31 December 2016: HK$86.0 million). The borrowings mainly comprised borrowings from a financial institution of HK$96.1 million. As at 31 December 2017, the Group's available banking facilities not utilised is nil (31 December 2016: nil).

The Group's total equity as at 31 December 2017 was HK$717.2 million (31 December 2016: HK$539.2 million).

The Group's gearing ratio as at 31 December 2017 was 13.4% (31 December 2016: 16.0%). The gearing ratio was calculated on the basis of total interest bearing borrowings over the total equity of the Group.

As part of treasury management, the Group centralises funding for all of its operations at the Group level. The Group's foreign currency exposure relates mainly to Renminbi, which is derived from its hotel business and the sales of property units in Zhongshan, the PRC.

Capital Commitments

The Group's capital commitments as at 31 December 2017 amounted to HK$175 million which represents the consideration payable for the acquisition of a subsidiary. (2016: nil).

Contingent Liabilities

As at 31 December 2017, the Group had contingent liabilities amounting to HK$2.4 million (31 December 2016: HK$1.0 million). The contingent liabilities were mainly in respect of buy-back guarantees in favour of banks to secure mortgage loans granted to the purchasers of the properties developed by MSV and MSP. The Board considered that the fair value of such guarantees were insignificant.

Charges on Group Assets

As at 31 December 2017, part of the Group's leasehold land and buildings with a carrying value of HK$459.4 million (31 December 2016: HK$478.2 million) had been pledged to a financial institution to secure mortgage loans. In addition, non-current bank balances of HK$1.1 million (31 December 2016: HK$1.3 million) were pledged to banks to secure mortgage loan facilities granted to purchasers of the Group's properties held for sale. They also serve to secure the issuance of a bank guarantee in favour of a landlord under an operating lease.

Fund Raising Activities

On 31 August 2017, the Company completed a placing of shares up to 1,100,000,000 new shares of the Company ("Placing Share") at a placing price of HK$0.185 per Placing Share. Part of the net proceeds from the placing of shares had been applied to pay up the cost of investment in and provision of a Shareholder's loan to a joint venture company (refers to Note 37) and the remaining cash was left for the Group's general working capital.

CHANGE OF COMPANY NAME

A special resolution was passed in the extraordinary general meeting of the Company held on 5 February 2018 whereby the English name of the Company has been changed from "Ceneric (Holdings) Limited" to "TFG International Group Limited" and the dual foreign name of the Company in Chinese has been changed from "新嶺域(集團)有限公司" to "富元國際集團有限公司" with effect from 12 February 2018.

STAFF ANALYSIS

The total number of staff employed by the Group as at 31 December 2017 was 53, compared to 68 as at 31 December 2016. As part of the Group's human resources policy, employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Currently, the Group continues to implement its overall human resource training and development programme and to equip its employees with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

OUTLOOK

Outlook and Plan

China's economic development continues to improve with steady demand for residential and commercial properties. Yet the global economy continues to be full of challenges. The Group is optimistic about the prospects of property market in China and will continue focusing on Southern China region to seek for other property development projects and investment opportunities in China. Looking forward, the Group will keep on concentrating property development as its core business.

Report of the Directors

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

PRINCIPAL ACTIVITIES

The principal activities of the Company consisted of investment holding and the provision of management services. Its subsidiaries are mainly engaged in property development and hotel business investments. Details of the principal activities of the principal subsidiaries are set out in the Note 47 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements from pages 35 to 98.

No dividends have been declared in respect of the year.

BUSINESS REVIEW

The fair review of the business performance and financial position of the Group for the year ended 31 December 2017, the discussion of possible new business development, principal risks and uncertainties surrounding the Group's operational environment and important events subsequent to the year-end are provided in the Management Discussion and Analysis and Chairman's Statement of this Annual Report. It is the philosophy of the Group to make every endeavour to comply with relevant laws and regulations which can be found throughout this Annual Report. Apart from that, the below section is a review of business by key performance indicators which highlights further information about the performance of the Group.

Analysis of Business by Financial Key Performance Indicators

For the year ended 31 December 2017, the Group's profitability improved which was mainly attributable to the impairment of trade receivables owing by hotel operating rights holders, and the impairment of value of property, plant and equipment and licensing rights made in 2016 were no longer required in 2017.

Profitability	**2017**	2016
Net loss margin ratio	**(64.18%)**	(452.3%)
Return on equity ratio	**(3.15%)**	(71.8%)

Return to shareholders	**2017**	2016
Loss per share — basic	**HK$(0.33) cents**	HK$(7.27) cents
Loss per share — diluted	**HK$(0.60) cents**	HK$(7.16) cents

As at 31 December 2017, current assets and net assets of the Group increased and liquidity of the Group was improved accordingly.

Liquidity and debt	**2017**	2016
Current ratio	**11.0**	1.2
Gearing ratio	**13.4%**	16.0%

Environmental, Social and Governance Discussion

The Board acknowledges the potential risks and challenges of environmental, social and governance ("ESG") arising from the Company's property development and hotel business and has taken overall responsibility for leading, managing and implementing ESG related matters, including formulating policies, determining material aspects, setting measurement methodology and reporting mechanisms. ESG issues that have significant impacts on the Group will be discussed on a board level as and when necessary.

This section serves to provide a strategic overview of the Group's environmental policies and related compliance and how we engage our key stakeholders that have a significant impact. During the year, the Board has taken initial steps in kick-starting the Group's ESG initiatives. Detailed ESG performances will be reported in our ESG Report to be published in 2018.

(i) *Environmental Policies and Performance*

In Hong Kong, the Group continues to operate office facilities in an environmentally responsible manner by implementing energy saving initiatives and raising the awareness of its employees on the efficient use of resources. In Maoming, Guangdong province, China, we have been operating a renowned hotel, La Palazzo Hotel, which has well established policies, systems and processes to manage environmental performance.

Implementing resources efficiency initiatives are the Group's priority in striving for a sustainable hotel operation. During the year, La Palazzo Hotel adopted facilities that mitigate emissions of air pollutants and greenhouse gases to within the statutory limits imposed by the Environmental Protection Bureau. Oil fume is discharged through hydro vents to maintain indoor air quality. Water used in swimming pool is recycled for sanitary use. Last but not least, bed sheets are washed in an environmental-friendly way to make them more endurable.

To raise awareness among our hotel staff regarding energy conservation, waste reduction, reuse and recycling, we have organized education and training activities. Human resources department has devised a performance appraisal system to evaluate whether departments have been able to achieve pre-agreed energy saving targets.

(ii) *Compliance with laws and regulations*

The Group is committed to ensuring its businesses are operated in compliance with local and international laws, rules and regulations. During the year, there were no significant fines and no non-monetary sanctions for non-compliance with environmental laws and regulations. Looking ahead, the Group will remain vigilant on managing our environmental performance and keep itself abreast of any future regulatory changes.

On the listed company level, the Group is subject to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Codes on Takeovers and Mergers and Share Buy-backs, the Companies Law of the Cayman Islands and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"). The Group adheres to and ensures that they are vigilant with the legal requirements under the statute.

Group's Key Relationships with Stakeholders

The Group has an extensive network of stakeholders, including customers, employees, investors, communities, governments, non-governmental organisations, national and international trade associations, shareholders and suppliers. We communicate with our stakeholders on an ongoing basis, through channels that include our website, annual report, surveys and regular meetings on specific topics, etc.

(i) Customers

Our aims are to provide excellent products and services to our clients and to strive for a high level of customer satisfaction. Ensuring food safety is our top priority. La Palazzo Hotel has strictly complied with the "Guangdong Provincial Food Safety Regulations", and have received grade A for both our catering and public health standard. It has also abided by the "Use of Food Additives Standards" by monitoring the amounts of food additives consumptions.

Regarding customer services, we have established standard operating procedures to handle clients' complaint which will be handled by the highest ranking management executive at the time, or by the hotel manager if necessary. Committing to protect customers' data, La Palazzo Hotel is strictly adhered to Privacy Policy to prevent leaks of customers' personal information.

(ii) Employees

Striving to be an equal opportunity employer, the Group has employment policies which are designed to attract, retain and motivate high-quality staff. In 2017, there were no known reports of any incidence of discrimination by our employees in Hong Kong and China.

The Group is committed to providing a healthy and safe workplace for all its employees. The head office has been providing excellent indoor environmental quality to ensure that the working environment is healthy. In China, the Group's employment strategy and policies are aligned with Chinese labour laws. Our employee handbook states clearly that any forms of corruption, blackmail, fraud and money laundering are prohibited. For any problems, complaints and suggestions, employees can report through the established grievance mechanism.

(iii) Suppliers

For our hotel operation, a supplier code of conduct sets out the standards to which we require our suppliers to follow. We are committed to promoting diversity across our responsible procurement and have set targets to ensure corporate responsibility criteria are integrated into the selection and evaluation process for preferred suppliers. Hence, we work with suppliers whose business ethics, conduct, and standards are aligned with our own. We have established a list of bulk raw materials suppliers to manage the potential risk of our supply chain through examining their operating license and quality assurance.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 100.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Group during the year are set out in Note 37 to the consolidated financial statements.

RESERVES

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

DISTRIBUTABLE RESERVES

At 31 December 2017, the Company had no reserves available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Law (2009 Revision) of the Cayman Islands.

SHARE OPTION SCHEME

Particulars of the share option scheme of the Company are set out in Note 46 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales and purchases attributable to the Group's five largest customers shared more than 80.0% of the total revenue of the Group in the year and aggregate sales attributable to the largest customer included therein shared more than 30.0% of the total revenue of the Group. The aggregate purchases attributable to the Group's five largest suppliers were less than 30.0% of the total purchases of the Group in the year.

CONNECTED TRANSACTION

On 8 June 2017, the Group entered into an agreement with a connected person to dispose the Group's 10% equity interest in available for sale investments for a consideration of HK$3,190,000. This disposal was completed on 4 July 2017 which resulted in a gain on disposal amounted to HK$4,415,000 recognised in the current year (see Notes 9, 31 and 40).

CHANGE OF COMPANY NAME

A special resolution was passed in the extraordinary general meeting of the Company held on 5 February 2018 whereby the English name of the Company has been changed from "Ceneric (Holdings) Limited" to "TFG International Group Limited" and the dual foreign name of the Company in Chinese has been changed from "新嶺域(集團)有限公司" to "富元國際集團有限公司" with effect from 12 February 2018.

Report of the Directors

DIRECTORS

The directors of the Company ("the Directors") during the year and up to the date of this report were:

Executive Directors:

YANG Lijun *(Chairman) (appointed on 4 May 2017)*
WONG Kui Shing, Danny *(Chief Executive Officer)*
WAN Jianjun *(appointed on 4 May 2017)*
CHI Chi Hung, Kenneth *(resigned on 22 June 2017)*

Independent Non-Executive Directors:

CHAN Hoi Ling
SO Wai Lam
SUNG Yat Chun

In accordance with Articles 106 and 107 of the Company's Articles of Association, Ms. SO Wai Lam and Mr. SUNG Yat Chun shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2017, none of the Executive Directors are considered to have interests in the business which compete or is likely to compete with the business of the Group pursuant to the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors' interests in the securities and debentures of the Company and its associated corporations" below, at no time during the year was the Company, or any of its subsidiaries a party to any arrangement to enable the Company's Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHICAL DETAILS

YANG Lijun

Mr. YANG, aged 43, was appointed an Executive Director and the Chairman of the Board of Directors of the Company in May 2017. He has experience in investment in and development of property in the PRC for more than 10 years. Mr. Yang was one of the founders of Zhongshan Danan Group Limited, a limited company established in the PRC in 2004, which scope of business included property development. Mr. Yang was also appointed as its managing director in 2004. In 2014, Mr. Yang was appointed as the chairman of Zhongshan Fuyuan Holdings Group Limited ("Zhongshan Fuyuan"), a limited company established in the PRC in 2014, which engaged in the investment in commercial and residential properties in Zhongshan, Guangdong province, the PRC.

WONG Kui Shing, Danny

Mr. WONG, aged 58, was appointed an Executive Director of the Company in August 2015 and the chief executive officer in November 2016. He holds a Bachelor of Arts degree from the University of Hong Kong. He has extensive exposure in the financial and investment fields for over 30 years and is well experienced in the international investment market. He is currently an executive director, the chairman and the chief executive officer of China Information Technology Development Limited, an executive director of Larry Jewelry International Company Limited, an executive director of Huiyin Holdings Group Limited (formerly known as Share Economy Group Limited), as well as an independent non-executive director of Far East Holdings International Limited and Tech Pro Technology Development Limited. Mr. WONG was previously an executive director and managing director of Emperor Culture Group Limited (formerly known as See Corporation Limited) and a non-executive director of InvesTech Holdings Limited and Kong Shum Union Property Management (Holding) Limited.

WAN Jianjun

Mr. WAN, aged 39, was appointed an Executive Director of the Company in May 2017. He graduated from Xian University of Finance and Economics with a bachelor's degree in management. During the period from 2010 to 2013, he was the deputy general manager of Guangzhou Aoyu Real Estate Development Co. Ltd, a subsidiary of China Aoyuan Property Group Limited, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 3883). In 2014, Mr. Wan joined Zhongshan Fuyuan as president and was responsible for its daily management and operations.

CHAN Hoi Ling

Ms. CHAN, aged 44, was appointed an Independent Non-Executive Director of the Company in October 2010. She graduated from the University of South Australia with a Bachelor's Degree in Accountancy and the Hong Kong Polytechnic University with a Master's Degree in Business Administration. She has extensive experience in auditing and accounting. Ms. CHAN was admitted as an associate member of the Hong Kong Institute of Certified Public Accountants and the Australian Society of Certified Practising Accountants. Ms. CHAN was previously an independent non-executive director of GET Holdings Limited.

SO Wai Lam

Ms. SO, aged 37, was appointed as an Independent Non-Executive Director of the Company in October 2010. She holds a Bachelor's Degree in Science with double majors in Mathematics and Statistics from the University of British Columbia in Canada and a Master's Degree in Finance from the University of Hong Kong. Ms. SO has over 12 years of experience in the corporate finance industry. She is a responsible officer of INCU Corporate Finance Limited, a licensed corporation which carries out Type 6 (Advising on corporate finance) regulated activity under the SFO.

