S.A.S. Dragon Holdings Limited

(Stock Code: 1184)

Annual Report

2017

This Annual Report is printed on environmentally friendly paper

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COMPANY PROFILE

Established since 1981 and listed on the Hong Kong Stock Exchange in 1994, **S.A.S. GROUP** IS A LEADING ELECTRONIC SUPPLY CHAIN SERVICES PROVIDER IN THE GREATER CHINA REGION. The Group specialises in design, development, sourcing, quality assurance and logistics management of global proprietary electronic components and semiconductor products including chipset solutions, display panels, memory chips, power supply system solutions, multimedia system solutions, PEMCO, IoT home automation solutions, light-emitting diode ("LED") lighting solutions and other premier solutions for a wide range of applications for mobile, consumer electronic, computer and networking, telecommunication and LED lighting products. The Group is also a distributor of innovative environmental-friendly lifestyle enhancement finished products under SHARP and our owned brands of LIM LIGHT IN MOTION, LIM InfraSystems and LIM LIFE IN MOTION in the Asia Pacific region. S.A.S. Group serves more than 100 famous semiconductor suppliers and over 10,000 customers such as electronics manufacturing services ("EMS") providers, original equipment manufacturers, original design manufacturers, valued-added resellers, retailers and end customers and has more than 20 sales offices in China, Hong Kong, Taiwan and Japan.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Yim Yuk Lun, Stanley *JP*
(Chairman and Managing Director)
Mr. Wong Sui Chuen
Mr. Yim Tsz Kit, Jacky
Mr. Wong Wai Tai

Independent Non-Executive Directors

Dr. Lui Ming Wah *SBS JP*
Mr. Wong Tak Yuen, Adrian
Mr. Liu Chun Ning, Wilfred
Mr. Cheung Chi Kwan
Mr. Wong Wai Kin

AUDIT COMMITTEE

Mr. Wong Tak Yuen, Adrian *(Chairman)*
Dr. Lui Ming Wah *SBS JP*
Mr. Cheung Chi Kwan
Mr. Wong Wai Kin

REMUNERATION COMMITTEE

Mr. Wong Tak Yuen, Adrian *(Chairman)*
Dr. Lui Ming Wah *SBS JP*
Mr. Wong Sui Chuen
Mr. Wong Wai Kin

NOMINATION COMMITTEE

Mr. Wong Tak Yuen, Adrian *(Chairman)*
Mr. Wong Sui Chuen
Mr. Cheung Chi Kwan

COMPANY SECRETARY

Mr. Wong Wai Tai

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

6th Floor, Tower B
Hunghom Commercial Centre
37 Ma Tau Wai Road
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F., One Pacific Place
88 Queensway
Hong Kong

WEBSITE

http://www.sasdragon.com.hk

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1184

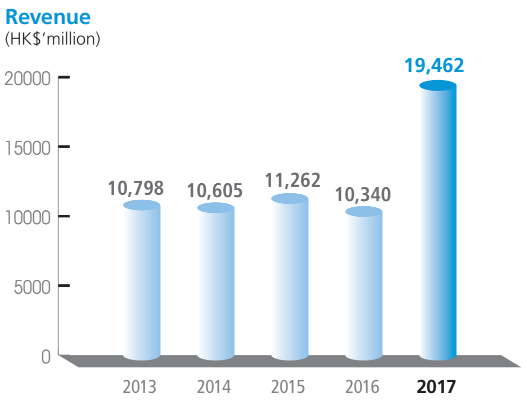
GROUP STRUCTURE

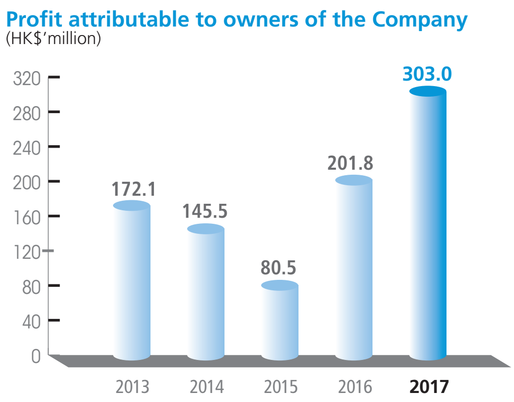
S.A.S. DRAGON HOLDINGS LIMITED

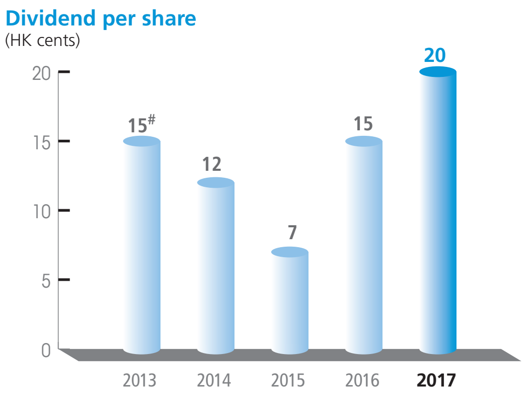
- 100% **S.A.S. INVESTMENT COMPANY LIMITED**
  - Green Value Engineering (GVE) products
    - 100% S.A.S. Lighting Company Limited
      - 100% 時捷照明(深圳)有限公司
      - 70% LIM InfraSystems Company Limited
  - Solution provider of electronic components & semiconductor products
    - 100% S.A.S. Electronic Company Limited
    - 70% SMartech Electronic Company Limited
    - 100% HAS Electronic Company Limited
    - 100% RSL Microelectronics Company Limited
    - 100% SPT Technology Limited
    - 100% Time Speed Technology Corporation
    - 100% 時捷電子科技(深圳)有限公司
    - 100% 時毅電子(深圳)有限公司
    - 100% 時保晶電(深圳)有限公司
    - 78% S.A.S. Dragon Tokyo Corporation
  - Home appliance and business equipment
    - 100% S.A.S. Electric Company Limited
    - 100% 前海時捷電子商務(深圳)有限公司

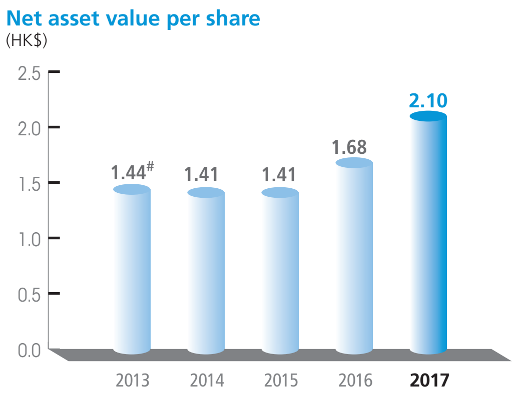
FINANCIAL HIGHLIGHTS

	2017	2016	Change
Revenue *(HK$ million)*	**19,461.9**	10,339.6	+88%
Profit attributable to owners of the Company *(HK$ million)*	**303.0**	201.8	+50%
Basic earnings per share *(HK cents)*	**48.50**	32.33	+50%
Dividend per share *(HK cents)*			
– Final proposed	**15.2**	6.5	
– Special proposed	**–**	5.0	
– Interim paid	**4.8**	3.5	
– Total	**20.0**	15.0	+33%









\# *As restated for the issue of the bonus shares on the basis of one bonus share for every one ordinary share held to shareholders on 11 June 2014.*

CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS

On behalf of the Board, I am pleased to present the consolidated results of S.A.S. Dragon Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2017.

FINANCIAL REVIEW

For the year ended 31 December 2017, the Group achieved a satisfactory growth of revenue by 88% to HK$19,461,921,000 from HK$10,339,603,000 recorded last year, mainly due to the satisfactory performance of our broadened product lines and an increase in the average selling prices of upgraded key electronic components, such as 3D NAND memory chips and LTPS display panels. The Group's gross profit was HK$809,646,000 grew by 68% from HK$481,395,000 recorded last year and gross profit margin was 4.2%, compared with 4.7% recorded last year. Profit attributable to the shareholders of the Company for the year ended 31 December 2017 was HK$303,003,000, increased by 50% compared with HK$201,842,000 recorded last year. Basic earnings per share was HK48.50 cents (2016: HK32.33 cents).

DIVIDENDS

The Board has recommended a final dividend of HK15.20 cents per share for the year ended 31 December 2017 subject to approval by the shareholders at the forthcoming annual general meeting. Together with an interim dividend of HK4.80 cents per share already paid, total dividend for the year will amount to HK20.00 cents (2016: HK15 cents per share).

BUSINESS REVIEW

Distribution of Electronic Components and Semiconductor

During the year under review, both the global and the PRC economies were in the course of recovery. We focus on our strategy to provide comprehensive portfolio of design and supply chain services to our target customers in the Greater China region by broadening our world's leading electronic component supplier portfolio as well as expanding our geographical sales network (including new offices in Changsha, Nanchang, Chongqing Wuhan and Nanjing along the China's high-speed railway), the Group's component sales team delivered strong results and achieved record sales revenue of HK$19.17 billion in 2017, increased 87% from HK$10.26 billion recorded last year.

Mobile Phone

According to an international research company, the worldwide smartphone market shipped a record total of 1.54 billion units in 2017, up by a single-digit percentage from 1.47 billion units shipped in 2016. During the year under review, even the demand in smartphone market became increasingly saturated, especially in the PRC market, several major China branded mobile customers of the Group successfully recorded significant growth by either capturing the demand of entry-level and mid-range models from emerging markets or achieving excellent differentiation and cost/price performance by delivering high-end models with better specifications and advanced features such as high-end camera, 3D sensing face detection technology and wireless charging. In return, the Group recorded significant revenue growth in mobile phone segment by delivering broader range of competitive products such as larger storage DRAM and NAND flash memory chips, all-screen high resolution display panels, large megapixel camera CMOS sensors, auto focus actuators, mobile payment security ICs, fingerprint, force touch and multi-function motion sensors to those branded handset manufacturers, design houses and camera module factories in the Greater China region.

Consumer Electronic

During the year under review, as the popularity of artificial intelligence (AI) – integrated TVs, household appliances and other smart devices such as cleaning robot and drone increased, riding on the Group's proven all-round technical support of Internet of Things (IoT) and smart home connectivity solutions, the Group recorded satisfactory revenue growth in consumer electronics segment by delivering competitive system on chips, radio frequency modules, larger storage memory chips, distance measurement and dust sensors, optical couplers, frequency conversion ICs to our branded manufacturers.

Green value engineering (GVE)

Leverage on our GVE team expertise on the environmentally friendly LED lighting products, our GVE team recorded satisfactory growth of sales of LED lighting fixtures to renounced luxury hotel chains, property owners and developers, shopping malls and retail shops in a number of countries along the Belt and Road routes under our owned brand of "Light In Motion" during the year under review.

Also, we tapped into the digital display market by providing customized LED display solution including design, production, installation, maintenance and ancillary rental services to property owners and operators under our owned brand of "LIM InfarSystems". During the year under review, our GVE team completed several sizeable indoor and outdoor LED display projects in the Asia Pacific region including the prominent large new generation root-top LED sign located at Wan Chai along Victoria Harbor.

Distribution of home appliances and business equipments and provision of related ancillary services

Since being appointed as the sole and exclusive distributor by SHARP Corporation in 2016, we posted satisfactory results by distributing SHARP's full-line products in Hong Kong and Macau.