SUNG Yat Chun

Mr. SUNG, aged 39, was appointed an Independent Non-Executive Director of the Company in October 2010. He holds a Bachelor of Science Degree from the University of Western Sydney, Australia. Mr. SUNG specialises in product research and in-house operations, and is responsible for trading procedures for investment adviser. Mr. SUNG has been a compliance manager for United Overseas Bank and an operations officer for Success Securities Limited. He is also a member of the US National Futures Association. His product knowledge and long association with innovative strategies has allowed him to provide unique and diversified solutions to clients' investments. Mr. SUNG is currently a director of Ayers Alliance Limited, Ayers Alliance Holdings Pty Limited and Cheshunt Limited. He was appointed as a director of Ayers Alliance Securities (HK) Limited, a licensed corporation which carries out Types 1 (Dealing in securities) and 4 (Advising on securities) regulated activities under the Securities and Future Ordinance in November 2013.

DIRECTORS' INTERESTS IN THE SECURITIES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2017, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or Chief Executive is taken or deemed to have under such provisions of the SFO) as recorded in the register required to be kept under section 352 of the SFO or which were required to be entered into the register required to be kept by the Company under section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were set out below:

Long Position in the shares of the Company

	Number of ordinary shares of HK$0.01 each					Percentage of issued ordinary shares
Name of Directors	**Personal interests**	**Family interest**	**Corporate interests**	**Other interests**	**Total**	
YANG Lijun (Mr. YANG)	2,872,000	–	4,150,195,152 *(Note)*	–	4,153,067,152	61.24%

Note: *All Great International Holdings Limited ("All Great") owns 4,150,195,152 ordinary shares of the Company. All Great is owned as to 51% by Jade Leader International Investment Limited ("Jade Leader"), 35% by Honor Huge Investment Holdings Limited ("Honor Huge") and 14% by Ever Star International Investment Limited. Mr. Yang Lijin is the sole beneficial owner of Jade Leader and Honor Huge. Therefore he is deemed to have corporate interest in 4,150,195,152 Shares held by All Great under the SFO.*

Save as disclosed above, as at 31 December 2017, none of the Directors, the chief executive of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 December 2017, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain Directors and chief executives of the Company, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions in the shares of the Company:

Name of Shareholders	Capacity	*Notes*	Number of ordinary shares held	Percentage of issued ordinary shares
All Great International Holdings Limited ("All Great")	Beneficial owner	*1*	4,150,195,152	61.20%
Honor Huge Investment Holdings Limited ("Honor Huge")	Held by controlled corporation	*2*	4,150,195,152	61.20%
Jade Leader International Investment Limited ("Jade Leader")	Held by controlled corporation	*2*	4,150,195,152	61.20%
YANG Lijun ("Mr. Yang")	Held by controlled corporation	*3*	4,150,195,152	61.20%
	Beneficial owner		2,870,000	0.04%

Notes:

1. *The shares are held by All Great. All Great is owned as to 51% by Jade Leader, 35% by Honor Huge and 14% by Ever Star International Investment Limited. Mr. Yang is the sole beneficial owner of Jade Leader and Honor Huge. Therefore he is deemed to be interested in the 4,150,195,152 Shares held by All Great under the SFO.*

2. *Jade Leader and Honor Huge were deemed to have interests in the 4,150,195,152 shares by virtue of their equity interests in All Great.*

3. *Honor Huge and Jade Leader are wholly beneficially owned by Mr. Yang.*

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PRE-EMPTIVE RIGHTS

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

CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report save for the deviation as disclosed in the Corporate Governance Report from pages 17 to 28.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the audited financial statements for the year ended 31 December 2017. The Audit Committee constituted three Independent Non-Executive Directors of the Company.

AUDITOR

The consolidated financial statements of the Group for each of the years ended 31 December 2015 and 31 December 2016 were audited by McMillan Woods SG CPA Limited ("McMillan Woods").

CCTH CPA Limited ("CCTH CPA") was appointed as the auditor of the Company on 28 December 2017 upon the resignation of McMillan Woods. The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by CCTH CPA. CCTH CPA will retire as auditor of the Company at the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of CCTH CPA as auditor of the Company will be proposed at the AGM.

On behalf of the Board
YANG Lijun
Chairman

Hong Kong, 14 March 2018

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The board of directors of the Company ("Board") believes that good corporate governance is essential to the success of the Company and to the enhancement of shareholders' value.

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

In the light of the Corporate Governance Code and Corporate Governance Report ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the Board has reviewed the corporate governance practices of the Company with the adoption of the various enhanced procedures which are detailed in this report. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the year ended 31 December 2017, except for certain deviations as specified with considered reasons for such deviations as explained below. The Board will review the current practices at least annually, and make appropriate changes if considered necessary.

BOARD

The Board currently comprises six directors (the "Directors") in total, with three Executive Directors and three Independent Non-Executive Directors ("INEDs"). The composition of the Board during the year is set out as follows:

Executive Directors	YANG Lijun *(Chairman) (appointed on 4 May 2017)* WONG Kui Shing, Danny *(Chief Executive Officer)* WAN Jianjun *(appointed on 4 May 2017)* CHI Chi Hung, Kenneth *(resigned on 22 June 2017)*
INEDs	CHAN Hoi Ling SO Wai Lam SUNG Yat Chun

During the year, the Independent Non-Executive Directors provided the Company with a wide range of expertise and a balance of skills and brought independent judgment on issues of strategic direction, development, performance and risk management through their contribution at Board meetings and Committee meetings.

Throughout the year and up to the date of this report, the Company has complied with the requirements under Rules 3.10(1) and (2) of the Listing Rules. The former Rule requires that every board of directors of a listed issuer must include at least three INEDs and the latter Rule requires that at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise. All INEDs also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules. Further, up to the date of this Report, the Board has not been aware of the occurrence of any events which would cause it to believe that their independence has been impaired.

The Company has received from each Independent Non-Executive Director an annual confirmation or confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such Directors to be independent. The Independent Non-Executive Directors are explicitly identified in all corporate communications. The day-to-day running of the Company is delegated to the management.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results. During the year, fifteen Board meetings were held and attendance of each Director at the Board meetings is set out in the section headed "Board Committees" of this report.

The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, annual operating budget, annual and interim results, recommendations on Directors' appointment or re-appointment, material contracts and transactions as well as other significant policy and financial matters. The Board has delegated the day-to-day responsibility to the executive management. The respective functions of the Board and management of the Company have been formalised and set out in writing and will be reviewed by the Board from time to time to ensure that they are consistent with the existing rules and regulations.

Regular Board meetings each year are scheduled in advance to facilitate maximum attendance of Directors. At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting (and so far as practicable for such other Board meetings). Draft minutes of each Board meeting are circulated to all Directors for their comment before being tabled at the following Board meeting for approval. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

According to the current Board practice, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by the Board at a duly convened Board meeting. The articles of association of the Company ("Articles of Association") also stipulate that save for the exceptions as provided therein, a Director shall abstain from voting and not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his/her associates have a material interest.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, Companies Ordinance/Act and corporate governance practices organized by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills. From time to time, Directors are provided with written training materials to develop and refresh their professional skills.

According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code on continuous professional development during the year ended 31 December 2017.

Name of Directors	Reading regulatory updates	Attending training/ briefings/ seminars/ conference relevant to Directors' duties
Executive Directors		
YANG Lijun *(Chairman) (appointed on 4 May 2017)*	✓	–
WONG Kui Shing, Danny *(Chief Executive Officer)*	✓	✓
WAN Jianjun *(appointed on 4 May 2017)*	✓	–
CHI Chi Hung, Kenneth *(resigned on 22 June 2017)*	–	–
INEDs		
CHAN Hoi Ling	✓	✓
SO Wai Lam	✓	✓
SUNG Yat Chun	✓	–

CHAIRMAN AND CHIEF EXECUTIVE

The Board of Directors of the Company has appointed Mr. YANG Lijun as the Chairman of the Board on 4 May 2017. Mr. WONG Kui Shing, Danny is the Chief Executive Officer of the Group.

Under code provision A.2.1 of the CG Code, the roles of the Chairman and the Chief Executive Officer are segregated and assumed by two different Individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman of the Board is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Group in all aspects effectively. Code provisions A.2.2 to A.2.9 of the CG Code further stipulate various roles and responsibilities of the Chairman.

The Chairman of the Board provides leadership and is responsible for the effective performance of the Board at strategic level whereas the Chief Executive Officer of the Group focuses on the Group's business development, daily management and operations, and implementation of strategies and policies laid down by the Board. The responsibilities between the Chairman and the Chief Executive Officer are clearly established and set out in writing so as to maintain a balance of power and authority.

NON-EXECUTIVE DIRECTORS

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election.

All the Independent Non-Executive Directors were appointed for a specific term of 1 year but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company.

BOARD COMMITTEES

The Board has established various committees, including a Remuneration Committee, an Audit Committee, a Nomination Committee and an Executive Committee, each of which has its specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members and the committees are required to report back to the Board on their decision and recommendations where appropriate. The procedures and arrangements for a Board meeting, as mentioned in the section headed "The Board" of this report, have been adopted for the committee meetings so far as practicable.

The individual attendance records of each Director at the meetings of the Board, Remuneration Committee, Audit Committee, Nomination Committee and general meetings during the year ended 31 December 2017 are set out below:

	Number of meetings attended/held				
Name of Directors	**Board**	**Remuneration Committee**	**Audit Committee**	**Nomination Committee**	**Annual General Meeting**
Executive Directors:					
YANG Lijun *(Chairman)(appointed on 4 May 2017)*	11/11	–	–	–	1/1
WONG Kui Shing, Danny *(Chief Executive Officer)*	13/15	–	–	–	1/1
WAN Jianjun *(appointed on 4 May 2017)*	11/11	–	–	–	1/1
CHI Chi Hung, Kenneth *(resigned on 22 June 2017)*	5/7	–	–	–	0/1
INEDs:					
CHAN Hoi Ling	15/15	1/1	3/3	1/1	1/1
SO Wai Lam	13/15	1/1	3/3	1/1	1/1
SUNG Yat Chun	11/15	1/1	2/3	0/1	1/1

Remuneration Committee

The Remuneration Committee has been established since August 2005. This Committee currently consists of three members, including Ms. CHAN Hoi Ling (Chairman of the Committee), Ms. SO Wai Lam and Mr. SUNG Yat Chun, all being the INEDs.

The Board has adopted a set of terms of reference of the Remuneration Committee, which accommodates a model where the Remuneration Committee performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual Executive Directors and senior management only. The terms of reference of the Remuneration Committee setting out its authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and overseeing the remuneration packages of the executive directors and senior management. It takes into consideration of factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management.

The Remuneration Committee shall meet at least once a year in accordance with its terms of reference. One Committee meeting was held in 2017 and the attendance of each member is set out in the section headed "Board Committees" of this report.

In addition to the Committee meeting, the Remuneration Committee also dealt with matters by way of circulation during 2017. In 2017 and up to the date of this report, the Remuneration Committee performed the works as summarized below:

(i) reviewed the existing policy and structure for the remuneration of Directors;

(ii) reviewed the existing remuneration packages of the Executive Directors and senior management;

(iii) reviewed the existing remuneration of the Independent Non-Executive Directors; and

(iv) reviewed and recommended the remuneration packages for the renewal of the terms of appointment of the INEDs for one year commencing from January 2018 for the Board's approval.

The remuneration payable to Directors will depend on their respective contractual terms under their employment contracts or service contracts as approved by the Board on the recommendation of the Remuneration Committee. Details of the Directors' remuneration are set out in Note 14 to the consolidated financial statements.

Audit Committee

The Audit Committee has been established since March 1999. This Committee currently consists of three members, including Ms. CHAN Hoi Ling (Chairman of the Committee), Ms. SO Wai Lam and Mr. SUNG Yat Chun, all being the INEDs.

The Company has complied with Rule 3.21 of the Listing Rules, which requires that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an INED) is an INED who possesses appropriate professional qualifications or accounting or related financial management expertise.

The main responsibilities of the Audit Committee are to review the financial statements and the auditors' reports and monitor the integrity of the financial statements. Other responsibilities include the appointment of auditor, approval of the auditor's remuneration, discussion of audit procedures and any other matters arising from the above. The Audit Committee is also charged with the overseeing the financial reporting system and internal control procedures and their effectiveness.

The terms of reference setting out the Company's Audit Committee's authority, duties and responsibilities has been revised and published on both the websites of the Company and the Stock Exchange following the new requirements on risk management and internal audit under the Corporate Governance Code and Corporate Governance Report of the Main Board Listing Rules.

The Audit Committee shall meet at least twice a year in accordance with its terms of reference. Three Committee meetings were held in 2017 and the attendance of each member is set out in the section headed "Board Committees" of this report.

In addition to the Committee meeting, the Audit Committee also dealt with matters by way of circulation during 2017. In 2017 and up to the date of this report, the Audit Committee performed the works as summarized below:

(i) reviewed and recommended 2016 final results, audit findings and draft final results announcement for the Board's approval;

(ii) reviewed and considered various accounting issues and new accounting standards and their financial impacts;

(iii) considered the audit fee for the Year 2017;

(iv) reviewed and recommended 2017 interim results, audit findings, draft management discussion and analysis section of the interim report for the Board's approval;

(v) reviewed and recommended 2017 final results, audit findings and draft final results announcements for the Board's approval; and

(vi) reviewed and recommended the Report on the Risk Management and Internal Control for the Board's approval.

Nomination Committee

The Nomination Committee has been established since 1 April 2012. This Committee currently consists of three members, including Ms. CHAN Hoi Ling (Chairman of the Committee), Ms. SO Wai Lam and Mr. SUNG Yat Chun, all being the INEDs.

The Nomination Committee is responsible for making recommendations to the Board for consideration and approval on nominations, appointment and re-appointment of Directors and Board succession, with a view to appoint to the Board, individuals with the relevant experience and capabilities to maintain and improve competitiveness of the Company. The Nomination Committee shall formulate the policy, review the size, structure and composition of the Board, and assess the independence of its Independent Non-Executive Directors in accordance with the criteria prescribed under the Listing Rules and the CG Code.