During the year under review, we launched range of new products such as the world first 70-inch Aquos 8K TV, design award winning full screen Aquos S2 smartphones and innovative ultrasonic washers that received overwhelming market response. In order to boost our brand image, we sponsored a number of eye-catching community and charity events and enhanced our MySharp members' users experience by rolling out both IOS and android based "SHARP SAS" mobile apps for on-line shopping, ordering, warranty registration and other value added services.

Properties investment

As of 31 December 2017, the Group carried the 13 units of investment properties (31 December 2016: 12 units) for commercial and industrial uses in Hong Kong and the PRC. The aggregate carrying value of investment properties amounted to HK$581 million (31 December 2016: HK$494 million).

The above investment properties altogether generated rental income of HK$14.9 million (2016: HK$10.2 million) with an annualized return of 2.6% (2016: 2.1%).

OUTLOOK

Looking ahead, we expect the global semiconductor market to remain buoyant in 2018, driven by strong demand for DRAM and NAND flash memory chips. Also, to be powered up by the coming 5G communication technology, we are entering the era of intelligent household, smart city and vehicle networking and we are bullish for the demand of electronic components, GVE products, IoT devices and AI - integrated smartphones, household appliances and other consumer electronic products. In the view to strengthen support to our Japan's suppliers and potential customers, we built a sale and marketing team in Japan after the incorporation of S.A.S. Dragon Tokyo Corporation in December 2017.

In order to enhance the operation efficiency and provide more efficient and reliable services to its customers, the Group has completed construction of the new intelligent 20-storey building at Kwai Chung for its headquarter office and warehouse center which is expected to be occupied by mid of 2018 after internal renovation.

We have confidence that the Group will maintain competitive in the Greater China region by virtue of our economies of scales, solid long-term customer relations supported by our strong financial strength, localized sales and engineers, competent inventory management and other value added services.

By leveraging on Hon Hai Group and SHARP Corporation's leading position in electronic component to consumer electronic regimes and our over 36 years of experience, industry expertise and market recognition, we are confident to pursue a healthy and sustainable business growth and generate more returns to our shareholders.

APPRECIATION

On behalf of the Board of Directors, I would like to thank all our employees for their contribution and commitments. I also wish to extend my sincere gratitude to our shareholders, customers, suppliers and other business partners for their long-term supports and dedication. Finally, I would like to welcome one new Board Director, Mr. Wong Wai Kin, and announce Dr. Lui Ming Wah's upcoming retirement. I extend my sincere thanks to my fellow Board members for their contributions during the year and, especially, Dr. Lui for his invaluable guidance during his directorship and wish him the best.

Yim Yuk Lun, Stanley *JP*
Chairman

Hong Kong, 27 March 2018

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2017, the Group's current ratio was 104% (31 December 2016: 108%). The Group's net gearing ratio was 175% (31 December 2016: 145%), defined as the Group's net borrowings (calculated as total bank and other borrowings minus total cash and bank balances minus pledged bank deposits minus financial assets at fair value through profit or loss) of approximately HK$2,551,208,000 (31 December 2016: HK$1,650,065,000) over total equity of HK$1,453,855,000 (31 December 2016: HK$1,138,004,000). The increase of net gearing ratio was mainly due to the increase of bank borrowings in relation to the increase of working capital required to fulfill high level shipments made in 2017 and the first quarter of 2018 when compared with same period of last year.

The Group recorded debtors turnover of approximately 56 days for the year under review (2016: 50 days) based on the amount of trade and bills receivable as at 31 December 2017 divided by sales for the same year and multiplied by 365 days.

The Group recorded inventory turnover and average payable year of approximately 24 days and 29 days respectively for the year under review (2016: approximately 41 days and 32 days respectively) based on the amount of inventory and trade and bills payables as at 31 December 2017, divided by cost of sales for the same year and multiplied by 365 days.

In 2017, the Group recorded net operating cash outflow of HK$651,215,000 compared with net operating cash outflow of HK$428,302,000 in 2016.

EMPLOYEE AND REMUNERATION POLICY

At 31 December 2017, the Group employed approximately 700 employees in the Greater China region. The Group ensures that their employees are offered competitive remuneration packages. Other staff benefits include share option scheme, provident fund schemes and medical insurance. Also, discretionary bonus was granted to eligible employees based on the Group's financial results and individual performance.

PLEDGE OF ASSETS

At 31 December 2017, certain of the Group's assets (including investment properties, leasehold land and buildings, bank deposits, trade receivables and investments held-for-trading) with the carrying value of totaling approximately HK$1,638 million were pledged to secure general banking facilities granted to the Group.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

DIRECTORS

Executive Directors

Mr. Yim Yuk Lun, Stanley JP, aged 58, is the founder and the Chairman and Managing Director of the Group. He is responsible for the formulation of corporate strategies and the overall direction for the Group. Mr. Yim was appointed as a chairman and executive director of Hi-Level Technology Holdings Limited (stock code: 8113), a company listed on the GEM Board of the Stock Exchange on 1 October 2015. Mr. Yim has been an independent director of Innolux Corporation (stock code: 3481), a company listed on the Taiwan Stock Exchange, since 1 July 2013. He is currently the honorary vice chairman of the Hong Kong Electronic Industries Association, a member of Yan Chai Hospital Advisory Board, the chairman of School Management Committee of Yan Chai Hospital Yim Tsui Yuk Shan Kindergarten, a member of the Chinese People's Political Consultative Conference Shanghai Committee, a member of the Chinese People's Political Consultative Conference Yunfu Committee, the chairman of Fight Crime Committee of Tsuen Wan District, the Chairman of the Tsuen Wan District Civic Education Committee and a member of Tsuen Wan District Junior Police Call Honorary President Council.

Mr. Wong Sui Chuen, aged 64, was appointed as an Executive Director of the Company in 2003. He is mainly responsible for overall administration operations in the PRC. Mr. Wong has over twenty years experience in the PRC business affairs. He is currently appointed as the vice president of Shenzhen Association of Enterprises with Foreign Investment, the director of Shanghai Chinese Overseas Friendship Association, the consultant of Shenzhen Association for the Promotion of International Economy & Culture and the director of Dongguan Electronic Industries Association.

Mr. Yim Tsz Kit, Jacky, aged 33, was appointed as an Executive Director of the Company in 2013. He joined the Group in 2009 and is currently as the Director of S.A.S. Lighting Company Limited. He has received the Young Industrialist Awards of Hong Kong 2017 by The Federation of Hong Kong Industries since November 2017. He holds a Bachelor's degree from Central Saint Martins in United Kingdom and a Master's degree in Business Administration from the University of Wales. Before joining the Group, he was working in banking industry. He is a son of Mr. Yim Yuk Lun, Stanley JP, the Chairman and Managing Director of the Group and a substantial shareholder of the Company.

Mr. Wong Wai Tai, Peter, aged 46, was appointed as an Executive Director of the Company on 1 December 2016. He joined the Group in 2005 as the Company Secretary and Chief Financial Officer of the Group. He holds a Bachelor's degree of Business Administration from Hong Kong Baptist University and a Master of Laws from Renmin University of China. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. He has over twenty years experience in accounting, auditing, taxation and financial management. Mr. Wong has been appointed as non-executive director of Hi-Level Technology Holdings Limited (stock code: 8113), a company listed on the GEM Board of the Stock Exchange, on 1 December 2016.

Independent Non-Executive Directors

Dr. Lui Ming Wah SBS JP, aged 80, was appointed as an Independent Non-Executive Director of the Company in 1994. He is currently the independent non-executive director of AV Concept Holdings Limited, Gold Peak Industries (Holdings) Limited and L.K. Technology Holdings Limited, all being listed companies in the Hong Kong Stock Exchange and a director of Asian Citrus Holding Limited, a listed company in the London Stock Exchange and Hong Kong. Dr. Lui holds a Master's degree in applied science from the University of New South Wales, Australia and a Doctorate in engineering from the University of Saskatchewan, Canada. Dr. Lui is currently the managing director of Keystone Electronics Company Limited. Dr. Lui is the Hon. Chairman of the Hong Kong Electronic Industries Association Limited and Hon. President of CMA.

Mr. Wong Tak Yuen, Adrian, aged 63, was appointed as an Independent Non-Executive Director of the Company in 1999. Mr. Wong holds a Bachelor's degree in Economics and Mathematics from the University of Western Ontario, London, Canada. Mr. Wong has over twenty years experience in the financial Industry.

Mr. Liu Chun Ning, Wilfred, aged 56, was appointed as an Independent Non-Executive Director of the Company in 2001. He is an non-executive director of Liu Chong Hing Investment Limited during 1997 to March 2017, he was appointed as executive director of Chong Hing Bank Limited during 1998 to February 2014 and independent non-executive director of Get Nice Holdings Limited during May 2002 to August 2014, whose shares are listed in the Hong Kong Stock Exchange. He holds a Bachelor's degree in economics from the University of Newcastle-upon-Tyne (UK).

Mr. Cheung Chi Kwan, aged 58, was appointed as an Independent Non-Executive Director of the Company in 2004. Mr. Cheung has over twenty years of accounting experience. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. In addition, Mr. Cheung holds a Bachelor's Degree in Laws from University of Wolverhampton, United Kingdom.

Mr. Wong Wai Kin, aged 72, was appointed as an Independent Non-Executive Director of the Company on 27 March 2018. Mr. Wong holds a Honor degree in Geography and Geology from University of Hong Kong. He has extensive experience in the government of the HKSAR and hospital management. He held the directorate posts of Controller and Student Financial Assistant Agency and Secretary General of Independent Police Complaints Committee. He is currently a member of the School Management Committee of Yan Chai Hospital Tung Chi Ying Secondary School and Yan Chai Hospital Chan Iu Sing Primary School.

SENIOR MANAGEMENT

Mr. Chin Kan Tak, Danny, aged 61, joined the Group in 1990 as the Chief Treasury Officer of the Group. He has more than twenty years experience in the operation and management of electronic industry.

Mr. Wang Yi, Michael, aged 51, joined the Group in 2002 as the Sales Director of SMartech Electronic Company Limited. He graduated from Shanghai University of Technology, with a Bachelor's degree in Electronic engineering. He has several years experience as Field Application Engineer in Philips Semiconductor Shanghai and ten years experience as Sales & Marketing Manager of Samsung Semiconductor in the PRC.

Mr. Cao Lei, Benny, aged 51, joined the Group in 2005 as the General Manager of SMartech Electronic Company Limited. He graduated from Shanghai Railway Technology Institute with a college degree in Reliability Engineering. He has more than sixteen years management experience in electronics field on sales and marketing.

The Group continues to achieve high standards of corporate governance which, it believes, is crucial to the development of the Group and to safeguard the interests of the Company's shareholders.

The Company complied with the applicable code provisions in the Corporate Governance Code (the "Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2017, except for the deviations from code provisions A.1.8, A.2.1, A.4.1 and A.6.7 which are explained in the relevant paragraphs below.