The Board has adopted a set of revised terms of reference of the Nomination Committee, which has included Listing Rule amendment to the Corporate Governance Code and Corporate Governance Report relating to the set-up of board diversity policy. The updated terms of reference setting out the Nomination Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

The Nomination Committee shall meet at least once a year in accordance with its terms of reference. One Committee meeting was held in 2017 and the attendance of each member is set out in the section headed "Board Committees" of this report.

In addition to the Committee meeting, the Nomination Committee also dealt with matters by way of circulation during 2017. In 2017 and up to the date of this report, the Nomination Committee performed the works as summarized below:

(i) reviewed and recommended for the Board's approval the proposed resolutions for re-election of the retiring directors at 2017 Annual General Meeting and 2018 Annual General Meeting;

(ii) reviewed the structure, size, composition and the diversity policy of the Board and assessed the independence of each INED; and

(iii) reviewed and recommended for the Board's approval on the renewal of the terms of appointment of the INEDs for one year commencing from 1 January 2018.

Executive Committee

The Executive Committee has been established since February 2013. This Committee currently consists of two members, including Mr. YANG Lijun (Chairman of the Committee) and Mr. WONG Kui Shing, Danny, all being Executive Directors.

The Executive Committee is vested with all the general powers of management and control of the activities of the Group as are vested in the Board, save for those matters which are reserved for the Board's decision and approval pursuant to the written terms of reference of the Executive Committee. The Executive Committee will meet as and when necessary to discuss the operating affairs of the Group and may also deal with matters by way of circulation. The Executive Committee is mainly responsible for undertaking and supervising the day-to-day management and is empowered:

(i) to formulate and implement policies for the business activities, internal control and administration of the Group; and

(ii) to plan and decide on strategies to be adopted for the business activities of the Group within the overall strategy of the Group as determined by the Board.

Corporate Governance Functions

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

(i) to develop and review 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 in compliance with legal and regulatory requirements;

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

(v) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

Board Diversity Policy

On 28 August 2013, the Board has adopted a board diversity policy (the "Policy") that sets out the Company's approach to achieve diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. Details of the Policy can be found on the Company's website at www.tfginternationalgroup.com.

The Company considers that the current composition of the Board, two out of its six members being women, is characterized by diversity whether considered in terms of gender, professional background and skills.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry to the Directors, all the Directors confirmed that they had complied with the required standards as set out in the Model Code during the year.

The Company has also adopted the Model Code as the Code for Securities Transactions by Relevant Employees to regulate dealings in securities of the Company by certain employees of the Company, or any of its subsidiaries and the holding companies who are considered to be likely in possession of unpublished price sensitive information in relation to the Company or its securities.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledge their responsibilities of the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Board also ensure the timely publication of the financial statements of the Group.

The statement of external auditor of the Company, CCTH CPA Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report.

The Board confirms that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt about the Company's ability to continue as a going concern.

Risk Management and Internal Control

The Board acknowledges its responsibility to ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems for evaluating the risks it is willing to take in achieving the Company's objectives, safeguarding the Shareholders' Investments and the Group's assets at all times. The review of the risk management and internal control systems of the Company and its subsidiaries will be conducted annually and cover each of the twelve months of the year.

During the year 2017, the Company did not have its in-house internal audit function. The Board has conducted a review of the effectiveness of the Company's and its subsidiaries' risk management and internal control systems through the engagement of outside internal audit professional pursuant to C.2.1. The review covered each of the twelve months of 2017.

In 2017, the Board, through the Audit Committee, had reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and the training programmes and budget.

Based on the findings of the review, the Board and the Audit Committee are not aware any material weaknesses that would have adverse impact on the effectiveness and adequacy of the risk management and internal control systems of the Group.

External Auditors' Remuneration

The fees in respect of audit and non-audit services provided by the external auditors to the Group for the year ended 31 December 2017 is set out below:

		HK$'000
Types of services		
Audit fees to the auditors of the Group	— for current year	583
	— under provision for previous years	–
Taxation services and others		–
Total		583

Company Secretary

Mr. WOO Chung Ping ("Mr. WOO") is an employee and the Company Secretary of the Company. He has day-to-day knowledge of the Company's affairs. All Directors have access to the advices and services of the Company Secretary. The Company Secretary reports to the Chairman and the Chief Executive Officer and is responsible for advising the Board on corporate governance matters and is responsible for ensuring that board procedures are followed and for facilitating communications among Directors as well as with the shareholders and management.

Mr. WOO graduated from The Hong Kong Polytechnic University with a Bachelor of Science Degree in Actuarial Science and a Master of Science Degree in Accountancy. Mr. WOO also obtained a Postgraduate Diploma in Finance and Law from The School of Professional and Continuing Education of The University of Hong Kong. Mr. WOO is an associate member of The Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Mr. WOO undertook over 15 hours of relevant professional training to update his skills and knowledge during the year ended 31 December 2017.

COMMUNICATION WITH SHAREHOLDERS

Shareholders' Communication Policy

The Board has adopted a Shareholders' Communication Policy reflecting mostly the current practices of the Company for communication with its Shareholders. Such policy aims at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. However, it will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at www.tfginternationalgroup.com;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information and the Memorandum and Articles of Association of the Company are made available on the Company's website;

(iv) Annual General Meeting ("AGMs") and extraordinary general meetings ("EGMs") provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and

(v) the Company's share registrars' serves the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters.

Details of the Last General Meetings

The Company's AGM is a valuable forum for the Board to communicate directly with the Shareholders. Under code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company. Since the Chairman of the Board has not been appointed before the annual general meeting of the Company held on 26 May 2017, no Chairman of the Board was able to attend the annual general meeting. However, the Board has delegated this Chairman's duty to Mr. WONG Kui Shing, Danny, Chief Executive Officer of the Company. The Board considers that executive director a suitable person for taking up such duty as this executive director has been serving for similar duties for many years and he has good understanding of each operating segment of the Group.

The Chairmen of the Audit Committee, Remuneration Committee and Nomination Committee or in their absence, another member of the respective committees or failing his duly appointed delegate, are also available to answer questions at the AGM. The chairman of any independent board committee formed as necessary or pursuant to the Listing Rules (or if no such chairman is appointed, at least a member of the independent board committee) will also be available to answer questions at any general meeting of the Shareholders to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

All independent non-executive directors attended the annual general meeting of the Company held on 26 May 2017 to develop a balanced understanding of the views of shareholders.

Separate resolutions are proposed at the general meetings for each substantial issue, including the re-election of retiring Directors.

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

Due to other business engagements, some Independent Non-Executive Directors could not attend the annual general meeting of the Company held on 26 May 2017. However, at this general meeting of the Company, there were Executive Directors and Independent Non-Executive Directors present to enable the Board to develop a balanced understand of the views of the Shareholders.

The notice to Shareholders is to be sent in the case of AGM at least 20 clear business days before the meeting and to be sent at least 10 clear business days in case of all other general meetings. An explanation of the detailed procedures of conducting a poll is provided to the Shareholders at the commencement of the meeting. The Chairman answers questions from Shareholders regarding voting by way of a poll. The poll results are published in the manner prescribed under the requirements of the Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an EGM

Pursuant to the Articles of Association of the Company, the Board shall, on the requisition of the members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene an EGM of the Company.

The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the Company's principal place of business in Hong Kong, and may consist of several documents in like form, each signed by one or more requisitionists.

If the Board do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting for a day not more than 28 days after the date on which the notice convening the meeting is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

A meeting convened under this Article by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board duly to convene a meeting shall be repaid to the requisitionists by the Company, and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration in respect of their services to such of the Directors as were in default.

Procedures for Putting forward Proposals at a General Meeting

Pursuant to the Articles of Association of the Company, it shall be the duty of the Company, on the requisition in writing of such number of members as is specified in these Articles and (unless the Company otherwise resolves) at the expense of the requisitionists:

(a) to give to members entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and

(b) to circulate to members entitled to have notice of any General Meeting of any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

Notice of any such resolution shall be given, any such statement shall be circulated, to members of the Company entitled to have notice of the meeting sent to them, and notice of any such resolution shall be given to any other member of the Company by giving notice of the general effect of the resolution in accordance with the provisions of the Statutes.

Procedures for Proposing a Person for Election a Director

As regards the procedure for proposing a person for election as a Director, please refer to the procedures made available under the "Corporate Governance" section ("Procedure for election of Directors" sub-section) of the Company's website at www.tfginternationalgroup.com.

Procedures for Directing Shareholders' Enquiries to the Board

Enquiries of shareholders can be sent to the Company either by email at finance@tfginternationalgroup.com (for finance matters) and/or cosec@tfginternationalgroup.com (for company secretarial matters) or by post to the Company's principle place of business at Suite 1101, 11/F., Tower A, Cheung Kei Center, 18 Hung Luen Road, Hung Hom, Kowloon, Hong Kong.

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

INVESTOR RELATIONS

The Company considers effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business. The Company endeavors to maintain an on-going dialogue with shareholders and in particular, through annual general meeting and other general meetings. The website of the Company at www.tfginternationalgroup.com has provided an effective communication platform to the public and the shareholders.

During the year ended 31 December 2017, there has not been any change in the Company's constitutional documents. An updated version of the Company's constitutional documents is available on the Company's website and the Stock Exchange's website.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code but also about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our Shareholders to promote and improve our transparency are also welcome.

On behalf of the Board
YANG Lijun
Chairman

Hong Kong, 14 March 2018

CCTH CPA LIMITED
中正天恆會計師有限公司

TO THE SHAREHOLDERS OF
TFG International Group Limited
(Formerly known as "CENERIC (HOLDINGS) LIMITED")
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of TFG International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 98, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key audit matters

Key audit matters are those matters that, in our professional 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.

Recoverability of trade receivables

Refer to Note 27 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
At 31 December 2017, the Group's gross trade receivables are HK$91,293,000, of which impairment losses amounted to HK$91,216,000 had been recognised up to that date. In current year, impairment losses amounted to HK$11,772,000 was recognised in the consolidated financial statements. Assessment of the recoverability of trade receivables involved management judgment of the allowance for doubtful debts for trade receivables. The ability of the debtors to repay the Group depends on customer-specific and market conditions which involve inherent uncertainty. We have identified recoverability of trade receivables as a key audit matter due to the magnitude of the receivables and the estimation and judgments involved in the determination of the recoverable amounts of these receivables.	Our procedures in relation to management's impairment assessment on trade receivables included: — We obtained an understanding of the design, implementation and operating effectiveness of management's internal controls relating to credit control, debt collection and making provisions for doubtful debts. — We assessed the classification and accuracy of individual balances in trade receivables ageing report by testing the underlying invoices on a sample basis. — We assessed subsequent settlement of receivable balances. Where settlement had not been received subsequent to the year end date, we obtained an understanding of the basis of management's judgments about the recoverability of the outstanding receivables and evaluate the allowance for doubtful debts made by management for these individual balances. — We assessed the historical accuracy of the estimates made by the management for the allowance for doubtful debts.

Impairment assessment of property, plant and equipment, prepaid land lease payments and licensing rights

Refer to Note 18, Note 19 and Note 20 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
At 31 December 2017, the carrying amounts of the Group's property, plant and equipment, prepaid land lease payments and licensing rights are HK$418,360,000, HK$57,405,000 and HK$26,699,000 respectively. Substantially all of these assets are attributable to the Group's hotel business in the People's Republic of China. Management conducted impairment assessment of the tangible and intangible assets attributable to the hotel business based on the fair value less costs of disposal of the Group's hotel property, by reference to the valuation carried out by an external valuer. We identified impairment assessment of these tangible and intangible assets as a key audit matter due to the magnitude of these assets and the estimation and judgments involved in the impairment assessment.	Our procedures in relation to the impairment assessment on property, plant and equipment, prepaid land lease payments and licensing rights attributable to the hotel business included: — We obtained an understanding of the management's basis of impairment assessment of the related assets. — We evaluated the external valuer's independence, competence, capabilities and objectivity. — We assessed the methodologies used by the management and external valuer for the estimation of the recoverable amount of the Group's hotel property. — We checked, on a sample basis, the accuracy and relevance of the data and information provided by management to the external valuer.

Recoverability of the interest in and amount due from a joint venture

Refer to Note 21 and Note 29 to the consolidated financial statements

Key audit matter	How the matter was addressed in our audit
During the year, the Group acquired 50% equity interest in and made advances to Rich Source Property Holdings Limited ("Rich Source"). We have identified the recoverability of the Group's investment in and amount due from Rich Source as a key audit matter as the carrying amounts of the investment and the amount due as at 31 December 2017 are HK$32,862,000 and HK$160,633,000 respectively which form significant parts of the Group's total assets.	Our procedures in relation to the recoverability of the investment in and amount due from Rich Source included: — We obtained an understanding of the management basis of the assessment of the recoverability of the investment in and amount due from Rich Source. — We obtained the confirmation from Rich Source confirming the amount due to the Group at 31 December 2017. — We obtained and checked the documents to substantiate the financial position of Rich Source and underlying assets and liabilities.

Impairment of properties held for sale

Refer to Note 24 and Note 25 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
At 31 December 2017, the carrying amounts of the properties held for sale under development and the properties held for sale are HK$69,046,000 and HK$6,539,000 respectively. Recoverability of the properties held for sale is based on management judgment of net realisable value of the properties. We have identified the impairment of the properties held for sale as a key audit matter due to the magnitude of the properties and the management judgments involved in the estimation of the net realisable value.	Our procedures in relation to the impairment assessment of the properties held for sale included: — We obtained an understanding of the design, implementation and operating effectiveness of key internal controls around the property development cycle with particular focus on controls over cost budgeting and periodic review, sources of impairment assessment data and calculation of impairment provisions. — For construction costs to be incurred for properties under development, we assessed the reasonableness of the latest budgets of total construction costs and checked, on a sample basis, the construction costs to supporting documents. — For the forecast of future sales, we compared the expected sale prices of properties, on a sample basis, to the contracted sales price of the properties with comparable locations and conditions, where applicable. — We checked the reasonableness and calculation of the net realisable value of the properties prepared by the management.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements on 29 March 2017.