BOARD OF DIRECTORS

The Board currently consists of 4 executive directors, namely, Mr. Yim Yuk Lun, Stanley *JP*, Mr. Wong Sui Chuen, Mr. Yim Tsz Kit, Jacky and Mr. Wong Wai Tai and 5 independent non-executive directors ("INEDs") (collectively the "Directors"), namely, Dr. Lui Ming Wah *SBS JP*, Mr. Wong Tak Yuen, Adrian, Mr. Liu Chun Ning, Wilfred, Mr. Cheung Chi Kwan and Mr. Wong Wai Kin. Mr. Yim Tsz Kit, Jacky is a son of Mr. Yim Yuk Lun, Stanley *JP*, the Chairman and Managing Director of the Group and a substantial shareholder of the Company.

Details of remuneration paid to members of key management (including all Directors and senior management as disclosed in section headed "Directors and Senior Management Profiles" of this report) for the year ended 31 December 2017 fell within the following bands:

	Number of individual 2017
Below HK$1,000,000	6
HK$1,000,001 to HK$1,500,000	4
Exceeding HK$1,500,000	2

The Board is responsible for the formulation of corporate strategies, the setting of appropriate strategic policies and internal control and the oversight of the operation and financial performance of the Group. The Board are individually and collectively accountable to the shareholders for the success and sustainable development of the Group.

Day-to-day management of the Group is delegated to the executive directors or senior management. Executive directors and senior management meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

The Company has received annual confirmation of independence from the four INEDs pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent within the definition of the Listing Rules.

During the year, all Directors have received regular updates on the changes and developments in the relevant laws and regulations applicable to the Directors. Additionally, trainings have been attended by all Directors covering the updates on the Companies Ordinance, the Listing Rules and/or accounting reporting standards.

Under the code provision A.1.8 of the Code, an issuer should arrange appropriate insurance cover in respect of legal action against its Directors. With regular and timely communications among the Directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the Directors can be handled effectively and the possibility of actual litigation against the Directors is low. The Company will consider to make such an arrangement as and when it thinks necessary.

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not performed by the same individual. Having considered the current business operation and the size of the Group, the Board is of the view that Mr. Yim Yuk Lun, Stanley *JP* acting as both the Chairman and the Managing Director of the Group is acceptable and in the best interest of the Group. Mr. Yim is responsible for the formulation of corporate strategies and the overall direction for the Group's management team.

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. The non-executive directors of the Company have not been appointed for a specific term. However, according to the Bye-laws of the Company, one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are similar to those in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions.

Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year under review.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare financial statements for each half and full financial year which give a true and fair view of the state of affairs of the Group.

AUDIT COMMITTEE

The Audit Committee currently consists of 4 non-executive directors, namely, Mr. Wong Tak Yuen, Adrian, Mr. Cheung Chi Kwan, Dr. Lui Ming Wah *SBS JP* and Mr. Wong Wai Kin. Mr. Wong Tak Yuen, Adrian is the Chairman of the Audit Committee. In accordance with the terms of reference of the Audit Committee, the Audit Committee met twice in 2017 to review the interim and final results of the Company. The terms of reference of the Committee are aligned with the recommendations set out in "A Guide For Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Code.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and risk management systems and internal controls procedures, review of the Group's financial information and review of the relationship with the Auditors of the Company.

During the financial year ended 31 December 2017, the Group has engaged the external auditors, Deloitte Touche Tohmatsu, to provide the following services and their respective fees charged are set out as below:

Type of Services	**Amount HK$'000**
Audit fee	1,980
Non-audit and tax related services	184

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises 4 members, namely, Mr. Wong Sui Chuen, Dr. Lui Ming Wah *SBS JP*, Mr. Wong Tak Yuen, Adrian and Mr. Wong Wai Kin, majority of whom are independent non-executive directors, and is chaired by Mr. Wong Tak Yuen, Adrian.

The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policies and structure for all remuneration of Directors and senior management and to review the specific remuneration packages of Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. One meeting has been held during the year under review.

NOMINATION COMMITTEE

The Nomination Committee comprises 3 members, namely, Mr. Wong Sui Chuen, Mr. Wong Tak Yuen, Adrian and Mr. Cheung Chi Kwan, majority of whom are independent non-executive directors and is chaired by Mr. Wong Tak Yuen, Adrian. One meeting has been held during the year under review.

The principal responsibilities of the Nomination Committee are to determine the policy for the nomination of Directors, to set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship, to review the structure, size and composition of the Board and to assess the independence of the independent non-executive Directors.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Board Diversity Policy") on 27 August 2013. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board.

In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

(e) to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

BOARD AND COMMITTEE ATTENDANCE

The Board held six meetings during the year.

Details of the attendance of each of the Directors at board meeting, committees meetings and annual general meeting (the "AGM") during the year are set out in the table below:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM
Number of Meeting(s)	6	2	1	1	1
Executive Directors					
Yim Yuk Lun, Stanley *JP*	6/6	N/A	N/A	N/A	1/1
Wong Sui Chuen	6/6	N/A	1/1	1/1	1/1
Yim Tsz Kit, Jacky	6/6	N/A	N/A	N/A	0/1
Wong Wai Tai	6/6	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Dr. Lui Ming Wah *SBS JP*	6/6	2/2	1/1	N/A	0/1
Wong Tak Yuen, Adrian	6/6	2/2	1/1	1/1	1/1
Liu Chun Ning, Wilfred	6/6	N/A	N/A	N/A	0/1
Cheung Chi Kwan	6/6	2/2	N/A	1/1	1/1

In respect of the code provision A.6.7 of the Code, two non-executive directors were unable to attend the AGM meeting of the Company held on 19 May 2017 due to their unexpected business engagement.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for maintaining good and effective risk management and internal controls of the Group.

During the year, the Board, with the assistance of the audit committee, conducted a review of the effectiveness and adequacy of the Group's risk management and internal control systems, covering financial, operational, compliance control and risk management functions. To assist the audit committee to fulfill its responsibilities, the senior management has to identify, update and report the key risk areas which covered all aspects of corporate strategies, operation and finance to the Board.

The Group risk management and internal control system includes the setting up of a management structure with limits of authority and is designed to help the Group achieve its business objectives, protects its assets against unauthorised use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication and ensures compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate all risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

Risk management report and internal control report are submitted to the audit committee and the Board at least once a year. After reviewing the Group's risk management and internal control systems, the Board considers that the systems are effective and adequate for the Group as a whole. The Board further considers that (i) there was no material issue relating to the Group's risk management and internal controls, including financial, operational and compliance controls and risk management functions of the Group; and (ii) that there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting, internal audit and financial reporting functions, and adequate training programmes had been provided during the year under review.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of Securities and Futures Ordinance ("SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

SHAREHOLDERS' RIGHT

(i) Procedures by which shareholders can convene a Special General Meetings ("SGM")

The Board shall, on the requisition in writing of the shareholders of not less than one-tenth of the paid-up capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene a SGM.

If within 21 days of such deposit the Board fails to proceed to convene the SGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but any meeting so convened shall not be held after three months from the date of the original deposit.

(ii) Procedures for putting forward proposals at General Meetings ("GM")

Shareholders can submit a written requisition to move a resolution at GM. The number of shareholders shall represent not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the GM, or who are no less than 100 shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the GM. It must also be signed by all of the shareholders concerned and be deposited to the Company Secretary at the Company's office in Hong Kong at 6/F., Tower B, Hunghom Commercial Centre, 37 Ma Tau Wai Road, Hunghom, Kowloon, Hong Kong not less than 6 weeks before the GM in case of a requisition requiring notice of a resolution and not less than one week before the GM in case of any other requisition.

The request will be verified with the Company's Share Registrars and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board of Directors to include the resolution in the agenda for the meeting provided that the shareholders concerned have deposited a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders.

(iii) Shareholders' Enquiries

Shareholders may at any time send their enquiries and concerns to the Board in writing with contact information of the requisitionists and deposited to the Company Secretary at the Company's office in Hong Kong at 6/F., Tower B, Hunghom Commercial Centre, 37 Ma Tau Wai Road, Hunghom, Kowloon, Hong Kong.

COMMUNICATION WITH SHAREHOLDERS

To foster effective communications with its shareholders, the Company provides extensive information in its annual report and press release. Also the Group disseminates information relating to its business electronically through its website at www.sasdragon.com.hk. The Company regards the annual general meeting as an important event as it provides an important opportunity for direct communications between the Board and the Company's shareholders. All Directors and senior management will make an effort to attend. All shareholders will be given at least 20 clear business days' notice of the annual general meeting and are encouraged to attend the annual general meeting and other shareholders' meetings.

The directors present their annual report and the audited consolidated financial statements of S.A.S. Dragon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the activities of its principal subsidiaries are set out in note 41 to the consolidated financial statements. There were no significant changes to the Group's principal activities during the current year.

DIVIDENDS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 33.

The directors recommend the payment of a final dividend of HK15.20 cents per share to the shareholders on the register of members on 13 June 2018. Dividend warrants will be dispatched on 6 July 2018.

BUSINESS REVIEW

Business review of the Group for the year ended 31 December 2017 has been stated in the Chairman's Statement and Management Discussion and Analysis on pages 6 to 9 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 39% and 65%, respectively, of the Group's total purchases for the year.

The aggregate sales attributable to the Group's largest customer and five largest customers taken together accounted for 35% and 51%, respectively, of the Group's total sales for the year.

Hon Hai Precision Industry Co., Ltd. ("Hon Hai"), a shareholder holding more than 5% of the Company's share capital, was one of the Group's five largest suppliers. Save for this company, none of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest suppliers and customers.

INVESTMENT PROPERTIES

At 31 December 2017, the investment properties of the Group were revalued by an independent firm of professional property valuers at HK$580,660,000. The revaluation resulted in a surplus of HK$39,366,000 and is recognised in the consolidated statement of profit or loss and other comprehensive income. Details are set out in note 13 to the consolidated financial statements.

Particulars of investment properties of the Group at 31 December 2017 are set out on pages 125 and 126.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2017, calculated in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, is represented by the contributed surplus and the retained profits in the aggregate amount of HK$256,314,000 (2016: HK$220,486,000) as disclosed in note 40 to the consolidated financial statements.

ANALYSIS OF KEY FINANCIAL PERFORMANCE INDICATORS

For details of the key financial performance indicators to the performance the Group's business, please refer to "Management Discussion and Analysis" on page 9 of this report.

ENVIRONMENTAL PROTECTION

The Group is committed to acting in an environmentally responsible manner. Using LED lamps for offices and warehouse premises, environmentally friendly paper to print annual and interim reports, recycling and use of eco-friendly stationery, plus a series of measures to save paper and energy, resulted in more efficient use of resources, as well as reduction of waste.

COMPLIANCE WITH REGULATIONS

There was no material breach of or non-compliance with the applicable laws and regulations such as the Hong Kong Companies Ordinance (Cap. 622), the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and other applicable local laws and regulations in various jurisdictions.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Remuneration packages are generally structured with reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Apart from salary payments, there are other staff benefits including mandatory provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees of the Group.

Relationship is the fundamentals of business. The Group fully understand this principal and thus maintain close relationship with the customers to fulfil their immediate and long-term need.

The Group encompasses working relationships with suppliers to meet our customer's needs in an effective and efficient manner. The Group work closely and well-communicated to suppliers before the commencement of a project.