Other Information

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 14 March 2018

Lee Chi Hang
Practising certificate number: PO1957

Unit 5-6, 7/F., Greenfield Tower, Concordia Plaza,
1 Science Museum Road, Tsim Sha Tsui,
Kowloon, Hong Kong

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
CONTINUING OPERATIONS			
REVENUE	*8*	**30,785**	88,535
Cost of sales		**(5,488)**	(9,093)
Gross profit		**25,297**	79,442
Other income	*9*	**9,038**	24,676
Selling expenses		**(200)**	(445)
Administrative expenses		**(47,261)**	(129,039)
Impairment of property, plant and equipment		**–**	(245,062)
Impairment of licensing rights		**–**	(41,699)
Impairment of trade receivables		**(11,772)**	(73,135)
Impairment of loan receivables		**–**	(19,000)
Finance costs	*10*	**(15,340)**	(60,655)
Share of profit of a joint venture		**4,472**	–
LOSS BEFORE TAX	*11*	**(35,766)**	(464,917)
Income tax (expense)/credit	*12*	**(331)**	70,294
Loss for the year from continuing operations		**(36,097)**	(394,623)
DISCONTINUED OPERATIONS			
Gain/(loss) for the year from discontinued operations	*13*	**16,340**	(5,782)
LOSS FOR THE YEAR		**(19,757)**	(400,405)
Loss for the year attributable to:			
Owners of the Company			
Loss for the year from continuing operations		**(36,110)**	(393,116)
Gain/(loss) for the year from discontinued operations		**16,340**	(5,782)
		(19,770)	(398,898)
Non-controlling interests			
Profit/(loss) for the year from continuing operations		**13**	(1,507)
LOSS FOR THE YEAR		**(19,757)**	(400,405)
LOSS PER SHARE	*17*		
From continuing and discontinued operations			
— Basic		**HK(0.33) cents**	HK(7.27) cents
— Diluted		**N/A**	N/A
From continuing operations			
— Basic		**HK(0.60) cents**	HK(7.16) cents
— Diluted		**N/A**	N/A

The Notes on pages 42 to 98 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
LOSS FOR THE YEAR	**(19,757)**	(400,405)
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**(3,824)**	5,374
Other comprehensive (loss)/income for the year, net of tax	**(3,824)**	5,374
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(23,581)**	(395,031)
Total comprehensive loss for the year attributable to:		
Owners of the Company		
Comprehensive loss from continuing operations	**(39,934)**	(387,742)
Comprehensive income/(loss) from discontinued operations	**16,340**	(5,782)
	(23,594)	(393,524)
Non-controlling interests		
Comprehensive income/(loss) from continuing operations	**13**	(1,507)
	(23,581)	(395,031)

The Notes on pages 42 to 98 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*18*	**418,360**	446,322
Prepaid land lease payments	*19*	**57,405**	58,545
Licensing rights	*20*	**26,699**	29,601
Interest in a joint venture	*21*	**32,862**	–
Pledged bank balances	*22*	**1,064**	1,268
Deferred tax assets	*23*	**10,056**	11,533
TOTAL NON-CURRENT ASSETS		**546,446**	547,269
CURRENT ASSETS			
Properties held for sale under development	*24*	**69,046**	63,735
Properties held for sale	*25*	**6,539**	7,235
Inventories	*26*	**41**	47
Trade receivables	*27*	**77**	69
Prepayments, deposits and other receivables	*28*	**11,464**	25,005
Amount due from a joint venture	*29*	**160,633**	–
Cash and cash equivalents	*30*	**70,418**	60,123
		318,218	156,214
Assets of a disposal group classified as held for sale	*13*	**–**	6,218
TOTAL CURRENT ASSETS		**318,218**	162,432
TOTAL ASSETS		**864,664**	709,701
CURRENT LIABILITIES			
Trade payables, other payables and accruals	*33*	**18,125**	31,443
Finance lease payable	*34*	**–**	38
Loans and borrowings — due within one year	*35*	**10,807**	85,963
		28,932	117,444
Liabilities directly associated with the assets classified as held for sale	*13*	**–**	17,839
TOTAL CURRENT LIABILITIES		**28,932**	135,283
NET CURRENT ASSETS		**289,286**	27,149
TOTAL ASSETS LESS CURRENT LIABILITIES		**835,732**	574,418

Consolidated Statement of Financial Position

As 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
NON-CURRENT LIABILITIES			
Loans and borrowings — due after one year	35	**85,257**	–
Deferred tax liabilities	23	**33,247**	35,253
TOTAL NON-CURRENT LIABILITIES		**118,504**	35,253
NET ASSETS		**717,228**	539,165
Share capital	37	**67,816**	56,816
Reserves		**586,579**	423,052
Equity attributable to owners of the Company		**654,395**	479,868
Non-controlling interests		**62,833**	59,297
TOTAL EQUITY		**717,228**	539,165

YANG Lijun
Director

WONG Kui Shing, Danny
Director

The Notes on pages 42 to 98 form 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$'000	Share premium account HK$'000	Foreign currency translation reserve HK$'000	Capital reduction reserve HK$'000	Other reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2016	19,316	223,215	(2,875)	191,925	22,783	57,093	511,457	64,136	575,593
Loss for the year	–	–	–	–	–	(398,898)	(398,898)	(1,507)	(400,405)
Other comprehensive income for the year	–	–	5,374	–	–	–	5,374	–	5,374
Total comprehensive income/(loss) for the year	–	–	5,374	–	–	(398,898)	(393,524)	(1,507)	(395,031)
Placing of shares	37,500	328,111	–	–	–	–	365,611	–	365,611
Other adjustments	–	–	–	–	(3,629)	(47)	(3,676)	(3,332)	(7,008)
At 31 December 2016	56,816	551,326	2,499	191,925	19,154	(341,852)	479,868	59,297	539,165
(Loss)/profit for the year	**–**	**–**	**–**	**–**	**–**	**(19,770)**	**(19,770)**	**13**	**(19,757)**
Other comprehensive loss for the year	**–**	**–**	**(3,824)**	**–**	**–**	**–**	**(3,824)**	**–**	**(3,824)**
Total comprehensive (loss)/income for the year	**–**	**–**	**(3,824)**	**–**	**–**	**(19,770)**	**(23,594)**	**13**	**(23,581)**
Placing of shares	**11,000**	**187,212**	**–**	**–**	**–**	**–**	**198,212**	**–**	**198,212**
Other adjustments	**–**	**–**	**–**	**–**	**–**	**(91)**	**(91)**	**3,523**	**3,432**
At 31 December 2017	**67,816**	**738,538**	**(1,325)**	**191,925**	**19,154**	**(361,713)**	**654,395**	**62,833**	**717,228**

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		**(19,757)**	(400,405)
Income tax expense/(credit)	*12&13*	**331**	(70,294)
Loss before tax		**(19,426)**	(470,699)
Adjustments for:			
Share of profit of a joint venture		**(4,472)**	–
Finance costs		**15,340**	60,655
Gain on bargain purchase		**–**	(744)
Bank Interest income		**(451)**	(504)
Loan interest income		**(1,710)**	(1,126)
Depreciation		**39,576**	67,706
Amortisation of prepaid land lease payments		**1,976**	1,979
Amortisation of licensing rights		**3,157**	7,613
Impairment of licensing rights		**–**	41,699
Impairment of property, plant and equipment		**–**	245,062
Impairment of trade receivables		**11,772**	73,135
Impairment of loan receivables		**–**	19,000
Gain on assignment of debt		**–**	(8,765)
Gain on disposal of available-for-sale investments		**(4,415)**	–
Gain on disposal of subsidiaries	*40*	**(18,531)**	(5,815)
Net foreign exchange (gains)/losses		**(19,042)**	42,781
Operating cash flows before working capital changes		**3,774**	71,977
Increase in properties held for sale under development		**(492)**	(485)
Decrease in properties held for sale		**1,179**	411
Decrease in inventories		**8**	259
Increase in trade receivables		**(3)**	(51,799)
Decrease/(increase) in prepayments, deposits and other receivables		**14,061**	(12,010)
Decrease in assets of a disposal group classified as held for sale		**–**	2,083
Increase in liabilities of a disposal group classified as held for sale		**–**	7,101
Increase in loan receivable		**–**	(19,000)
Decrease in trade payables, other payables and accruals		**(25,008)**	(18,157)
Net cash used in operating activities		**(6,481)**	(19,620)

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Net cash used in operating activities		**(6,481)**	(19,620)
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		**451**	504
Loan interest received		**1,710**	1,126
Investment in a joint venture		**(28,390)**	–
Advances to a joint venture		**(160,633)**	–
Disposal of subsidiaries	*40*	**4,675**	14,904
Proceeds from disposal of available-for-sale investment		**3,190**	–
Purchase of property, plant and equipment		**(866)**	(19)
Decrease in pledged bank balances		**304**	38
Net cash (used in)/generated from investing activities		**(179,559)**	16,553
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown/(repayment) of loans and borrowings	*41*	**3,602**	(3,582)
Finance lease payments	*41*	**(41)**	(7)
Proceeds on issue of shares		**203,500**	375,000
Share issue expense		**(5,288)**	(9,389)
Payment for retirement of bond		**–**	(325,000)
Interest paid	*41*	**(15,340)**	(6,229)
Net cash generated from financing activities		**186,433**	30,793
NET INCREASE IN CASH AND CASH EQUIVALENTS		**393**	27,726
Effect of foreign exchange rate changes, net		**3,989**	(15,645)
Cash and cash equivalents at 1 January		**66,036**	53,955
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**70,418**	66,036
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents attributable to continuing operations	*30*	**70,418**	60,123
Cash and cash equivalents attributable to discontinued operation	*13*	**–**	5,913
Total cash and cash equivalents		**70,418**	66,036

1. CORPORATE INFORMATION

TFG International Group Limited (formerly known as "Ceneric (Holding) Limited") (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The registered office and principal place of business of the Company are Whitehall House, 238 North Church Street, George Town, Grand Cayman KY1-1102, Cayman Islands and Suite 1101, 11/F., Tower A, Cheung Kei Center, 18 Hung Luen Road, Hung Hom, Kowloon, Hong Kong respectively. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pursuant to a special resolution passed at the Company's extraordinary general meeting held on 5 February 2018, the Company changed its name from Ceneric (Holdings) Limited to TFG International Group Limited and the dual foreign name of the Company in Chinese has been changed from "新嶺域(集團)有限公司" to "富元國際集團有限公司" with effect from 12 February 2018.

During the year, the activities of the Group, comprising the Company and its subsidiaries, mainly comprised properties development and hotel business in the People's Republic of China.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange. They have been prepared under the historical cost convention. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

3. APPLICATION OF HKFRSs

New and revised HKFRSs applied in current year

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

The application of these new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and financial position for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in Note 41. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 41, the application of these amendments has had no impact on the Group's consolidated financial statements.

4. ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 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[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2015–2017 Cycle[2]

1 *Effective for annual periods beginning on or after 1 January 2018*
2 *Effective for annual periods beginning on or after 1 January 2019*
3 *Effective for annual periods beginning on or after 1 January 2021*
4 *Effective date to be determined*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset and give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types or transactions eligible for hedge accounting, specifically 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 an entity's risk management activities have also been introduced.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have performed a preliminary assessment of the impact of HKFRS 9 to the Group's consolidated financial statements. All financial assets and financial liabilities will continue to be measured on the same basis as is currently adopted under HKAS 39.

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier recognition of credit losses for the respective items and are currently assessing the potential impact.

HKFRS 15 Revenue from Contracts with Customers

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

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

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

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

The directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, they do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

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

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

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any 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, as well as the impact of lease modifications, amongst others. 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 HKFRS 16, lease payments will be split into a principal and an interest portion which will be presented as financing cash flows.

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

Furthermore, extensive disclosures are required by HKFRS 16.

HKFRS 16 will primarily affect the Group's accounting as lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of HKFRS 16 is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss and other comprehensive income over the period of the lease.

The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

Other than the above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the Group's consolidated financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Company has power over the investee; the Group is exposed, or has rights, to variable returns from its involvement with the investee; and the Group has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(2) rights arising from other contractual arrangements; and

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

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

(b) Joint ventures

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

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

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

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

(c) Business combination and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire, 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 reassessment, 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 acquire (if any), the excess is recognized immediately in profit or loss as a gain on bargain purchase.

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

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

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

(d) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

(e) Impairment of non-financial assets

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

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

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

(f) Property, plant and equipment and depreciation

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

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

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

Buildings	2% to 5%
Furniture, fixtures and equipment	20% to $33^1/_3$%
Motor vehicles	20%

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

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

(g) Intangible assets (other than goodwill)

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

The Group's intangible asset mainly consists of licensing rights.

(h) Properties held for sale and properties held for sale under development

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

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

(i) Inventories

Inventories included foodstuffs, beverages and other consumables are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and comprises costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(j) Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

After initial recognition, available-for-sale financial assets that are traded in an active market are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale financial assets valuation reserve until the asset is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the asset is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale financial assets valuation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

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 investments are measured at cost less any identified impairment losses at the end of each reporting period.

(k) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when (i) the rights to receive cash flows from the asset have expired; or (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

(l) Impairment of financial assets

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

Available-for-sale financial assets

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

For available-for-sale equity investment 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.

Financial assets carried at amortised cost

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

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

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

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

(m) Cash and cash equivalents

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

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

(n) Financial liabilities

Initial recognition and measurement

Financial liabilities at initial recognition are classified as financial liabilities at fair value through profit or loss, or financial liabilities at amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value, net of directly attributable transaction costs.

The Group's financial liabilities at amortised cost include trade and other payables, loans and borrowings, and finance lease payable.

Subsequent measurement

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

Financial liabilities at amortised cost

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

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

(o) Derecognition of financial liabilities

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

(p) Offsetting of financial instruments

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

(q) Provisions

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

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

(r) Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease terms.

(s) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(t) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the reporting date.

(ii) Retirement benefits

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

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

(iii) *Termination benefits*

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

(u) Foreign currency translation

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statement of profit or loss are translated into Hong Kong dollars at the average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

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

(v) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) revenue from the sub-licensing of hotel operating right is recognised when the Group's right to receive licensing and royalty income has been established.