PRINCIPAL RISK AND UNCERTAINTIES FACING THE COMPANY

The following lists out the principal risks and uncertainties facing the company in achieving business objectives and the Group's approach to tackle them:

Impact of local and international regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Foreign exchange risk

The Group has foreign currency sales and purchases, bank deposits and borrowings primary in United States dollars and Renminbi which expose the Group to foreign currency risk.

The Group entered into foreign currency forward contracts to hedge the currency risk related to its payables denominated in foreign currencies.

DIRECTORS

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

Executive Directors

Yim Yuk Lun, Stanley *JP* *(Chairman and Managing Director)*
Wong Sui Chuen
Yim Tsz Kit, Jacky
Wong Wai Tai

Independent Non-Executive Directors

Dr. Lui Ming Wah *SBS JP*
Wong Tak Yuen, Adrian
Liu Chun Ning, Wilfred
Cheung Chi Kwan
Wong Wai Kin *(appointed on 27 March 2018)*

In accordance with 86(2), 87 of the Company's Bye-Laws, Mr. Wong Sui Chuen, Mr. Liu Chun Ning, Wilfred, Mr. Cheung Chi Kwan and Mr. Wong Wai Kin retire and, being eligible, offer themselves for re-election at the coming annual general meeting. Dr. Lui Ming Wah *SBS JP* will voluntarily retire from the Board at the conclusion of the coming annual general meeting.

The term of office for all remaining directors is the period up to his retirement by rotation in accordance with the above Bye-Laws.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to rule 13.51B (1) of the Listing Rules, the change of directors' information of the Company since the date of 2017 interim report is as follow:

Mr. Wong Wai Kin has been appointed as independent non-executive director and a member of audit and remuneration committee of the Company on 27 March 2018.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

At no time during the year and up to the date of this report was any permitted indemnity provision being in force for the benefit of any of the directors of the Company.

MANAGEMENT CONTRACT

There were no contracts concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries or fellow subsidiaries, entered into or existed during the year.

DIRECTORS' INTEREST IN A TRANSACTION, ARRANGEMENT AND CONTRACTS OF SIGNIFICANCE

No transaction, arrangement and contract of significance to which the Company, its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director or a connected entity of a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2017, the interests of the directors of the Company in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions

(a) Ordinary shares of HK$0.10 each of the Company

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Yim Yuk Lun, Stanley *JP*	Beneficial owner	66,618,000	10.64%
	Held by controlled corporation *(Note 1)*	227,542,800	36.36%
		294,160,800	47.00%
Wong Sui Chuen	Beneficial owner	1,824,000	0.29%

(b) Ordinary shares of HK$0.01 each of Hi-Level Technology Holdings Limited ("Hi-Level shares")

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of Hi-Level
Yim Yuk Lun, Stanley *JP*	Beneficial owner *(Note 2)*	32,272,861	5.15%
	Held by controlled corporation *(Note 2)*	206,633,000	32.97%
		238,905,861	38.12%
Wong Wai Tai	Beneficial owner	2,000,000	0.32%
Wong Sui Chuen	Beneficial owner	1,331,328	0.21%
Yim Tsz Kit, Jacky	Beneficial owner	300,000	0.05%

Notes:

1. These shares are held by Unimicro Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Yim Yuk Lun, Stanley *JP*.

2. Mr. Yim Yuk Lun, Stanley *JP* beneficially owns 32,272,861 Hi-Level shares and is the controlling shareholder of the Company; he is therefore under the SFO deemed to be interested in 206,633,000 Hi-Level shares held by S.A.S. Investment Company Limited ("S.A.S. Investment") which is a wholly-owned subsidiary of the Company.

Save as disclosed above, other than certain nominee shares in subsidiaries held by certain directors in trust for the Company, none of the directors or chief executives or their associates had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31 December 2017.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 30 to the consolidated financial statements.

(a) Share option scheme of the Company

During the year, the movements in the share options to subscribe for the Company's shares were as follows:

	Exercise Price *HK$*	Outstanding as at 1.1.2017 *HK$*	Granted During the Year	Exercised During the Year	Lapsed During the Year	Outstanding as at 31.12.2017	Closing Price on the Date of Grant	Weighted average closing price of shares immediately before the date on which the share options were exercised
Employees	2.60	3,344,000	–	1,556,000	(1,788,000)	–	2.57	N/A

Share options granted in September 2014 under the Company's share option scheme are exercisable during the period from 25 September 2015 to 24 September 2017 in two batches.

(b) Equity-settled Pre-IPO Share Option Scheme of Hi-level Technology Holdings Limited

On 4 January 2016, there were share options granted to directors or employees of the Group under the Pre-IPO Share Option Scheme. The following tables disclose movements in the share options granted to the directors and employees of the Group under the Pre-IPO Share Option Scheme for the years ended 31 December 2017:

					Number of share options						
Grantees	Vesting proportion	Vesting date	Exercisable period	Exercise price per share *HK$*	Outstanding at 1.1.2016	Options granted during 2016	Options lapsed during 2016	Outstanding at 31.12.2016	Options exercised during the year	Options lapsed during the year	Outstanding at 31.12.2017
Employees	50%	6.1.2017	7.1.2017 – 6.1.2019	0.31	–	9,475,000	(525,000)	8,950,000	(7,680,000)	(75,000)	1,195,000
	50%	6.1.2018	7.1.2018 – 6.1.2019	0.31	–	9,475,000	(525,000)	8,950,000	–	(125,000)	8,825,000
Directors	50%	6.1.2017	7.1.2017 – 6.1.2019	0.31	–	3,500,000	–	3,500,000	(3,500,000)	–	–
	50%	6.1.2018	7.1.2018 – 6.1.2019	0.31	–	3,500,000	–	3,500,000	–	–	3,500,000
					–	25,950,000	(1,050,000)	24,900,000	(11,180,000)	(200,000)	13,520,000
Exercisable as at year end								–			13,520,000
Weighted average exercise price					–	HK$0.31	HK$0.31	HK$0.31	HK$0.31	HK$0.31	HK$0.31

Share options granted in January 2016 under the Pre-IPO Share Option Scheme are exercisable during the period from 7 January 2017 to 6 January 2019 in two batches.

EQUITY-LINKED AGREEMENTS

Other than the Company's share option scheme disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Company's share option scheme and the Pre-IPO Share Option Scheme of Hi-Level Technology Holdings Limited disclosed above, at no time during the year was the Company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or their spouses or children under the age of eighteen had right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

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, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions:

Ordinary shares of HK$0.10 each of the Company

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Hon Hai	Held by controlled corporation *(Note)*	124,000,000	19.81%
Foxconn Holding Limited ("Foxconn")	Beneficial owner	124,000,000	19.81%

Note: Hon Hai owns 100% interest in Foxconn and is accordingly deemed to be interested in those ordinary shares of the Company beneficially owned by Foxconn.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company at 31 December 2017.

TAX RELIEF

The Company is not aware of any relief on taxation available to the shareholders by reason of their holdings of the shares. If the shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the shares, they are advised to consult their professional advisers.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

During the year ended 31 December 2017, the Group entered into a number of connected transactions and continuing connected transactions with Hon Hai (being the substantial shareholder of the Company) and its subsidiaries (which are regarded as connected persons as defined in the Listing Rules).

The Group carried out the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.73 of the Listing Rules) during the year ended 31 December 2017:

Pursuant to the conditional master agreement entered into among the Company and Hon Hai on 12 November 2012 which governs the sales and purchases of electronic components to be made for the next 3 financial years during the period between 1 January 2012 and 31 December 2015 (as amended by the respective agreement dated 23 November 2006, 18 November 2009 and 9 April 2010).

The current conditional master agreement (2016 renewal) was entered into on 9 November 2015 which governs the sales and purchases of electronic components and other products to be made for the next 3 financial years commencing from 1 January 2016 to 31 December 2018. Further details of the said agreement were set out in the announcement of the Company dated 9 November 2015 and the circular of the Company dated 18 December 2015.

The said agreement and the proposed sale and purchase caps were duly approved by the shareholders of the Company on 6 January 2016.

During the year under review, the value of connected continuing transactions for the year ended 31 December 2017 as below:

Nature of transactions	**2017** *HK$'000*
Purchase of electronic products by the Group	1,446,862
Sales of electronic products by the Group	3,348,266
Rental expense paid by the Group	8,507
Rental income received by the Group	2,400
Reimbursement of warranty services by the Group	2,370

Save as disclosed above and save for those connected transactions for the year disclosed in note 39 to the consolidated financial statements:

(i) no contracts of significance subsisted at any time during the year to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly; and

(ii) there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

In accordance with the conditions agreed with the Stock Exchange with respect to the connected transactions, the independent non-executive directors have reviewed the connected transactions set out in note 39 to the consolidated financial statements and, in their opinion, these transactions were entered into by the Group:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor has concluded that the transactions regarding the rental expense in the amount of HK$8,507,000 paid by the Group to Sharp Hong Kong Limited for 2017 (the "Transaction") were not entered into, in all material respects, in accordance with the relevant requirements of the Listing Rules and has expressed qualified opinion on the matters set out in Rule 14A.56 of the Listing Rules because no written agreement in respect of the Transactions was entered into with S.A.S. Electric Company Limited as required by 14A.34 of the Listing Rules, no annual cap has been set by the Company accordingly and no formal approval was given by the Company's board of directors at the time of entering into the Transactions.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2017, neither the Company nor its subsidiaries purchased, sold or redeemed any of its listed securities.

PRE-EMPTIVE RIGHTS

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

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Board of Directors on the basis of their merit, qualifications, competence and job nature.

The emoluments of the directors of the Company are recommended by the Remuneration Committee and are decided by the Board, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to eligible employees, details of the scheme is set out in note 29 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2017.