(ii) revenue from sales of properties is recognised when the properties have been delivered to the purchasers and collectibility of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as advance proceeds from sales of properties under current liabilities; When properties under development are sold, income is recognised when the property development is completed with the relevant occupation permit issued by the Authorities and the significant risks and rewards of the properties are passed to the purchasers. Payments received from purchasers prior to this stage are recorded as customers' deposits received.

(iii) rental income, on a time proportion basis over the lease terms.

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

(w) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(x) Related parties

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

(a) the party is a person or a close member of that parson's family and that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

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

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

(iii) the entity and the Group are joint ventures of the same third party;

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

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

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

(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).

6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

Deferred tax assets

Deferred tax assets are recognised for bad debt provision and all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details are contained in Note 23 to the financial statements.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Amortisation of intangible assets

Intangible assets are amortised on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives involves management's estimation. The Group assesses annually the useful lives of the intangible assets and if the expectation differs from the original estimate, each a difference may impact the amortisation charges for the future years.

Impairment of trade and other receivables

The Group performs ongoing credit evaluations of its customers and other debtors and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and other debtors and make allowance for doubtful debts on outstanding receivables by reference to historical experience and debtors' financial position.

Impairment of properties held for sale

Management assessed the recoverability of the properties held for sale based on an estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analysis of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and a forecast of future sales. If the actual net realisable value of the underlying properties are less than expected as a result of change in market condition and/or significant variation in the budgeted development costs, material provision for impairment losses may result.

Impairment of other tangible and intangible assets

If circumstances indicate that the carrying amount of other tangible and intangible assets may not be recoverable, the assets may be considered impaired, and an impairment loss may be recognised to reduce the carrying amounts to their recoverable amounts. The recoverable amount is the higher of the fair value less costs of disposal and the value in use. The fair value less costs of disposal is estimated by reference to comparable sales evidence and market conditions. For the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant estimates and judgments relating to level of future income and operating costs. Changes in these estimates could have significant impact on the carrying amounts of these assets and could result in additional impairment charge or reversal of impairment, if any, in future periods.

7. OPERATING SEGMENT INFORMATION

For management purposes, the Group identifies reportable segments, on the basis of the products and services, for internal reports about components of the Group that are regularly reviewed by the chief operation decision makers for the purpose of allocating resources to segments and assessing their performances. There are three reportable operating segments identified as follows:

(a) The property development segment comprises the development and sales of properties;

(b) The hotel business segment comprises the sub-licensing rights to hotel operators and hotel management activities; and

(c) The corporate and other businesses segment includes general corporate expense items.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment results represent the profit or loss earned before tax from continuing operations before taking into account interest income from bank deposits, unallocated other income, unallocated corporate expenses (including central administration costs and directors' remuneration) and finance costs. This is the measure reported to the chief operation decision makers and the board of directors for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	For the year ended 31 December							
	Property Development		Hotel Business		Corporate and other Business		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Revenue from external customers	**5,404**	2,324	**25,381**	86,211	**–**	–	**30,785**	88,535
Other income	**1,226**	1,599	**1,236**	1,245	**–**	4,878	**2,462**	7,722
Total segment revenue	**6,630**	3,923	**26,617**	87,456	**–**	4,878	**33,247**	96,257
Amortisation of licensing rights	**–**	–	**(3,157)**	(7,612)	**–**	–	**(3,157)**	(7,612)
Depreciation of property, plant and equipment	**(437)**	(442)	**(39,023)**	(67,034)	**(116)**	(230)	**(39,576)**	(67,706)
Amortisation of prepaid land lease payments	**(70)**	(70)	**(1,906)**	(1,909)	**–**	–	**(1,976)**	(1,979)
Impairment of property, plant and equipment	**–**	–	**–**	(245,062)	**–**	–	**–**	(245,062)
Impairment of licensing rights	**–**	–	**–**	(41,699)	**–**	–	**–**	(41,699)
Impairment of trade receivables	**–**	–	**(11,772)**	(73,135)	**–**	–	**(11,772)**	(73,135)
Impairment of loan receivables	**–**	–	**–**	–	**–**	(19,000)	**–**	(19,000)
Segment results	**(3,104)**	(3,211)	**(15,903)**	(365,861)	**3,340**	(34,057)	**(15,667)**	(403,129)
Reconciliation:								
Bank interest income							**451**	504
Loan interest income							**1,710**	1,126
Gain on disposal of available for sale investment							**4,415**	–
Gain on assignment of debts							**–**	8,765
Gain on bargain purchase							**–**	744
Gain on disposal of subsidiaries							**–**	5,815
Unallocated expenses							**(15,807)**	(18,087)
Finance costs *(see Note 10)*							**(15,340)**	(60,655)
Share of profit of a joint venture							**4,472**	–
Loss before tax from continuing operations							**(35,766)**	(464,917)

For the year ended 31 December 2017

	For the year ended 31 December							
	Property Development		Hotel Business		Corporate and other Business		Total	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Segment assets of continuing operations	**81,481**	122,350	**490,234**	519,108	**292,949**	62,025	**864,664**	703,483
Reconciliation:								
Assets related to a discontinued operation							**–**	6,218
Total assets							**864,664**	709,701
Segment liabilities of continuing operations	**714**	2,912	**142,343**	131,714	**4,379**	18,071	**147,436**	152,697
Liabilities related to a discontinued operation							**–**	17,839
Total liabilities							**147,436**	170,536

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

(a) all assets are allocated to reportable segments other than available-for-sale financial assets.

(b) all liabilities are allocated to reportable segments other than non-interest-bearing other borrowings.

Geographical information

The Group operates in two main geographical areas — Hong Kong and the People's Republic of China (excluding Hong Kong) (the "PRC").

	31 December 2017 HK$'000	31 December 2016 HK$'000
Continuing operations		
REVENUE		
— Hong Kong	**–**	–
— PRC	**30,785**	88,535
	30,785	88,535
Continuing operations		
NON-CURRENT ASSETS		
— Hong Kong	**717**	–
— PRC	**534,609**	534,429
— Other countries	**–**	39
	535,326	534,468

The non-current asset information above is based on the locations of the assets and excludes financial instruments, pledged bank balances and deferred tax assets.

Information about a major customer

Sales to external customers of approximately HK$10,259,000 (2016: HK$63,873,000) was derived from hotel business segment from a single customer.

8. REVENUE

Revenue from continuing operations represents income from sub-licensing of operating rights, and proceeds from the sales of properties held for sale and services rendered to external customers during the year.

	2017 **HK$'000**	2016 HK$'000
Continuing operations		
Licensing income *(see Note)*	**25,381**	86,211
Sales of properties held for sale and rendering of services	**5,404**	2,324
	30,785	88,535

Note: In March 2017, the Group received two notices to terminate the hotel operating rights agreements ("the old hotel operating rights agreements") and returned the rights to operate and manage the Group's hotel from the hotel operating rights holders. The Group then selected two new hotel operating rights holders and granted them the same rights to operate and manage the Hotel under two new hotel operating rights agreements. Under the new hotel operating rights agreements, the Group is entitled to receive an aggregate fixed monthly fee of RMB 1 million plus a royalty fee calculated on the basis of 10% of the net profits generated by the Hotel each month which is substantially lower than those under the old hotel operating rights agreements.

9. OTHER INCOME

	2017 **HK$'000**	2016 HK$'000
Continuing operations		
Bank interest income	**451**	504
Loan interest income	**1,710**	1,126
Gain on disposal of available-for-sale investments	**4,415**	–
Gain on assignment of debts	**–**	8,765
Gain on bargain purchase	**–**	744
Gain on disposal of subsidiaries	**–**	5,815
Rental income	**1,236**	1,243
Others	**1,226**	6,479
	9,038	24,676

10. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on		
Loans and borrowings	**15,340**	5,608
Bonds	**–**	621
Amortisation of bonds, at amortised cost basis	**–**	54,426
	15,340	60,655

11. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

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

	2017 HK$'000	2016 HK$'000
Cost of sales		
Cost of inventories sold	**1,151**	1,070
Cost of properties sold	**1,180**	410
Amortisation of licensing rights	**3,157**	7,613
	5,488	9,093
Depreciation of property, plant and equipment	**39,576**	67,706
Amortisation of prepaid land lease payments	**1,976**	1,979
Impairment of property, plant and equipment	**–**	245,062
Impairment of licensing rights	**–**	41,699
Impairment of trade receivables	**11,772**	73,135
Impairment of loan receivables	**–**	19,000
Minimum lease payments under operating lease in respect of land and buildings	**1,428**	2,370
Auditors' remuneration		
— Audit services	**583**	526
Employee benefit expenses (including directors' remuneration)		
— Wages and salaries	**7,010**	13,759
— Retirement benefits scheme contributions	**377**	663
Interest Income		
Bank interest income	**(451)**	(504)
Loan interest income	**(1,710)**	(1,126)
	(2,161)	(1,630)
Finance costs		
Interest on loans and borrowings	**15,340**	5,608
Interest on bonds	**–**	621
Amortisation of bonds, at amortised cost basis	**–**	54,426
	15,340	60,655

12. INCOME TAX (EXPENSES)/CREDIT

(a) Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year under review. Subsidiaries in the PRC are subject to PRC Enterprise Income Tax at 25% (2016: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

	2017 HK$'000	2016 HK$'000
Continuing Operations		
Current tax:		
Hong Kong	–	–
PRC	–	–
	–	–
Deferred tax (charge)/credit	(331)	70,294
Income tax (expense)/credit	(331)	70,294

(b) A reconciliation of the tax expense/(credit) applicable to loss before tax at the statutory rates for the countries (or jurisdictions) in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, is as follows:

	2017 HK$'000	2016 HK$'000
Loss before tax from continuing operations	(35,766)	(464,917)
Tax at statutory tax rates applicable to (loss)/profit in the respective countries (or jurisdictions)	(7,646)	(90,297)
Income not subject to tax	(5,265)	(14,375)
Expenses not deductible for tax	8,003	102,003
Utilization of tax losses not recognised in prior years	(136)	(506)
Tax losses not recognised for the year	4,043	3,113
Tax effect of temporary differences	1,332	(70,232)
Income tax (expense)/credit	331	(70,294)

13. DISCONTINUED OPERATIONS

	2017 HK$'000	2016 HK$'000
Loss for the year from discontinued operations	**(2,191)**	(5,782)
Gain on disposal of subsidiaries involving in discontinued operations (Note 40)	**18,531**	–
Gain/(loss) for the year from discontinued operations	**16,340**	(5,782)

On 27 September 2016, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement ("SPA") with an independent third party for the disposal of (i) 90% of the issued share capital of Ceneric Asia Limited ("Ceneric Asia") and its wholly-owned subsidiaries, part of which are companies licensed under the Securities and Futures Ordinance (the "SFO") to carry on certain regulated activities, and (ii) shareholder's loan made by the Group to Ceneric Asia (the "Disposal").

The Disposal was completed on 21 April 2017 and the Group discontinued its business of securities brokerage, asset management and related services accordingly.

The loss from discontinued operations are analysed as follows:

	2017 HK$'000	2016 HK$'000
Other income	**107**	18,253
Administrative expenses	**(2,298)**	(23,626)
Finance costs	**–**	(409)
Loss before tax	**(2,191)**	(5,782)
Income tax expense	**–**	–
Loss for the year from discontinued operations	**(2,191)**	(5,782)
Attributable to:		
Owners of the Company	**(2,191)**	(5,782)
Non-controlling interests	**–**	–
	(2,191)	(5,782)

The cash flows from discontinued operations for the year ended 31 December 2017 and 2016 are analysed as follows:

	2017 HK$'000	2016 HK$'000
Net cash generated from operating activities	**608**	7,514
Net cash used in investing activities	–	(112)
Net cash used in financing activities	–	(3,980)
Net cash inflows	**608**	3,422

An analysis of the assets/liabilities attributable to the discontinued operations are as follows:

	2017 HK$'000	2016 HK$'000
Assets classified as held for sale:		
Property, plant and equipment	–	103
Other receivables	–	202
Cash and cash equivalents	–	5,913
Total assets	–	6,218
Liabilities directly associated with assets classified as held for sale		
Other payables and accruals	–	17,839
Total liabilities	–	17,839

14. DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about benefits of Directors) Regulation are as follows:

	2017 HK$'000	2016 HK$'000
Fees:		
Executive directors	–	–
Non-executive directors	–	–
Independent non-executive directors	360	360
	360	360
Other emoluments:		
Executive directors:		
Basic salaries, housing, other allowances and benefits in kind	657	3,779
Retirement benefits scheme contributions	–	35
Non-executive directors:		
Basic salaries, housing, other allowances and benefits in kind	–	233
Retirement benefits scheme contributions	–	9
Independent non-executive directors	–	–
	657	4,056
	1,017	4,416

The emoluments paid or payable to directors are as follows:

2017

Name of director	Directors' fees HK$'000	Basic salaries, housing, other allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors				
YANG Lijun	–	–	–	–
CHI Chi Hung, Kenneth	–	57	–	57
WONG Kui Shing Danny	–	600	–	600
Independent non-executive directors				
SO Wai Lam	120	–	–	120
SUNG Yat Chun	120	–	–	120
CHAN Hoi Ling	120	–	–	120
	360	657	–	1,017

2016

Name of director	Directors' fees HK$'000	Basic salaries, housing, other allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors				
CHENG Wai Lam, James	–	1,953	35	1,988
CHI Chi Hung, Kenneth	–	120	–	120
MA Erqiang	–	1,106	–	1,106
WONG Kui Shing Danny	–	600	–	600
Non-executive directors				
HUANG Zhenda	–	182	9	191
YEUNG Kwok Leung	–	51	–	51
Independent non-executive directors				
SO Wai Lam	120	–	–	120
SUNG Yat Chun	120	–	–	120
CHAN Hoi Ling	120	–	–	120
	360	4,012	44	4,416

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2017 and 2016.

15. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2016: one) director, details of whose remuneration are set out in Note 14 above. Details of the remuneration of the remaining four (2016: four) highest paid employees for the year are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	**2,280**	7,322
Performance related bonuses	**–**	–
Retirement benefits scheme contributions	**60**	107
	2,340	7,429

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees 2017	2016
Nil to HK$1,000,000	**4**	–
HK$1,000,001 to HK$2,000,000	**–**	4

16. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2017 amounted to HK$224,000,000 (2016: HK$9,314,000) which has been dealt with in the financial statements of the Company (Note 39(b)).