CHARITABLE DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$1,044,400.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

Signed on behalf of the Board

YIM YUK LUN, STANLEY *JP*
CHAIRMAN AND MANAGING DIRECTOR

Hong Kong, 27 March 2018

TO THE MEMBERS OF S.A.S. DRAGON HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of S.A.S. Dragon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 33 to 123, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, 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 HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
We identified the impairment of trade receivables as a key audit matter due to its significance to the Group. Referring to notes 4 and 21 to the consolidated financial statements, the management assesses the impairment loss on trade receivables of the Group based on the evaluation of collectability in assessing the ultimate realisation of these receivables, including the trade receivables ageing analysis, repayment history, subsequent settlements and current creditworthiness of each customer. Where the actual future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss/further impairment loss may arise. As at 31 December 2017, the carrying amount of trade receivables was HK$2,973,537,000, net of allowance of HK$29,385,000.	Our procedures in relation to impairment of trade receivables included: • Understanding the management's assessment in relation to the collectability of trade receivables; • Testing the accuracy of the trade receivables ageing analysis as at 31 December 2017, on a sample basis; • Assessing the reasonableness of allowance for doubtful debts estimated by the management with reference to the trade receivables ageing analysis, repayment history and subsequent settlements of customers; and • Evaluating the historical accuracy of allowance for doubtful debts estimation by the management.
Allowance of inventories	
We identified the allowance of inventories as a key audit matter due to significant judgement exercised by the management in identifying the obsolete and slow-moving inventory items, and estimating the allowance of inventories. Referring to note 4 to the consolidated financial statements, the directors of the Company review inventories on a product-by-product basis at the end of each reporting period to identify obsolete and slow-moving inventory items based on the inventories ageing analysis. Net realisable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The management estimates the net realisable value for inventories based primarily on the current market demand, latest selling prices and historical experiences on selling products with similar nature. As at 31 December 2017, the carrying value of inventories was HK$1,232,929,000 (net of allowance of HK$51,021,000).	Our procedures in relation to evaluating the appropriateness of estimated allowance of inventories included: • Understanding how the management identify obsolete and slow-moving inventory items, and estimates the allowance for obsolete and slow-moving inventory items as at 31 December 2017; • Testing the accuracy of the inventories ageing analysis as at 31 December 2017, on a sample basis; • Assessing the reasonableness of the net realisable value of inventories and allowance of inventories estimated by the management by tracing the latest selling prices to the sales invoices, on a sample basis; and • Evaluating the historical accuracy of the allowance of inventories estimation by the management.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, 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 Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

As part of an audit in accordance with HKSAs, we exercise professional 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.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Lam Sau Fung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Revenue	5	19,461,921	10,339,603
Cost of sales		(18,652,275)	(9,858,208)
Gross profit		809,646	481,395
Other income	8(b)	18,825	10,862
Other gains and losses, net	8(c)	37,625	69,031
Distribution and selling expenses		(110,894)	(68,655)
Administrative expenses		(288,891)	(209,583)
Net increase in fair value of investment properties	13	39,366	12,033
Share of profit (loss) of associates	16	12,643	(1,428)
Share of profit (loss) of a joint venture	17	304	(64)
Finance costs	6	(94,333)	(36,979)
Profit before tax		424,291	256,612
Income tax expense	7	(67,509)	(32,500)
Profit for the year	8(a)	356,782	224,112
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Fair value gain on property, plant and equipment transferred to investment properties		10,493	28,652
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on available-for-sale investments		38,010	29,841
Reclassification adjustment for cumulative gain included in profit or loss upon disposal of available-for-sale investments		(19,746)	(8,641)
Reclassification adjustment for cumulative exchange losses included in profit or loss upon deregistration of a subsidiary		960	–
Exchange differences arising on translation of foreign operations of subsidiaries		32,782	(30,823)
Share of other comprehensive income (expense) of associates and a joint venture		1,891	(1,463)
		53,897	(11,086)
Other comprehensive income for the year		64,390	17,566
Total comprehensive income for the year		421,172	241,678

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTE	**2017** ***HK$'000***	2016 *HK$'000*
Profit for the year attributable to:			
Owners of the Company		**303,003**	201,842
Non-controlling interests		**53,779**	22,270
		356,782	224,112
Total comprehensive income attributable to:			
Owners of the Company		**366,923**	219,908
Non-controlling interests		**54,249**	21,770
		421,172	241,678
Earnings per share *(HK cents)*	*12*		
– basic		**48.50**	32.33
– diluted		**48.49**	32.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current Assets			
Investment properties	13	580,660	493,940
Property, plant and equipment	14	525,740	415,466
Intangible assets	15	4,389	6,914
Interests in associates	16	79,322	70,522
Interest in a joint venture	17	5,517	5,021
Available-for-sale investments	18	69,607	58,491
Club memberships	19	2,862	3,012
Finance lease receivables	22	48,960	56,746
Deferred tax assets	30	6,391	6,508
		1,323,448	1,116,620
Current Assets			
Inventories	20	1,232,929	1,109,780
Trade and other receivables	21	3,098,602	1,559,258
Finance lease receivables	22	24,150	26,239
Amount due from an associate	39	65	220
Derivative financial instruments	26	1,210	190
Financial assets at fair value through profit or loss	23	9,026	34,217
Tax recoverable		365	2,764
Pledged bank deposits	24	13,819	–
Bank balances and cash	24	583,201	606,185
		4,963,367	3,338,853
Current Liabilities			
Trade and other payables	25	1,479,450	939,797
Bills payable	25	129,450	36,981
Amount due to an associate	39	7,634	1,410
Derivative financial instruments	26	1,448	18,593
Tax liabilities		38,024	17,484
Bank borrowings – due within one year	27	3,085,577	2,062,397
Other borrowings – due within one year	22	23,565	26,239
		4,765,148	3,102,901
Net Current Assets		198,219	235,952
Total Assets less Current Liabilities		1,521,667	1,352,572

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current Liabilities			
Deferred tax liabilities	30	19,700	12,737
Bank borrowings – due after one year	27	–	145,085
Other borrowings – due after one year	22	48,112	56,746
		67,812	214,568
Net Assets		1,453,855	1,138,004
Capital and Reserves			
Share capital	28	62,584	62,428
Share premium and reserves		1,253,978	984,997
Equity attributable to owners of the Company		1,316,562	1,047,425
Non-controlling interests		137,293	90,579
Total Equity		1,453,855	1,138,004

The consolidated financial statements on pages 33 to 123 were approved and authorised for issue by the Board of Directors on 27 March 2018 and are signed on its behalf by:

Yim Yuk Lun, Stanley *JP*
DIRECTOR

Wong Sui Chuen
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company													
	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Capital reserve *HK$'000* *(note i)*	Other reserve *HK$'000* *(note iv)*	Contributed surplus *HK$'000* *(note ii)*	Property revaluation reserve *HK$'000* *(note iii)*	Investments revaluation reserve *HK$'000*	Translation reserve *HK$'000*	Share options reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2016	62,428	1,718	1,109	11,145	(19,238)	13,519	37,347	1,549	(3,544)	1,634	774,984	882,651	117,938	1,000,589
Profit for the year	–	–	–	–	–	–	–	–	–	–	201,842	201,842	22,270	224,112
Fair value gain on property, plant and equipment transferred to investment properties *(note 14)*	–	–	–	–	–	–	28,652	–	–	–	–	28,652	–	28,652
Fair value gain on available-for-sale investments	–	–	–	–	–	–	–	29,841	–	–	–	29,841	–	29,841
Reclassification adjustment for cumulative gain included in profit or loss upon disposal of available-for-sale investments	–	–	–	–	–	–	–	(8,641)	–	–	–	(8,641)	–	(8,641)
Exchange differences arising on translation of foreign operations of subsidiaries	–	–	–	–	–	–	–	–	(30,323)	–	–	(30,323)	(500)	(30,823)
Share of other comprehensive expense of associates and a joint venture	–	–	–	–	–	–	–	–	(1,463)	–	–	(1,463)	–	(1,463)
Total comprehensive income for the year	–	–	–	–	–	–	28,652	21,200	(31,786)	–	201,842	219,908	21,770	241,678
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	3,250	3,250
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(28,600)	(28,600)
Dividends paid *(note 11)*	–	–	–	–	–	–	–	–	–	–	(49,943)	(49,943)	–	(49,943)
Dividend by way of a distribution in specie *(notes 11 and 34)*	–	–	–	–	–	–	–	–	–	–	(13,950)	(13,950)	–	(13,950)
Deemed contribution from a shareholder *(note 33)*	–	–	–	–	9,002	–	–	–	–	–	–	9,002	–	9,002
Recognition of equity-settled share-based payments *(note 29(a))*	–	–	–	–	–	–	–	–	–	328	–	328	–	328
Spin-off of subsidiaries *(note 34)*	–	–	–	–	–	–	–	–	(571)	–	–	(571)	(23,779)	(24,350)
At 31 December 2016	62,428	1,718	1,109	11,145	(10,236)	13,519	65,999	22,749	(35,901)	1,962	912,933	1,047,425	90,579	1,138,004
Profit for the year	–	–	–	–	–	–	–	–	–	–	303,003	303,003	53,779	356,782
Fair value gain on property, plant and equipment transferred to investment properties *(note 14)*	–	–	–	–	–	–	10,493	–	–	–	–	10,493	–	10,493
Fair value gain on available-for-sale investments	–	–	–	–	–	–	–	38,010	–	–	–	38,010	–	38,010
Reclassification adjustment on disposal of available-for-sale investments	–	–	–	–	–	–	–	(19,746)	–	–	–	(19,746)	–	(19,746)
Reclassification adjustment for cumulative exchange losses included in profit or loss upon deregistration of a subsidiary *(note v)*	–	–	–	–	–	–	–	–	490	–	–	490	470	960
Exchange differences arising on translation of foreign operations of subsidiaries	–	–	–	–	–	–	–	–	32,782	–	–	32,782	–	32,782
Share of other comprehensive income of associates and a joint venture	–	–	–	–	–	–	–	–	1,891	–	–	1,891	–	1,891
Total comprehensive income for the year	–	–	–	–	–	–	10,493	18,264	35,163	–	303,003	366,923	54,249	421,172
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	2,325	2,325
Dividends paid *(note 11)*	–	–	–	–	–	–	–	–	–	–	(101,832)	(101,832)	–	(101,832)
Exercise of share options	156	4,803	–	–	–	–	–	–	–	(913)	–	4,046	–	4,046
Share options lapsed	–	–	–	–	–	–	–	–	–	(1,049)	1,049	–	–	–
Distribution to non-controlling shareholders upon deregistration of a subsidiary *(note v)*	–	–	–	–	–	–	–	–	–	–	–	–	(9,860)	(9,860)
At 31 December 2017	62,584	6,521	1,109	11,145	(10,236)	13,519	76,492	41,013	(738)	–	1,115,153	1,316,562	137,293	1,453,855

Notes:

(i) The capital reserve of the Group represents the aggregate of:

(a) the reserve of HK$10,445,000 arising on the acquisition of shares in subsidiaries from non-controlling shareholders pursuant to a previous group reorganisation; and

(b) the differences between the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to a previous group reorganisation, and the nominal value of the Company's shares issued in exchange of HK$700,000.

(ii) The contributed surplus of the Group represents the net aggregate of:

(a) the credit arising from the reduction of the nominal value of the consolidated shares from HK$1.00 each to HK$0.10 each by cancelling HK$0.90 paid up on each issued share, after a transfer of HK$10,565,000 towards the elimination of the accumulated losses of the Company as at 31 December 1997, of HK$70,510,000;

(b) the credit arising from cancellation of the share premium account of HK$237,881,000, after a transfer of HK$180,003,000 towards the elimination of the accumulated losses of the Company as at 31 December 2002, of HK$57,878,000; and

(c) the distribution to shareholders from 2003 to 2010 of HK$114,869,000.

(iii) The property revaluation reserve includes an amount of HK$62,925,000 (2016: HK$52,432,000) relating to properties previously held as property, plant and equipment and reclassified as investment properties. The remaining balance of HK$13,567,000 (2016: HK$13,567,000) represents revaluation surplus arising from certain of the Group's land and building carried at revalued amount prior to 30 September 1995. On the disposal or retirement of the asset, the revaluation reserve will be transferred directly to retained profits.

(iv) The other reserve of the Group represents the net aggregate of:

(a) the difference of HK$19,238,000 between the fair value of acquisition cost and the attributable additional interest in the carrying amount of net assets acquired in acquisition of additional interests in subsidiaries; and

(b) the difference of HK$9,002,000 between the fair value of net assets acquired from the Connected Person (as defined in note 33) and consideration paid which was deemed as contribution from a substantial shareholder and credited to equity of the Company. Details of which are set out in note 33.