17. LOSS PER SHARE

(i) From continuing and discontinued operations

The calculation of the basic loss per share is based on the loss for the year from continuing and discontinued operations attributable to owners of the Company amounted to HK$19,770,000 (2016: HK$398,898,000), and the weighted average of 6,052,322,972 (2016: 5,486,965,909) ordinary shares in issue during the year.

(ii) From continuing operations

The calculation of the basic loss per share is based on the loss for the year from continuing operations attributable to owners of the company amounted to HK$36,110,000 (2016: HK$393,116,000), and the weighted average of 6,052,322,972 (2016: 5,486,965,909) ordinary shares in issue during the year.

Diluted loss per share is not shown as there are no potential ordinary shares existed during both of the years ended 31 December 2017 and 2016.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At 1 January 2016	814,609	97,673	1,788	914,070
Additions	–	19	–	19
Disposals	–	(1,252)	–	(1,252)
Reclassified to assets classified as held for sale	–	(602)	–	(602)
Exchange realignment	(13,975)	(2,732)	(75)	(16,782)
At 31 December 2016	800,634	93,106	1,713	895,453
Additions	–	66	800	866
Disposals	–	(65)	–	(65)
Exchange realignment	15,199	2,931	82	18,212
At 31 December 2017	**815,833**	**96,038**	**2,595**	**914,466**
Accumulated depreciation and impairment:				
At 1 January 2016	88,685	54,072	1,138	143,895
Depreciation provided for the year	44,129	23,330	247	67,706
Impairment losses recognised for the year	237,904	7,017	141	245,062
Eliminated on disposals	–	(1,046)	–	(1,046)
Reclassified to assets classified as held for sale	–	(487)	–	(487)
Exchange realignment	(3,654)	(2,282)	(63)	(5,999)
At 31 December 2016	**367,064**	**80,604**	**1,463**	**449,131**
Depreciation provided for the year	28,447	10,891	238	39,576
Eliminated on disposals	–	(26)	–	(26)
Exchange realignment	4,643	2,710	72	7,425
At 31 December 2017	**400,154**	**94,179**	**1,773**	**496,106**
Net carrying amount:				
At 31 December 2017	**415,679**	**1,859**	**822**	**418,360**
At 31 December 2016	433,570	12,502	250	446,322

Notes:

(a) The Group's buildings with the carrying amount of HK$404,560,000 (2016: HK$422,029,000) had been pledged to a financial institution to secure the loans granted to the Group (Notes 22 and 35).

(b) During the year, the Group carried out a review of the recoverable amount of the hotel buildings together with the related prepaid land lease payments (Note 19) and licencing rights (Note 20) (together the "Hotel Operation Cash-generating Unit"). The recoverable amount of the Hotel Operation Cash-generating Unit as at 31 December 2017 was determined based on the fair value of the related hotel property less costs of disposal, by reference to the valuation carried out by Messrs. B.I. Appraisals Limited, an independent qualified professional valuer not connected with the Group, who are the members of The Hong Kong Institute of Surveyors.

Valuation of the hotel property was determined using direct comparison method by reference to comparable sales evidence as available in the relevant market and, where appropriate, on the basis of capitalization of the net rental (licensing) income with due allowance for the reversionary income potential of the hotel building, with yields from 5.50% to 6.00% over the terms approximately 9 years and the management's best estimates achievable assuming that the hotel is operated by market participants.

The significant inputs used in the valuation of the Group's hotel property are yield, rental/licensing income and average market unit price per square meter. In general, any significant changes in any of those inputs in isolation would result in a significantly change in the valuation amount. Specifically, an increase in the assumption used for rental/licensing income or average market unit price per square meter is accompanied by an increase in the valuation amount of the Group's hotel property. However, an increase in the assumption used for yield is accompanied by a decrease in the valuation amount of the hotel property.

Having performed the review of the recoverable amount of the Hotel Operation Cash-generating Unit on the basis of fair value less cost of disposals of the hotel property, the directors are of the view that the recoverable amount of the Cash-generating Unit is not less than the aggregate of its carrying amounts, comprising the buildings included in the property, plant and equipment, the prepaid land lease payments and the licencing rights, accordingly no impairment loss is required to be made in respect of those assets for the current year under review.

19. PREPAID LAND LEASE PAYMENTS

	2017	2016
	HK$'000	HK$'000
Cost		
At 1 January	**65,642**	65,900
Exchange realignment	**1,077**	(989)
At 31 December	**66,719**	64,911
Accumulated amortisation:		
At 1 January	**7,097**	4,585
Charge for the year	**1,976**	1,979
Exchange realignment	**241**	(198)
At 31 December	**9,314**	6,366
Net carrying amount		
At 31 December	**57,405**	58,545

The Group's prepaid land lease payments represent the payments for land use rights in the PRC under medium term leases. These prepaid land leases payments with the carrying amount of HK$54,886,000 as at 31 December 2017 (2016: HK$56,134,000) had been pledged to a financial institution to secure loans (Notes 22 and 35).

As at 31 December 2017, the remaining lease terms over which amortisation to be taken up are approximately 29 years (2016: 30 years).

During the year, management of the Group conducted an impairment assessment of substantially all of the prepaid land lease payments as detailed in Note 18(b) and is of the view that no impairment loss is required to be made in respect of the prepaid land lease payments.

20. LICENSING RIGHTS

	2017 HK$'000	2016 HK$'000
Cost		
At 1 January	**91,735**	92,557
Exchange realignment	**894**	(822)
At 31 December	**92,629**	91,735
Accumulated amortisation		
At 1 January	**62,134**	13,026
Charge for the year	**3,157**	7,613
Impairment losses recognised	**–**	41,699
Exchange realignment	**639**	(204)
At 31 December	**65,930**	62,134
Net carrying amount		
At 31 December	**26,699**	29,601

The licensing rights represent the rights granted to hotel operating rights holders to operate and manage the Group's hotel located in Maoming City, the PRC under hotel operating rights agreements.

As at 31 December 2017, the remaining useful lives of the licensing rights over which amortization to be taken up are approximately 101 months (2016: 113 months). The useful lives of licensing rights are determined by reference to the tenure of the aforesaid hotel operating rights agreements.

During the year, management of the Group conducted an impairment assessment of the licencing rights as detailed in Note 18(b) and is of the view that no impairment is required to be made in respect of the licencing rights for the current year.

21. INTEREST IN A JOINT VENTURE

	2017 HK$'000	2016 HK$'000
Unlisted investment, at cost	**28,390**	–
Share of post acquisition profits and other comprehensive income	**4,472**	–
	32,862	–

During the current year, a wholly-owned subsidiary of the Company entered into a subscription agreement with Mr. Liu Shiyuan ("Mr. Liu"), a third party, pursuant to which the Group subscribed 50% equity interest in and made advances to Rich Source Property Holdings Limited ("Rich Source") for a consideration of HK$28.39 million and HK$146.61 million respectively. The principal asset of Rich Source is 70% equity interest in Hengqin Germany City Investment (Macau) Limited ("Hengqin Germany"), an entity incorporated in Macau, which, through its wholly-owned subsidiary, Zhuhai Hengqin Fuchangsheng Real Estate Development Limited ("Zhuhai Hengqin Fuchangsheng", an entity established in the PRC), is principally engaged in property development in the PRC.

Details of the Group's joint ventures at the end of the reporting period are as follows:

Name of entity	Country/place of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group 2017	Proportion of ownership interest held by the Group 2016	Proportion of voting rights held by the Group 2017	Proportion of voting rights held by the Group 2016	Principal activities
Rich Source	British Virgin Islands	Hong Kong	**50%**	–	**50%**	–	Investment holding
Hengqin Germany	Macau	Macau	**35%**	–	**35%**	–	Investment holding
Zhuhai Hengqin Fuchangsheng	PRC	PRC	**35%**	–	**35%**	–	Property development

The joint ventures are accounted for using the equity method in these consolidated financial statements.

The advances to the joint venture are classified under current assets (Note 29).

The summarised consolidated financial information in respect of Rich Source and its subsidiaries ("Rich Source Group") is as follows:

	At 31 December 2017 HK$'000
Current assets	**49,489**
Non-current assets	**486,024**
Current liabilities	**(469,789)**
Non-controlling interest	**(4,238)**
The above amounts of assets and liabilities including the following:	
Cash and cash equivalents	**49,471**
Current financial liabilities (excluding trade and other payables)	**(468,460)**

	Year ended 31 December 2017 HK$'000
Revenue	–
Profit before tax	12,884
Income tax expense	–
Profit and total comprehensive income for the year	12,884
Profit and the total comprehensive income for the year attributable to:	
— Owners of Rich Source	8,944
— Non-controlling interests	3,940
	12,884

Reconciliation of the above summarised financial information to the carrying amount recognised in the consolidated financial statements.

	At 31 December 2017 HK$'000
Consolidated net assets attributable to owners of Rich Source	65,724
Proportion of the Group's ownership interest in Rich Source	50%
Carrying amount of the Group's interest in Rich Source Group	32,862

22. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to certain banks and a financial institution to secure general banking facilities or loan and borrowings granted to subsidiaries of the Group:

	2017 HK$'000	2016 HK$'000
Buildings *(Notes 18 and 35)*	**404,560**	422,029
Leasehold land *(Notes 19 and 35)*	**54,886**	56,134
	459,446	478,163
Pledged bank balances including:		
Amount pledged to banks to secure mortgage facilities granted to purchasers of the Group's properties held for sale	**1,064**	989
Amount pledged to a bank to secure the bank guarantee issued in favour of a landlord under an operating lease	**–**	279
	1,064	1,268
	460,510	479,431

23. DEFERRED TAX ASSETS AND LIABILITIES

As at 31 December 2017 and 2016, the Group's deferred tax assets and liabilities shown in the consolidated statement of financial position are as follows:

	2017 HK$'000	2016 HK$'000
Deferred tax assets	**10,056**	11,533
Deferred tax liabilities	**(33,247)**	(35,253)

The movements in deferred tax assets/(liabilities) for the year ended 31 December 2017 were as follows:

Deferred tax assets/(liabilities) attributables to:

	Tax losses HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1 January 2016	**11,456**	**(104,745)**	**(93,289)**
Credited to profit or loss	**802**	**69,492**	**70,294**
Exchange realignment	**(725)**	**–**	**(725)**
At 31 December 2016 and 1 January 2017	**11,533**	**(35,253)**	**(23,720)**
(Charged)/credited to profit or loss	**(2,337)**	**2,006**	**(331)**
Exchange realignment	**860**	**–**	**860**
At 31 December 2017	**10,056**	**(33,247)**	**(23,191)**

As at 31 December 2017, the Group has tax losses arising in Hong Kong of HK$334,129,000 (2016: HK$325,931,000) that are available indefinitely for offsetting against future taxable profits of the Group's subsidiaries in which the losses arose. The Group also has tax losses arising in the PRC of HK$58,763,000 (2016: HK$65,541,000) that will expire in one to five years for offsetting against future taxable profits.

No deferred tax asset has been recognised in respect of these tax losses, except for the tax losses of HK$40,224,000 (2016: HK$46,132,000) arising in the PRC from the hotel business segment, due to the unpredictability of future profit streams.

24. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT

	2017 HK$'000	2016 HK$'000
Located in the PRC		
Properties held for sale under development, at cost	**69,046**	63,735

At the end of the reporting period, properties held for sale under development were not scheduled for completion within twelve months.

25. PROPERTIES HELD FOR SALE

	2017 HK$'000	2016 HK$'000
Located in the PRC		
Properties held for sale, at cost	**6,539**	7,235

26. INVENTORIES

	2017 HK$'000	2016 HK$'000
Goods held for sale, at cost	**41**	47

27. TRADE RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables, gross	**91,293**	73,204
Impairment loss recognised	**(91,216)**	(73,135)
	77	69

An ageing analysis of the trade receivables, net of impairment loss recognised, as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2017 HK$'000	2016 HK$'000
Within 1 month	**77**	69

Movement in provision for impairment of trade receivables are as follows:

	2017 HK$'000	2016 HK$'000
At 1 January	**73,135**	–
Impairment loss recognised for the year	**11,772**	73,135
Exchange realignment	**6,309**	–
At 31 December	**91,216**	73,135

Note: During 2017, the hotel operating rights holders defaulted in their payment of fixed monthly fee and royalty fee. The Group repeatedly made requests and demand from the hotel operating rights holders to settle all monies outstanding. On 14 March 2017, the Group instituted legal actions against the hotel operating rights holders to claim damages and other costs suffered by the Group. Accordingly, the Group has made impairment of trade receivables amounting to HK$11,772,000 (2016: HK$73,135,000) due to uncertainties about recoverability underlying the claims. On 24 January 2018, the Group entered into a settlement agreement with one of the default hotel operating rights holders whereby the Group will receive the repayment of trade receivables amounting to RMB14.6 million by thirty (30) monthly instalments under an agreed repayment schedule. Write back of the impairment loss made has not been recognised until receipt of the trade receivable can be ascertained with reasonable certainty.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Deposits	**1,721**	177
Prepayments	**1,647**	1,806
Other receivables	**8,096**	23,022
	11,464	25,005

29. AMOUNT DUE FROM A JOINT VENTURE

The amount due from the joint venture (Note 21) is unsecured, interest free and repayable on demand.

30. CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Time deposits	**33,514**	30,757
Cash and bank balances	**36,904**	29,366
	70,418	60,123

As at 31 December 2017, the cash and bank balances of the Group to the extent of HK$39,595,000 (2016: HK$35,883,000) were denominated in Renminbi ("RMB"). The RMB is not freely convertible into other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged bank balances (Note 22) are deposited with creditworthy banks with no recent history of default.

31. AVAILABLE-FOR-SALE INVESTMENTS

	2017 HK$'000	2016 HK$'000
Balance at end of the year	–	–
Movements during the year		
Balance at beginning of the year	–	–
Investment retained in the Disposal Group *(Note 40)*	(1,381)	–
Disposal during the year	1,381	–
Balance at end of the year	–	–

As referred to in Note 40, the Group disposed of its 90% equity interest in the Disposal Group on 21 April 2017 and retained its 10% equity interest in the Disposal Group upon completion of the Disposal.