(v) During the year ended 31 December 2017, as a result of the deregistration of a 51% owned subsidiary, a distribution to non-controlling interests of HK$9,860,000 had been recognised and the corresponding translation reserve of the foreign operation had been reclassified to profit or loss accordingly.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit before tax	**424,291**	256,612
Adjustments for:		
Allowance of (reversal of allowance of) inventories	**22,030**	(5,417)
Allowance of trade receivables, net	**15,390**	16,834
Amortisation of intangible assets	**1,145**	344
Change in fair value of financial assets at fair value through profit or loss	**(2,475)**	(511)
Depreciation of property, plant and equipment	**14,884**	15,359
Dividend income from equity investments	**(3,481)**	(2,923)
Expenses recognised in respect of equity settled share-based payments	**–**	328
Fair value gain on dividend by way of a distribution in specie	**–**	(10,454)
Fair value gain on retained interest in Hi-Level Holdings held by Group (as defined in note 1)	**–**	(27,714)
Finance costs	**55,975**	24,013
Gain on disposal of available-for-sale investments	**(19,746)**	(8,641)
Gain on disposal of property, plant and equipment	**(411)**	(41)
Impairment loss on an available-for-sale investment	**7,440**	–
Interest income on bank deposits	**(513)**	(682)
Net gain on fair value change of derivative financial instruments	**(30,622)**	(31,269)
Net increase in fair value of investment properties	**(39,366)**	(12,033)
Share of (profit) loss of associates	**(12,643)**	1,428
Share of (profit) loss of a joint venture	**(304)**	64
Written-off of an intangible asset	**1,395**	–
Operating cash flows before movements in working capital	**432,989**	215,297
Increase in inventories	**(138,597)**	(492,951)
Increase in trade and other receivables	**(1,533,020)**	(511,717)
Decrease in bills receivable	**–**	15,612
Decrease (increase) in finance lease receivables	**9,875**	(2,531)
Decrease in amount due from an associate	**155**	3,933
Increase in trade and other payables	**516,180**	358,710
Increase in bills payable	**92,469**	2,960
Increase in amount due to an associate	**6,224**	1,410
Cash used in operations	**(613,725)**	(409,277)
Hong Kong Profits Tax paid	**(31,977)**	(12,747)
The People's Republic of China Enterprise Income Tax ("EIT") paid	**(5,375)**	(5,278)
Taiwan Corporate Income Tax paid	**(138)**	(1,000)
NET CASH USED IN OPERATING ACTIVITIES	**(651,215)**	(428,302)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
INVESTING ACTIVITIES			
Payment for additions to property, plant and equipment		**(121,075)**	(49,431)
Payment for acquisition of available-for-sale investments		**(31,097)**	–
Payment for additions to completed investment properties and investment properties under development		**(14,054)**	(15,566)
(Placement) withdrawal of pledged bank deposits		**(13,819)**	21,513
Acquisition of additional interest in an associate	*16*	**(637)**	(389)
Acquisition of businesses	*33*	**(64)**	(27,420)
Proceeds on disposal of available-for-sale investments		**50,551**	12,124
Proceeds on disposal of financial assets at fair value through profit or loss		**27,666**	1,353
Proceeds from (settlement of) derivative financial instruments		**12,457**	(3,825)
Dividend received from an associate		**6,179**	3,085
Dividend received from equity investments		**3,481**	2,923
Interest received on bank deposits		**513**	682
Proceeds on disposal of property, plant and equipment		**500**	408
Proceeds from disposal of a club membership		**150**	–
Spin-off of subsidiaries	*34*	**–**	(34,843)
Payment for additions to intangible assets		**–**	(1,630)
Investment in financial assets at fair value through profit or loss		**–**	(1,262)
NET CASH USED IN INVESTING ACTIVITIES		**(79,249)**	(92,278)

	2017	2016
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
Bank borrowings raised	**19,290,618**	13,792,365
Other borrowings raised	**137,893**	13,323
Proceeds from exercise of share options	**4,046**	–
Capital contribution by non-controlling interests	**2,325**	3,250
Repayment of bank borrowings	**(18,412,523)**	(13,216,848)
Repayment of other borrowings	**(149,201)**	(10,792)
Dividends paid	**(101,832)**	(49,943)
Interest paid	**(59,836)**	(26,003)
Distribution to non-controlling shareholders upon deregistration of a subsidiary	**(9,860)**	–
Dividend paid to non-controlling shareholders	**–**	(28,600)
Payment for advance from an associate	**–**	(7,527)
NET CASH FROM FINANCING ACTIVITIES	**701,630**	469,225
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(28,834)**	(51,355)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**606,185**	658,131
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**5,850**	(591)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**583,201**	606,185

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

On 7 January 2016, the Group had completed the spin-off of its non-wholly-owned subsidiary, Hi-Level Technology Holdings Limited ("Hi-Level Holdings") and its subsidiaries (collectively referred to as the "Hi-Level Group") through a separate listing on the GEM of The Stock Exchange (the "Spin-Off"). The Spin-Off involved the offering of 150,000,000 shares of HK$0.01 each by Hi-Level Holdings at an offer price of HK$0.31 per share. Immediately following the completion of the Spin-Off, the Group's equity interest in Hi-Level Holdings was diluted from 51.0% to approximately 34.1%. Details of which are set out in note 34 to the consolidated financial statements.

The Company acts as an investment holding company and the activities of its principal subsidiaries are set out in note 41.

The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is also the functional currency of the Company.

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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 42. 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 42, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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 and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
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[3]
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 a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

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

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. 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.

- 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 *Financial Instruments: Recognition and Measurement*. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect 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.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

- Listed equity securities and club debenture classified as available-for-sale investments carried at fair value as disclosed in note 18: these securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the Group plans not to elect the option for the designation and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of HKFRS 9, investments revaluation reserve of HK$41,013,000 related to these available-for-sale investments will be transferred to retained profits at 1 January 2018;

- Equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in note 18: these securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the Group plans not to elect the option for designating these securities to be measured at FVTOCI and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of HKFRS 9, the directors of the Company anticipate the fair value gain or loss relating to these securities which would be adjusted to retained profits as at 1 January 2018 would not be significant; and

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

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

HKFRS 9 *Financial Instruments* *(Continued)*

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables, finance lease receivables and amount due from an associate. Such further impairment recognised under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at 1 January 2018.

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 considerations, as well as licensing application guidance.

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

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

The Group mainly recognises revenue from the following major sources:

- Distribution of electronic components and semiconductor products
- Distribution of home appliances and business equipment and provision of related ancillary services

Currently under HKAS 18, the Group recognises the revenue from (i) the distribution of electronic components and semiconductor products and home appliances and business equipment when the products are delivered and titles have passed; and (ii) the provision of related ancillary services when services are rendered or recognised over the period of the warranty and support services expected to be provided. The Group considers itself acting as a principal due to its significant exposure to credit risk of customers and latitude in establishing prices. HKFRS 15 has established new requirements and guidance on the identification of performance obligation(s) for each distinct good or service promised to its customers; the allocation of transaction prices to the corresponding performance obligation(s); the impact on variable consideration as a result of customer returns, rebates, sales tax and other similar allowances; and the principal versus agent consideration.

The directors of the Company are still in the process of assessing the full impact of the application of HKFRS 15 on the consolidated financial statements. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

The directors of the Company intend to use the limited retrospective method of transition to HKFRS15 with cumulative effect of initial application recognised in the opening balance of equity at 1 January 2018.

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 HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases 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, except for short-term leases and leases of low value assets.

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

HKFRS 16 *Leases* *(Continued)*

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 remeasurement 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. For the classification of cash flows, the Group currently presents other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

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.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$25,126,000 as disclosed in note 35. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$1,962,000 and refundable rental deposits received of HK$3,340,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

For financial instruments and investment properties which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Change in the Group's ownership interest in existing subsidiary

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combination

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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 associates and a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates or a joint venture are 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 associates or joint ventures. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associates or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or 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 associates or joint venture.

An investment in associates or joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or 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.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, sale tax and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Service revenue is recognised when services are rendered or recognised over the period of the warranty and support services expected to be provided.

Revenue allocated to the undelivered warranty and support services is deferred and recognised on a straight-line basis over the estimated period of the warranty and support services are expected to be provided, which ranges from one to five years.

Costs incurred to provide warranty and support services are recognised as cost of sales as incurred. The Group records deferred revenue when it receives payments in advance of the performance of relevant services.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the rights to receive payment have been established.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Certain of the Group's leasehold land and buildings were revalued at 31 December 1994. The surplus arising on revaluation of these properties was credited to the property revaluation reserve. Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 *Property, Plant and Equipment* from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30 September 1995, and accordingly no further revaluation of land and buildings is carried out. Prior to 30 September 1995, the revaluation increase arising on the revaluation of these assets was credited to the property revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost or valuation of assets other than properties under construction over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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

Buildings under construction for future owner-occupied purpose

Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets-research and development expenditure

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

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

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

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

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on tangible and intangible assets other than club memberships (see the accounting policy in respect of club memberships below)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or losses, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Leasing

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

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset. Other than investment properties measured under fair value model, such costs are recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates/joint ventures.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

On the disposal of a foreign operation (that is a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

Payments to defined contribution retirement benefits plans/state-managed retirement benefit schemes/ the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave), after deducting any amount already paid.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Club memberships

Club memberships with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Club memberships are tested for impairment at least annually, and whenever there is any indication that they may be impaired by comparing their carrying amounts with their recoverable amounts. If the recoverable amount of club memberships is estimated to be less than its carrying amount, the carrying amount of the club memberships is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the club memberships is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for those club memberships in prior years. A reversal of an impairment loss is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method for electronic products and a weighted average cost method for other inventories. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments, other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated at FVTPL.

A financial asset is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 38 to the consolidated financial statements.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from an associate, finance lease receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy in respect of impairment of financial assets below).

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

AFS financial assets

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

Equity securities held by the Group that are classified as AFS financial assets in an active market are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

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

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy in respect of impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

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

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

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

Objective evidence of impairment for trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the trade receivables past the credit period (ranging from 30 days to 120 days), and observable changes in national or local economic conditions that correlate with default on the receivables.

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

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

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of the investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

Financial liabilities (including trade and other payables, bills payable, amount due to an associate, bank borrowings and other borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

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

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

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

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 29(a).

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Share options granted to employees *(Continued)*

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statements, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

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

Critical judgements in applying accounting policies *(Continued)*

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that:

(i) the Group's investment properties in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties in Hong Kong, the directors of the Company have determined the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred tax on changes in fair value of investment properties in Hong Kong as the Group is not subject to any income taxes on the fair value changes of the investment properties in Hong Kong upon disposal.

(ii) the Group's investment properties in the People's Republic of China (the "PRC") are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. As a result, the Group is subject to income taxes on the rental income of its investment properties in the PRC and deferred taxes on changes in fair value of the investment properties are recognised.

Key sources of estimation uncertainty

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

Estimated impairment of trade receivables

The assessment of the impairment loss on trade receivables of the Group is based on the evaluation of collectability by the management's judgment in assessing the ultimate realisation of these receivables, including the ageing of the trade receivables balance, repayment history, subsequent settlements and current creditworthiness of each customer. Where the actual future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss/further impairment loss may arise. As at 31 December 2017, the carrying amount of trade receivables was HK$2,973,537,000 (2016: HK$1,421,005,000) (net of allowance of approximately HK$29,385,000 (2016: HK$20,885,000)).