On 8 June 2017, the Group entered into an agreement with an entity controlled by Mr. Cheng Wai Lam, James (who resigned as a director of the Company on 18 November 2016), for the disposal of the Group's remaining 10% equity interest in the Disposal Group for a consideration of HK$3,190,000. This disposal was completed on 4 July 2017 which resulted in a gain on disposal amounted to HK$4,415,000 recognised in the current year (Note 9).

32. LOAN RECEIVABLES

	2017 HK$'000	2016 HK$'000
Loan receivables	19,000	19,000
Less: impairment loss recognised	(19,000)	(19,000)
	–	–

33. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Amount received in advance for the sales of properties held for sale	–	1,046
Amount received in advance for disposal of subsidiaries *(Note 40)*	–	14,904
Other payables and accruals	18,125	15,493
	18,125	31,443

34. FINANCE LEASE PAYABLE

	2017 HK$'000	2016 HK$'000
Finance lease payable:		
Within 1 year	–	12
After 1 year but within 2 years	–	13
After 2 years but within 5 years	–	13
	–	38

35. LOANS AND BORROWINGS

	2017 HK$'000	2016 HK$'000
Loans and borrowings repayable:		
Within 1 year	**10,807**	85,963
After 1 year but within 2 years	**14,410**	–
After 2 years but within 5 years	**70,847**	–
	96,064	85,963
Less: Portion repayable within one year included in current liabilities	**(10,807)**	(85,963)
Portion not repayable within one year included in non-current liabilities	**85,257**	–

At 31 December 2017, loans and borrowings lent by a financial institution to a subsidiary of the Group were secured by the leasehold land and buildings with the aggregate carrying amount of HK$459,446,000 (2016: HK$478,163,000) which are located in Maoming City, the PRC.

36. BONDS

	2017 HK$'000	2016 HK$'000
Unsecured bonds, at amortised cost		
First tranche, issued on 14 April 2014	**–**	–
Second tranche, issued on 21 May 2014	**–**	–
	–	–

All the bonds were retired on 20 January 2016.

37. SHARE CAPITAL

	2017 HK$'000	2016 HK$'000
Authorised:		
100,000,000,000 (2016: 100,000,000,000) ordinary shares of HK$0.01 (2016: HK$0.01) each	**1,000,000**	1,000,000
Issued and fully paid:		
6,781,638,040 (2016: 5,681,638,040) ordinary shares of HK$0.01 (2016: HK$0.01) each	**67,816**	56,816

On 31 August 2017, the Company issued 1,100,000,000 ordinary shares of HK$0.01 each, by way of placing of shares, at the issue price of HK$0.185 per share, giving rise to a gross proceed of HK$203,500,000 (before expense).

On 20 January 2016, the Company issued 3,750,000,000 ordinary shares of HK$0.01 each, by way of placing of shares, at the price of HK$0.10 per share, giving rise to a gross proceed of HK$375,000,000 (before expense).

38. FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**5,649**	44,361
	5,649	44,361
CURRENT ASSETS		
Prepayments, deposits and other receivables	**562**	462
Amounts due from subsidiaries	**806,934**	790,090
Cash and cash equivalents	**28,295**	23,587
	835,791	814,139
CURRENT LIABILITIES		
Other payables and accruals	**1,510**	1,451
Amounts due to subsidiaries	**76,663**	67,994
	78,173	69,445
NET CURRENT ASSETS	**757,618**	744,694
TOTAL ASSETS LESS CURRENT LIABILITIES	**763,267**	789,055
Net assets	**763,267**	789,055
EQUITY		
Share capital	**67,816**	56,816
Reserves *(Note 39(b))*	**695,451**	732,239
Total equity	**763,267**	789,055

39. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 39 of the consolidated financial statements.

(b) Company

	Share premium account HK$'000	Capital reduction reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2016	223,216	191,925	(1,699)	413,442
Loss and total comprehensive loss for the year	–	–	(9,314)	(9,314)
Placing of shares	328,111	–	–	328,111
At 31 December 2016	551,327	191,925	(11,013)	732,239
Loss and total comprehensive loss for the year	–	–	(224,000)	(224,000)
Placing of shares	187,212	–	–	187,212
At 31 December 2017	**738,539**	**191,925**	**(235,013)**	**695,451**

40. DISPOSAL OF SUBSIDIARIES

On 27 September 2016, a subsidiary of the Company entered into the SPA with an independent third party for the disposal of (i) 90% of the issued share capital of Ceneric Asia and its subsidiaries (the "Disposal Group"), and (ii) shareholder's loan made by the Group to Ceneric Asia (collectively, the "Disposal"). According to the SPA, the consideration of the disposal of the 90% equity interests in Ceneric Asia and the Shareholder's loan amounted to HK$26,100,000 and not exceeding HK$20,000,000 respectively. The Disposal was completed on 21 April 2017.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	100
Trade and other receivables	202
Cash and cash equivalents	6,521
Trade payables, other payables and accruals	(545)
Shareholder's loan	(20,090)
Total identifiable net liabilities disposed of	(13,812)
Satisfied by:	
Cash consideration for disposal	26,100
Investment retained in the Disposal Group	(1,381)
Sale of shareholder's loan	(20,000)
Net liabilities disposed of	13,812
Gain on disposal of subsidiaries	18,531
Net cash inflow arising on disposal:	
Cash consideration	26,100
Payments received in the prior year *(Note 33)*	(14,904)
Cash consideration received during the year	11,196
Cash and cash equivalents disposed of	(6,521)
Net cash inflow arising on disposal during the current year	4,675

Immediately after completion of the Disposal, the Group lost control over the Disposal Group and recognised the remaining 10% interest in the issued share capital of Ceneric Asia as available-for-sale investments (Note 31).

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities for the year ended 31 December 2017, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payable (included in trade payables, other payables and accruals) HK$'000	Finance lease payable HK$'000	Loans and borrowings HK$'000	Total HK$'000
As 1 January 2017	–	38	85,963	86,001
Financing cash inflows/(outflows)	(15,340)	(41)	3,602	(11,779)
Finance costs	15,340	–	–	15,340
Exchange realignment	–	3	6,499	6,502
As 31 December 2017	–	–	96,064	96,064

42. CAPITAL COMMITMENTS

As at 31 December 2017, the Group was committed to pay a consideration of HK$175 million for the acquisition of 50% equity interests in an entity (Note 52(b)) (2016: Nil).

43. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases out part of its property in Maoming City, the PRC under a non-cancellable operating lease agreement, with lease terms for five years. The lease agreement requires the tenant to pay security deposit of the lease.

At 31 December 2017, the Group had total future minimum lease receivables falling due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	1,175	384

(b) As lessee

The Group leases certain of its office properties under operating lease commitments. Leases for properties are negotiated for terms ranging from one to two years. None of the leases includes contingent rentals.

At 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017	2016
	HK$'000	HK$'000
Continuing operations		
Within one year	**6,059**	678
In the second to fifth years, inclusive	**5,059**	196
	11,118	874
Discontinued operations		
Within one year	**–**	377
In the second to fifth years, inclusive	**–**	–
	11,118	1,251

44. CONTINGENT LIABILITIES

As at 31 December 2017, the Group had contingent liabilities amounting to HK$2,414,000 (2016: HK$958,000) in respect of the buy-back guarantee in favor of banks to secure mortgage loans facilities granted to the purchasers of the Group's properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision for loss in this respect is required to be made in the consolidated financial statements.

45. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances with related parties disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties:

(a) Remuneration to key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly, including directors and supervisors of the Group. The compensation of key management personnel is as follows:

	2017 **HK$'000**	2016 HK$'000
Short -term employee benefits	**1,737**	9,741
Post-employment benefits	**18**	116
	1,755	9,857

(b) Contribution to retirement plans

The Company participates in mandatory provident funds organized for its employees.

46. ADOPTION OF SHARE OPTION SCHEME

A share option scheme (the “Scheme”) was adopted pursuant to an ordinary resolution passed by the shareholders of the Company at a general meeting on 8 June 2011. The purpose of the Scheme is to provide the Company with a flexible and effective means of incentivising, rewarding, remunerating, compensating and/or providing benefits to eligible participants.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any options to be granted under any other scheme must not in aggregate exceed 10% of the aggregate of the Shares in issue as at 10 June 2011 (the “Adoption Date”).

With the approval of the Shareholders in general meeting, the total number of shares available for issue upon the exercise of all options to be granted under the Scheme and any other scheme under the limit as “refreshed” shall not exceed 10% of the shares in issue of the Company as at the date on which the shareholders approve the “refreshed” limit.

The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and all outstanding options granted and yet to be exercised under any other scheme shall not exceed 30% of the shares in issue from time to time. No options may be granted under the Scheme and no options may be granted under any other schemes if this will result in the limit being exceeded.

The Scheme became effective on the Adoption Date, subject to earlier termination at any time decided by the Board of Directors and approved in advance by shareholders of the Company by ordinary resolution in a general meeting. The Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further options under the Scheme will be granted. As of the date of this report, the remaining life of the Scheme is approximately 38 months.

During the years ended 31 December 2017 and 31 December 2016, no options were granted, exercised, forfeited or lapsed nor were there any option outstanding under the Scheme.

As of the date of this report, the total number of shares available for issue under the Scheme may not exceed 678,163,804 shares, which represent 10% of the shares in issue of the Company.

47. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2017 and 31 December 2016 are as follows:

Name of company	Place of incorporation	Issued and paid-up capital	Percentage of equity attributable to the Company 2017	2016	Class of shares held	Principal activities
Born King Investment Holdings Limited	British Virgin Islands	US$1	**100**	100	Ordinary	Hotel business
Bright Profit Investments Limited	British Virgin Islands	US$50,000	**55**	55	Ordinary	Investment holding
Brilliant Vision Holdings Limited	British Virgin Islands	US$1	**100**	–	Ordinary	Investment holding
Brilliant Wonder Global Limited	British Virgin Islands	US$1	**100**	–	Ordinary	Investment holding
Ceneric Asia Limited	Hong Kong	HK$20,000	**–**	100	Ordinary	Investment holding
Ceneric Asia Asset Management Limited	Hong Kong	HK$902,000	**–**	100	Ordinary	Financial services
Ceneric Asia Corporate Finance Limited	Hong Kong	HK$450,000	**–**	100	Ordinary	Financial services
Ceneric Asia Securities Limited	Hong Kong	HK$5,000,000	**–**	100	Ordinary	Financial services
Ceneric Financial Services Limited	Hong Kong	HK$86,054,000	**100**	100	Ordinary	Investment holding
Ceneric Capital Limited	Hong Kong	HK$300,000	**100**	100	Ordinary	Money lending
Ceneric Consultant Limited	British Virgin Islands	US$1	**100**	100	Ordinary	Financial services
Ceneric Corporate Limited	Hong Kong	HK$50,000	**100**	100	Ordinary	Investment holding
Ceneric Hotel International Limited	Cayman Islands	HK$200	**100**	100	Ordinary	Investment holding
Ceneric Hotel Investments Limited	Cayman Islands	HK$200	**100**	100	Ordinary	Investment holding
Ceneric Properties Limited	British Virgin Islands	US$2	**100**	100	Ordinary	Investment holding

Name of company	Place of incorporation	Issued and paid-up capital	Percentage of equity attributable to the Company 2017	2016	Class of shares held	Principal activities
Conroy Global Limited	British Virgin Islands	US$100	**51**	51	Ordinary	Trading
Eastern Premium Limited	British Virgin Islands	US$1	**100**	–	Ordinary	Property
Ever Point Enterprises Limited	British Virgin Islands	US$1	**100**	100	Ordinary	Investment holding
Fast Progress Corporation Limited	Hong Kong	HK$1	**100**	–	Ordinary	Property
First Max International Limited	British Virgin Islands	US$3	**100**	100	Ordinary	Investment holding
Good Able Investment Limited	Hong Kong	HK$250,099,325	**100**	100	Ordinary	Hotel business
Jubilation Properties Limited	British Virgin Islands	US$50,000	**55**	55	Ordinary	Investment holding
Mega Vast Development Limited	Hong Kong	HK$1	**100**	–	Ordinary	Investment holding
New Stage Holdings Limited	British Virgin Islands	US$1	**100**	100	Ordinary	Investment holding
Orient Elite Global Limited	British Virgin Islands	US$1	**100**	100	Ordinary	Investment holding
Oriental Surge Limited	British Virgin Islands	US$1	**100**	–	Ordinary	Investment holding
Pure Proficient Limited	British Virgin Islands	US$1	**100**	–	Ordinary	Investment holding
Quick Ridge Limited	British Virgin Islands	US$1	**100**	–	Ordinary	Investment holding
TFG International Hong Kong Limited	Hong Kong	HK$1	**100**	–	Ordinary	Investment holding
Total Nation Investments Limited	British Virgin Islands	US$1	**100**	100	Ordinary	Investment holding
Vista International Hotels Limited	Hong Kong	HK$10	**100**	100	Ordinary	Investment holding
		HKS$300,000	**100**	100	Non-voting deferred	

Name of company	Place of incorporation	Issued and paid-up capital	Percentage of equity attributable to the Company 2017	2016	Class of shares held	Principal activities
World China Investment Limited	Hong Kong	HK$1	**100**	–	Ordinary	Investment holding
World Finder Limited	British Virgin Islands	HK$10,001	**100**	100	Ordinary	Investment holding
Worth Fame Limited	British Virgin Islands	US$1	**100**	–	Ordinary	Investment holding
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited	The People's Republic of China	US$2,100,000	**55**	55	Registered capital	Property development
Zhongshan Morning Star Villa Club Co., Ltd.	The People's Republic of China	US$1,400,000	**55**	55	Registered capital	Operation of clubhouses in Morning Star Villa
Zhongshan Morning Star Villa Housing and Real Estate Development Limited	The People's Republic of China	US$4,600,000	**55**	55	Registered capital	Property development
茂名市華盈酒店物業管理有限公司	The People's Republic of China	HK$10,000,000.00	**100**	100	Registered capital	Hotel business
中山富杰投資有限公司	The People's Republic of China	CNY10,000,000.00	**100**	–	Registered capital	Property development
中山富浩投資有限公司	The People's Republic of China	CNY10,000,000.00	**100**	–	Registered capital	Property development