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

Key sources of estimation uncertainty *(Continued)*

Allowance of inventories

The directors of the Company review the inventories on a product-by-product basis at the end of each reporting period to identify obsolete and slow-moving inventory items based on the inventories ageing analysis and determine allowance of inventories by reference to net realisable value of the inventories. Net realisable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Management estimates the net realisable value for inventories based primarily on the current market demand, latest selling prices and historical experiences on selling products with similar nature. As at 31 December 2017, the carrying values of inventories were HK$1,232,929,000 (2016: HK$1,109,780,000) (net of allowance of inventories of approximately HK$51,021,000 (2016: HK$31,132,000)).

Income tax

As at 31 December 2017, the Group had unused tax losses of approximately HK$111,976,000 (2016: HK$110,600,000) available to offset future taxable profits. As at 31 December 2017, a deferred tax asset amounting to HK$3,493,000 (2016: HK$3,493,000) was recognised for tax losses amounting to approximately HK$21,173,000 (2016: HK$21,173,000) and no deferred tax asset was recognised in respect of the remaining tax losses of approximately HK$90,803,000 (2016: HK$89,427,000) due to unpredictability of future profit streams. As at 31 December 2017, the Group had deductible temporary differences in relation to decelerated tax depreciation of approximately HK$19,073,000 (2016: HK$18,891,000). As at 31 December 2017, a deferred tax asset amounting to HK$1,189,000 (2016: HK$1,149,000) was recognised for deductible temporary differences in relation to decelerated tax depreciation amounting to approximately HK$7,204,000 (2016: HK$6,964,000) and no deferred tax asset was recognised in respect of the remaining deductible temporary differences in relation to decelerated tax depreciation of approximately HK$11,869,000 (2016: HK$11,927,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised. In cases where the actual future profits generated are more than or less than expected, a material recognition or reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition or reversal takes place.

5. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the distribution of electronic components and semiconductor products that can be used in mobile phone products, consumer electronic products, computer and networking products, telecommunication products, light-emitting diode ("LED") lighting products, distribution of home appliances and business equipment and provision of related ancillary services and properties investments.

Information reported to chairman and managing director of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses only on revenue analysis by geographical location of customers. As no other discrete financial information is available for the assessment of different business activities, no segment information is presented other than entity-wide disclosures.

5. REVUE AND SEGMENT INFORMATION *(Continued)*

Revenue from major business products and services

The following is an analysis of the Group's revenue from its major business products and services:

	2017 *HK$'000*	2016 *HK$'000*
Distribution of electronic components and semiconductor products	**19,166,352**	10,262,530
Distribution of home appliances and business equipment and provision of related ancillary services	**280,698**	66,878
Rental income from investment properties	**14,871**	10,195
	19,461,921	10,339,603

Geographical information

The Group's operations are located in different places of domicile, including the Mainland China, Hong Kong and Taiwan.

The following is an analysis of the Group's revenue by the geographical locations of customers and properties for rental income for the year:

	Sales revenue by geographical market	
	2017 *HK$'000*	2016 *HK$'000*
Mainland China	**15,177,437**	7,581,642
Hong Kong	**3,637,140**	2,422,949
Taiwan	**302,568**	210,645
United States of America	**116,250**	78,469
India	**67,667**	44
Singapore	**51,067**	7,773
Indonesia	**28,431**	6,467
Philippines	**15,070**	2,270
Macao Special Administrative Regions of the PRC	**8,353**	2,430
Japan	**2,486**	–
Republic of Korea	**2,222**	3,235
Others	**53,230**	23,679
	19,461,921	10,339,603

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

The following is an analysis of the carrying amount of non-current assets excluding available-for-sale investments, finance lease receivables and deferred tax assets by geographical area in which the assets are located:

	Carrying amount of non-current assets	
	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**841,455**	699,185
Mainland China	**355,855**	294,433
Taiwan	**236**	328
Others	**944**	929
	1,198,490	994,875

Information about major customers

Revenue from a customer of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2017	2016
	HK$'000	*HK$'000*
Customer A	**6,837,067**	2,001,497

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest expenses on:		
Bank borrowings	**52,038**	24,156
Discounted trade receivables	**38,358**	12,966
Other borrowings	**7,798**	1,847
Total borrowing costs	**98,194**	38,969
Less: amounts capitalised in the cost of qualifying assets	**(3,861)**	(1,990)
	94,333	36,979

7. INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
The charge comprises:		
Hong Kong Profits Tax		
– current year	49,489	27,822
– under(over)provision in prior years	967	(963)
PRC EIT		
– current year	5,862	2,801
Taiwan Corporate Income Tax		
– current year	4,111	192
	60,429	29,852
Deferred tax *(note 30)*		
– current year	7,080	2,648
	67,509	32,500

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of The People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Corporate Income Tax in Taiwan is charged at 17% for both years.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 HK$'000	2016 HK$'000
Profit before tax	424,291	256,612
Tax at Hong Kong Profits Tax rate of 16.5%	70,008	42,341
Tax effect of expenses not deductible for tax purpose	7,329	3,837
Tax effect of income not taxable for tax purpose	(12,407)	(15,577)
Tax effect of share of (profit) loss of a joint venture	(50)	11
Under(over) provision in prior years	967	(963)
Tax effect of share of (profit) loss of associates	(2,086)	236
Tax effect of tax losses/deductible temporary differences not recognised	3,966	1,525
Utilisation of tax losses/deductible temporary differences previously not recognised	(3,753)	(581)
Effect of different tax rates of subsidiaries operating in other jurisdictions	3,554	1,731
Others	(19)	(60)
Tax charge for the year	67,509	32,500

8. PROFIT FOR THE YEAR/OTHER INCOME/OTHER GAINS AND LOSSES

(a) Profit for the year

	2017 HK$'000	2016 HK$'000
Profit for the year has been arrived at after charging:		
Staff costs, including directors' remunerations *(note 9)*		
– salaries and other benefits	120,538	89,650
– performance related incentive payments *(note)*	23,861	17,491
– retirement benefits scheme contributions	11,958	10,124
– share-based payment expenses	–	328
	156,357	117,593
Auditor's remuneration	2,086	1,910
Depreciation of property, plant and equipment	14,884	15,359
Amortisation of intangible assets (included in administrative expenses)	1,145	344
Allowance of trade receivables, net	15,390	16,834
Cost of inventories recognised as an expense (including allowance of inventories of HK$22,030,000 (2016: reversal of allowance of inventories of HK$5,417,000))	18,652,275	9,857,691
Rental income from investment properties, net of outgoings HK$11,000 (2016: HK$11,000)	14,871	10,195

note: Performance related incentive payments were determined with reference to the Group's operating results, individual performance and comparable market statistics.

(b) Other income

	2017 HK$'000	2016 HK$'000
Dividend income from equity investments	3,481	2,923
Interest income	513	682
Interest income on finance leases	7,835	1,847
Others	6,996	5,410
	18,825	10,862

8. PROFIT FOR THE YEAR/OTHER INCOME/OTHER GAINS AND LOSSES *(Continued)*

(c) Other gains and losses

	2017	2016
	HK$'000	*HK$'000*
Change in fair value of financial assets at fair value through profit or loss	**(2,475)**	(511)
Fair value gain on retained interest in Hi-Level Holdings held by the Group *(note 34)*	**–**	(27,714)
Fair value gain on dividend by way of distribution in specie *(note 34)*	**–**	(10,454)
Cumulative gain reclassified from equity to profit or loss on disposal of available-for-sale investments	**(19,746)**	(8,641)
Gain on disposal of property, plant and equipment	**(411)**	(41)
Written-off of an intangible asset	**1,395**	–
Net gain on fair value change of derivative financial instruments	**(30,622)**	(31,269)
Net foreign exchange loss	**6,794**	9,599
Impairment loss on available-for-sale investments	**7,440**	–
	(37,625)	(69,031)

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

2017

	Executive Directors				Independent Non-Executive Directors				
	Yim Yuk Lun, Stanley *JP*	Yim Tsz Kit, Jacky	Wong Sui Chuen	Wong Wai Tai	Dr. Lui Ming Wah, *SBS JP*	Wong Tak Yuen, Adrian	Liu Chun Ning, Wilfred	Cheung Chi Kwan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	–	–	100	100	–	100	300
Other emoluments									
Salaries and other benefits	4,560	960	905	1,320	–	–	–	–	7,745
Retirement benefits scheme contributions	228	18	18	18	–	–	–	–	282
Performance related incentive payments *(note i)*	10,000	310	295	330	–	–	–	–	10,935
Total emoluments	14,788	1,288	1,218	1,668	100	100	–	100	19,262

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

2016

	Executive Directors					Independent Non-Executive Directors				
	Yim Yuk Lun, Stanley *JP* HK$'000	Yim Tsz Kit, Jacky HK$'000	Wong Sui Chuen HK$'000	Wong Wai Tai HK$'000 (note ii)	Lau Ping Cheung HK$'000 (note ii)	Dr. Lui Ming Wah, *SBS JP* HK$'000	Wong Tak Yuen, Adrian HK$'000	Liu Chun Ning, Wilfred HK$'000	Cheung Chi Kwan HK$'000	Total HK$'000
Fees	–	–	–	–	–	50	50	–	100	200
Other emoluments										
Salaries and other benefits	4,560	840	840	100	1,045	–	–	–	–	7,385
Retirement benefits scheme contributions	228	18	18	1	17	–	–	–	–	282
Performance related incentive payments *(note i)*	8,000	210	210	300	200	–	–	–	–	8,920
Total emoluments	12,788	1,068	1,068	401	1,262	50	50	–	100	16,787

notes:

(i) Performance related incentive payments were determined with reference to the Group's operating results, individual performance and comparable market statistics.

(ii) Mr. Lau Ping Cheung resigned as an executive director on 30 November 2016 and Mr. Wong Wai Tai was appointed as an executive director on 1 December 2016.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Mr. Yim Yuk Lun, Stanley *JP* is also the Chief Executive Officer of the Company and his emoluments disclosed above included those for services rendered by him as Chief Executive Officer.

During the years ended 31 December 2017 and 2016, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. Mr. Liu Chung Ning, Wilfred suspended his salary with effect from August 2001. Mr. Liu had not drawn any salary since then and for the years ended 31 December 2017 and 2016. During the years ended 31 December 2017 and 2016, no other directors waived or agreed to waive any emoluments.

During the year ended 31 December 2016, pre-IPO share options were granted to certain directors by Hi-Level Holdings, in respect of their services to Hi-Level Holdings under the pre-IPO share option scheme of Hi-Level Holdings. Details of the pre-IPO share option scheme of Hi-Level Holdings are set out in note 29(b) to the consolidated financial statements.

10. EMPLOYEES' REMUNERATIONS

Of the five highest paid individuals in the Group, four (2016: four) were directors of the Company whose remunerations are set out in note 9 above. The remuneration of the remaining one (2016: one) individual is as follows:

	2017	2016
	HK$'000	*HK$'000*
Salaries and other benefits	**1,029**	1,100
Performance related incentive payments (note)	**171**	–
Retirement benefits scheme contributions	**18**	17
	1,218	1,117

note: Performance related incentive payments were determined with reference to the Group's operating results, individual performance and comparable market statistics.