The above table lists the subsidiaries of the Company as at 31 December 2017 which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

Non-wholly owned subsidiaries that have material non-controlling interests

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2017	2016
Percentage of equity interest held by non-controlling interests:		
Bright Profit Investments Limited	**45%**	45%
Jubilation Properties Limited	**45%**	45%
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited	**45%**	45%
Zhongshan Morning Star Villa Housing and Real Estate Development Limited	**45%**	45%
Zhongshan Morning Star Villa Club Co., Ltd	**45%**	45%

	2017 HK$'000	2016 HK$'000
Profit/(loss) for the year allocated to non-controlling interests:		
Bright Profit Investments Limited	**(34)**	(26)
Jubilation Properties Limited	**(28)**	(41)
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited	**(311)**	(118)
Zhongshan Morning Star Villa Housing and Real Estate Development Limited	**161**	1,598
Zhongshan Morning Star Villa Club Co., Ltd	**(977)**	(2,625)
Subsidiaries have immaterial non-controlling interests	**1,202**	(295)
	13	(1,507)
Accumulated balances of non-controlling interests at the reporting dates:		
Bright Profit Investments Limited	**16,485**	17,600
Jubilation Properties Limited	**27,486**	25,574
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited	**9,249**	6,654
Zhongshan Morning Star Villa Housing and Real Estate Development Limited	**17,313**	15,941
Zhongshan Morning Star Villa Club Co., Ltd	**(14,583)**	(12,254)
Subsidiaries have immaterial non-controlling interests	**6,883**	5,782
	62,833	59,297
Bright Profit Investments Limited		
Total revenue	**–**	–
Total expenses	**(75)**	(59)
Loss for the year	**(75)**	(59)
Total comprehensive loss for the year	**(75)**	(59)

	2017 **HK$'000**	2016 HK$'000
Current assets	**36,912**	39,348
Non-current assets	**–**	–
Current liabilities	**(279)**	(238)
Non-current liabilities	**–**	–
Net cash flows used in operating activities	**(35)**	(9)
Net decrease in cash and cash equivalents	**(35)**	(9)
Jubilation Properties Limited		
Total revenue	**14**	–
Total expenses	**(75)**	(92)
Loss for the year	**(61)**	(92)
Total comprehensive loss for the year	**(61)**	(92)
Current assets	**61,329**	57,127
Non-current assets	**–**	–
Current liabilities	**(249)**	(295)
Non-current liabilities	**–**	–
Net cash flows used in operating activities	**(108)**	(25)
Net decrease in cash and cash equivalents	**(108)**	(25)
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited		
Total revenue	**536**	1,091
Total expenses	**(1,227)**	(1,354)
Loss for the year	**(691)**	(263)
Total comprehensive loss for the year	**(691)**	(263)
Current assets	**57,198**	48,842
Non-current assets	**371**	341
Current liabilities	**(104)**	(78)
Non-current liabilities	**(36,912)**	(34,317)
Net cash flows generated from/(used in) operating activities	**1,245**	(5,497)
Net cash flow used in investing activities	**(8)**	–
Net increase/(decrease) in cash and cash equivalents	**1,237**	(5,497)

	2017 HK$'000	2016 HK$'000
Zhongshan Morning Star Villa Housing and Real Estate Development Limited		
Total revenue	**4,175**	5,551
Total expenses	**(3,817)**	(2,001)
Profit for the year	**358**	3,550
Total comprehensive income for the year	**358**	3,550
Current assets	**66,620**	62,881
Non-current assets	**729**	662
Current liabilities	**(4,541)**	(5,495)
Non-current liabilities	**(24,335)**	(22,624)
Net cash flows (used in)/generated from operating activities	**(893)**	1,083
Net cash flows used in investing activities	**(25)**	(8)
Net (decrease)/increase in cash and cash equivalents	**(918)**	1,075
Zhongshan Morning Star Villa Club Co., Limited		
Total revenue	**3,462**	2,633
Total expenses	**(5,633)**	(8,496)
Loss for the year	**(2,171)**	(5,833)
Total comprehensive loss for the year	**(2,171)**	(5,833)
Current assets	**1,041**	1,172
Non-current assets	**13,638**	13,951
Current liabilities	**(10,106)**	(7,973)
Non-current liabilities	**(36,981)**	(34,382)
Net cash flows generated from/(used in) operating activities	**132**	(11)
Net cash flows used in investing activities	**–**	(4)
Net increase/(decrease) in cash and cash equivalents	**132**	(16)

Change in ownership interest in subsidiaries

During the year, the Group disposed of certain subsidiaries, details of which are set out in Note 40.

48. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as at 31 December 2017 are as follows:

Financial assets

	2017 HK$'000	2016 HK$'000
Loans and receivables		
Trade receivables	**77**	69
Other receivables	**8,096**	23,022
Amount due from a joint venture	**160,633**	–
Pledged bank balances	**1,064**	1,268
Cash and cash equivalents	**70,418**	60,123
	240,288	84,482

Financial liabilities

	2017 HK$'000	2016 HK$'000
Financial liabilities at amortised cost		
Trade payables, other payables and accruals	**18,125**	31,443
Finance lease payable	**–**	38
Loans and borrowings	**96,064**	85,963
	114,189	117,444

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise trade and other receivables, amount due from a joint venture, pledged bank deposits, cash and cash equivalents, trade payables, other payables and accruals, finance lease payable and loans and borrowings.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, price risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's interest rate risk arises primarily from the Group's bank deposits. All the deposits are on a floating rate basis.

The Group does not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of the Group's net deposits (being bank deposits less interest-bearing financial liabilities) is closely monitored by management.

At 31 December 2017, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would increase/decrease the Group's profit before tax and equity by approximately HK$246,000 (2016: HK$246,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the non-derivative financial liabilities in existence at that date. The 1% increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2016.

Foreign currency risk

The Group has certain foreign currency monetary assets and liabilities and was exposed to foreign exchange risk rising from various kinds of currency exposures, mainly comprising United States Dollars ("USD") and Renminbi ("RMB"). The Group monitors foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise.

The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year end for a 1% fluctuation in USD and a 5% fluctuation in other foreign currency exchange rates. As at 31 December 2017, the sensitivity analysis of a 1% and 5% decrease in HKD against USD and other foreign currencies would have no change and a decrease of HK$13,413,000 in equity (2016: no change and a decrease of HK$12,240,000) respectively.

Price risk

The Group is not exposed to equity security price risk as no equity securities were held by the Group at the end of the reporting period.

Credit risk

As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group is mainly the failure to discharge an obligation by the counterparties of the Group arising from the default of payment of the licensing fee and royalty fee by the hotel operating rights holders.

In order to minimise the credit risk, the management regularly reviews the recoverability of the Group's trade and other receivables to ensure that adequate impairment losses are made for irrecoverable amounts. In regard to trade receivables, the management of the Group has set up policies to monitor and review the trade receivable position and makes repeated requests and demands from the default counterparties on a regular basis. Imposition of certain stringent controls with counterparties or institution of legal actions against the default counterparty will be possible if necessary. The directors of the Company expect that credit risk exposures to the Group can be properly managed.

The credit risk on liquid funds is limited because majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

Other than concentration of credit risk on trade receivables and amount due from a joint venture, the Group does not have any other significant concentration of credit risk.

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity profile of financial assets and financial liabilities of the Group's continuing operations as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2017				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Non-derivative financial assets					
Trade receivables	77	–	–	–	77
Other receivables	8,096	–	–	–	8,096
Amount due from a joint venture	160,633	–	–	–	160,633
Pledged bank balances	–	–	–	1,064	1,064
Cash and cash equivalents	70,418	–	–	–	70,418
	239,224	–	–	1,064	240,288

	2017				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Non-derivative financial liabilities					
Trade payables, other payables, and accruals	18,125	–	–	–	18,125
Loans and borrowings	–	–	10,807	85,257	96,064
Finance lease payable	–	–	–	–	–
	18,125	–	10,807	85,257	114,189

	2016 On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000 (Restated)
Non-derivative financial assets					
Trade receivables	69	–	–	–	69
Other receivables	23,022	–	–	–	23,022
Amount due from a joint venture	–	–	–	–	–
Pledged bank balances	–	–	–	1,268	1,268
Cash and cash equivalents	60,123	–	–	–	60,123
	83,214	–	–	1,268	84,482

	2016 On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000 (Restated)
Non-derivative financial liabilities					
Trade payables, other payables, and accruals	31,443	–	–	–	31,443
Loans and borrowings	–	–	85,963	–	85,963
Finance lease payable	–	3	10	25	38
	31,443	3	85,973	25	117,444

Capital risk management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 31 December 2016.

50. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

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

The fair values, which are included in Level 3 categories, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflect the credit risk of counterparties.

(b) Reconciliation of Level 3 fair value measurement

Reconciliation of Level 3 fair value measurement is not presented as the Group had no financial assets or financial liabilities that are measured at fair value at end of the reporting period.

51. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2017, nor has any dividend been proposed since the end of the reporting period (31 December 2016: Nil).

52. EVENTS AFTER THE REPORTING DATE

(a) Litigation update

On 14 March 2017, the Group had issued two writs of summons with endorsement of claims against the hotel operating rights holders for (i) an aggregate sum of approximately RMB75.9 million as damages, (ii) interest on any sums or damages payable, (iii) costs, and (iv) further or other relief as a result of the breach of the hotel operating rights agreements.

On 24 January 2018, the Group signed and executed a settlement agreement ("Settlement Agreement") with one of the hotel operating rights holders, Maoming City Zhong Yu Hotel Property Management Limited* 茂名市中譽酒店物業管理有限公司 ("Zhong Yu") whereby Zhong Yu is willing to repay the sum of approximately RMB14.6 million by thirty (30) monthly instalments under an agreed repayment schedule, subject to the payment of interest at the rate of 10% per annum in case of default. First instalment of repayment amounting to RMB0.5 million was made on 25 January 2018.

(b) Acquisition of a subsidiary

As referred to in Note 21, the Group subscribed and had held 50% equity interest in Rich Source during the current year. On 30 October 2017, 14 November 2017 and 13 December 2017, the Group entered into a sale and purchase agreement and two supplemental agreements with Mr. Liu (Note 21), respectively, pursuant to which the Group conditionally agreed to purchase and Mr. Liu conditionally agreed to sell (i) 50,000 shares in Rich Source, which represents 50% equity interest in Rich Source not owned by the Group; and (ii) the shareholder's loan in the amount due and owing by Rich Source to Mr. Liu, subject to adjustment. The purchase consideration comprises a cash payment of HK$15 million and non-convertible 3-year 12% coupon notes of HK$160 million to be issued by the Company. The acquisition was completed on 31 January 2018 and Rich Source became a wholly-owned subsidiary of the Company. As the purchase consideration and the fair value of certain consolidated assets and consolidated liabilities of Rich Source as at the date of acquisition are currently not determined, accordingly goodwill on this acquisition is yet to be measured.

53. COMPARATIVE FIGURES

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

54. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements on pages 35 to 98 were approved and authorised for issue by the Board of Directors on 14 March 2018.

Schedule of Major Properties

For the year ended 31 December 2017

COMPLETED PROPERTIES HELD FOR SALE

Name/location	Use	Gross floor area (sq.m.)	Percentage of Group's interest
Morning Star Villa, Mu He Path, Gangkouzhen Zhongshan, Guangdong PRC	Residential	62	55
Morning Star Plaza Qing Miao Di Hou Shan Guan Li Qu Xi Qu Zhongshan Guangdong PRC	Residential/Commercial	2,784	55

PROPERTIES HELD FOR SALE UNDER DEVELOPMENT

Name/location	Use	Site area (sq.m.)	Percentage of Group's interest
Morning Star Villa Mu He Path Gangkouzhen Zhongshan Guangdong PRC	Residential/Commercial	151,675	55
Morning Star Plaza Qing Miao Di Hou Shan Guan Li Qu Xi Qu Zhongshan Guangdong PRC	Residential/Commercial	7,344	55

Five-Year Financial Summary

The following summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out below:

RESULTS

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000
CONTINUING OPERATIONS					
REVENUE	**30,785**	88,535	92,493	88,950	4,398
(LOSS)/PROFIT BEFORE TAX	**(35,766)**	(464,917)	(53,198)	32,131	(52,179)
INCOME TAX CREDIT/(EXPENSE)	**(331)**	70,294	6,264	11,577	–
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**(36,097)**	(394,623)	(46,934)	43,708	(52,179)
DISCONTINUED OPERATIONS					
Profit/(loss) for the year from disposed subsidiaries	**16,340**	(5,782)	(5,858)	–	–
(LOSS)/PROFIT FOR THE YEAR	**(19,757)**	(400,405)	(52,792)	43,708	(52,179)
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY	**(19,770)**	(398,898)	(49,491)	44,978	(42,642)
NON-CONTROLLING INTERESTS	**13**	(1,507)	(3,301)	(1,270)	(9,537)
	(19,757)	(400,405)	(52,792)	43,708	(52,179)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000
ASSETS AND LIABILITIES					
NON-CURRENT ASSETS	**546,446**	547,269	923,854	1,039,356	60,483
CURRENT ASSETS	**318,218**	156,214	163,865	159,078	580,107
ASSETS ATTRIBUTABLE TO DISPOSED SUBSIDIARIES	**–**	6,218	4,880	–	–
CURRENT LIABILITIES	**(28,932)**	(117,444)	(39,011)	(64,546)	(53,467)
NON-CURRENT LIABILITIES	**(118,504)**	(35,253)	(467,257)	(492,765)	–
LIABILITIES ATTRIBUTABLE TO DISPOSED SUBSIDIARIES	**–**	(17,839)	(10,738)	–	–
NET ASSETS	**717,228**	539,165	575,593	641,123	587,123
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY	**654,395**	479,868	511,457	571,417	543,159
NON-CONTROLLING INTERESTS	**62,833**	59,297	64,136	69,706	43,964
TOTAL EQUITY	**717,228**	539,165	575,593	641,123	587,123