Their remunerations were within the following bands:

	2017	2016
	No. of employees	No. of employees
HK$1,000,001 to HK$1,500,000	**1**	1

During the years ended 31 December 2017 and 2016, no emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group.

11. DIVIDENDS

	2017 HK$'000	2016 HK$'000
Dividends recognised as distribution during the year:		
2017 Interim dividend of HK4.80 cents (2016: 2016 interim dividend of HK3.50 cents) per share	30,040	21,851
2016 Final dividend of HK6.50 cents (2016: 2015 final dividend of HK4.50 cents) per share	40,578	28,092
2016: Special final dividend of HK5.00 cents per share (2016: 2015 Nil)	31,214	–
2016 Special interim dividend by way of a distribution in specie *(note)*	–	13,950
	101,832	63,893

Subsequent to the end of the reporting period, a final dividend of HK15.20 cents per share in respect of the year ended 31 December 2017 (2016: final dividend of HK6.50 cents and special dividend of HK$5.00 cents per share in respect of the year ended 31 December 2016) has been proposed by the directors and are subject to approval by the shareholders in the forthcoming general meeting.

note: Pursuant to a resolution passed by the board of directors of the Company on 23 December 2015, a special interim dividend was declared conditionally upon the Spin-Off, which would be satisfied by way of distribution in specie of an aggregate of 45,000,000 shares of Hi-Level Holdings, equivalent to approximately 7.5% of the issued share capital of Hi-Level Holdings as enlarged by the Spin-Off. Such dividend became unconditional upon the Spin-Off on 7 January 2016. The net assets value of Hi-Level Holdings to be distributed in specie was approximately HK$3,496,000 and its fair value was approximately HK$13,950,000 based on the Spin-Off price of the shares of Hi-Level Holdings.

12. EARNINGS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Earnings:		
Profit for the year attributable to owners of the Company,		
for the purpose of basic and diluted earnings per share	**303,003**	201,842

	2017	2016
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares		
for the purpose of basic earnings per share	**624,721**	624,281
Effect of dilutive potential shares:		
Share options	**166**	–
Weighted average number of shares		
for the purpose of diluted earnings per share	**624,887**	624,281

The computation of diluted earnings per share for the year ended 31 December 2016 did not assume the exercise of the Company's outstanding share options as the exercise price of those share options was higher than the average market price for shares.

13. INVESTMENT PROPERTIES

	Completed investment properties *HK$'000*	Investment properties under development *HK$'000*	Total *HK$'000*
FAIR VALUE			
At 1 January 2016	262,900	36,598	299,498
Additions	8,263	7,303	15,566
Transfer from property, plant and equipment *(note)*	45,101	–	45,101
Transfer from deposit paid for acquisition of non-current asset	128,693	–	128,693
Transfer upon completion	37,901	(37,901)	–
Net increase in fair value recognised in profit or loss	11,593	440	12,033
Exchange realignment	(6,451)	(500)	(6,951)
At 31 December 2016	488,000	5,940	493,940
Additions	5,654	8,400	14,054
Transfer from property, plant and equipment *(note)*	12,160	–	12,160
Increase in fair value recognised in profit or loss	35,886	3,480	39,366
Exchange realignment	20,600	540	21,140
At 31 December 2017	562,300	18,360	580,660

note: During the year ended 31 December 2017, commercial properties with fair values of HK$12,160,000 (2016: HK$45,101,000) were transferred from property, plant and equipment to investment properties upon the commencement of the related leasing arrangements due to change in management intention for generating rental income and for capital appreciation. The difference between the carrying value and the fair value at the date of transfer of HK$10,493,000 (2016: HK$28,652,000) has been recognised in the other comprehensive income and accumulated in equity under the heading of property revaluation reserve. On the disposal or retirement of the properties, the property revaluation reserve will be transferred directly to retained profits.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

13. INVESTMENT PROPERTIES *(Continued)*

The fair values of the Group's investment properties as at 31 December 2017 and 2016 and as at the date of transfer from property, plant and equipments to investment properties during the year ended 31 December 2017 and 2016 have been arrived at on the basis of a valuation carried out by B.I. Appraisals Limited ("B.I."), an independent qualified professional valuer not connected to the Group. B.I. is a member of the Institute of Valuers. In respect of the completed investment properties and the investment properties transferred from property, plant and equipment as at the date of transfer, the valuation assessed by B.I. was arrived at using the results calculated by the income capitalisation method by capitalising the rental income derived from leasing out the properties with due provision for the reversionary income potential. In respect of the investment properties under development, the valuation assessed by B.I. was arrived at by direct comparison method by referencing to market evidence of transaction prices for similar properties in similar locations in respect of the industrial land as at 31 December 2017 and 2016.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2017 and 2016 are as follows:

Category	Fair value hierarchy	Fair value		Unrealised gain (loss) on property revaluation included in profit or loss for the year ended		Valuation techniques	Key unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
		31.12.2017 HK$'000	31.12.2016 HK$'000	31.12.2017 HK$'000	31.12.2016 HK$'000				
Completed investment properties									
Commercial properties	Level 3	**474,700**	414,300	**32,894**	16,144	Income capitalisation method	Reversionary rate	1.4% – 3.2% (2016: 2.0% to 4.8%)	The higher the reversionary yield, the lower the fair value
							Market rent	HK$19 – HK$32 per square feet per month (2016: HK$18 – HK$35 per square feet per month)	The higher the market rent, the higher the fair value
Industrial properties	Level 3	**87,600**	73,700	**2,992**	(4,551)	Income capitalisation method	Reversionary rate	5.0% to 5.5% (2016: 5.0% to 5.5%)	The higher the reversionary yield, the lower the fair value
							Market rent	RMB18-RMB22 per square meter per month (2016: RMB18-RMB19 per square meter per month)	The higher the market rent, the higher the fair value
Investment properties under development									
Industrial land	Level 3	**18,360**	5,940	**3,480**	440	Direct comparison method	Market consideration	2017: RMB297-RMB450 per square meter (2016: RMB120 – RMB450 per square meter)	The higher the market consideration, the higher the fair value
		580,660	493,940	**39,366**	12,033				

There were no transfers into or out of Level 3 during the years ended 31 December 2017 and 2016.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles and vessels HK$'000	Construction in progress HK$'000	Total HK$'000
COST OR VALUATION								
At 1 January 2016	161,764	18,748	5	39,333	33,958	50,699	251,145	555,652
Exchange realignment	(2,186)	(452)	–	(78)	(99)	(105)	–	(2,920)
Additions	–	900	290	726	3,319	3	46,183	51,421
Acquisition of a business *(note 33)*	–	652	–	405	1,914	461	–	3,432
Disposal upon spin-off of subsidiaries *(note 34)*	–	(1,830)	–	(194)	(2,326)	(296)	–	(4,646)
Disposals	–	(1,639)	–	–	(1,487)	–	–	(3,126)
Revaluation upon reclassification to investment properties	28,652	–	–	–	–	–	–	28,652
Transfer to investment properties *(note 13)*	(49,778)	–	–	–	–	–	–	(49,778)
At 31 December 2016	138,452	16,379	295	40,192	35,279	50,762	297,328	578,687
Exchange realignment	2,186	467	–	82	151	116	–	3,002
Additions	–	1,591	979	1,170	3,156	6,051	111,989	124,936
Disposals	–	–	–	–	(52)	(1,639)	–	(1,691)
Revaluation upon reclassification to investment properties	10,493	–	–	–	–	–	–	10,493
Transfer to investment properties *(note 13)*	(16,096)	–	–	–	–	–	–	(16,096)
At 31 December 2017	135,035	18,437	1,274	41,444	38,534	55,290	409,317	699,331
Comprising:								
At cost	89,685	18,437	1,274	41,444	38,534	55,290	409,317	653,981
At valuation – 1994	45,350	–	–	–	–	–	–	45,350
	135,035	18,437	1,274	41,444	38,534	55,290	409,317	699,331
DEPRECIATION								
At 1 January 2016	56,645	16,645	4	34,154	30,230	22,877	–	160,555
Exchange realignment	(313)	(442)	–	(69)	(51)	(64)	–	(939)
Provided for the year	3,663	1,123	34	2,266	1,955	6,318	–	15,359
Eliminated on disposals	–	(1,401)	–	–	(1,358)	–	–	(2,759)
Eliminated on disposal upon spin-off of subsidiaries *(note 34)*	–	(1,699)	–	(176)	(2,196)	(247)	–	(4,318)
Transfer to investment properties *(note 13)*	(4,677)	–	–	–	–	–	–	(4,677)
At 31 December 2016	55,318	14,226	38	36,175	28,580	28,884	–	163,221
Exchange realignment	354	451	–	70	64	85	–	1,024
Provided for the year	3,193	1,244	80	1,768	2,209	6,390	–	14,884
Eliminated on disposals	–	–	–	–	(52)	(1,550)	–	(1,602)
Transfer to investment properties *(note 13)*	(3,936)	–	–	–	–	–	–	(3,936)
At 31 December 2017	54,929	15,921	118	38,013	30,801	33,809	–	173,591
CARRYING VALUES								
At 31 December 2017	80,106	2,516	1,156	3,431	7,733	21,481	409,317	525,740
At 31 December 2016	83,134	2,153	257	4,017	6,699	21,878	297,328	415,466

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

The above items of property, plant and equipment (other than construction in progress) are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	4% or over the term of the relevant lease, whichever is shorter
Leasehold improvements	Over the term of the relevant lease
Motor vehicles and vessels	20%
Others	20%

Owner-occupied leasehold land is included in property, plant and equipment, as in the opinion of the directors, allocations between the land and buildings elements could not be made reliably.

As at 31 December 2017, the cumulative borrowing costs capitalised in the cost of qualifying assets, being the construction in progress, amounted to HK$6,635,000 (2016: HK$2,774,000).

15. INTANGIBLE ASSETS

	Internet platforms *HK$'000*	Customer relationship *HK$'000*	Total *HK$'000*
COST			
At 1 January 2016	–	–	–
Acquired on acquisition of a business *(note 33(b))*	–	5,628	5,628
Addition	1,630	–	1,630
At 31 December 2016	1,630	5,628	7,258
Exchange realignment	17	–	17
Written off *(note)*	(1,443)	–	(1,443)
At 31 December 2017	204	5,628	5,832
AMORTISATION			
At 1 January 2016	–	–	–
Provided for the year	62	282	344
At 31 December 2016	62	282	344
Exchange realignment	2	–	2
Provided for the year	19	1,126	1,145
Written off *(note)*	(48)	–	(48)
At 31 December 2017	35	1,408	1,443
CARRYING VALUES			
At 31 December 2017	169	4,220	4,389
At 31 December 2016	1,568	5,346	6,914

15. INTANGIBLE ASSETS *(Continued)*

Note: During the year ended 31 December 2017, an internet platform developed with a carrying amount of HK$1,395,000 was written off due to its incompatibility for the Group's operation.

The customer relationship was purchased as part of the acquisition of a business during the year ended 31 December 2016 and was recognised at their fair value at the date of acquisition, details of which are set out in note 33 to the consolidated financial statements.

The above intangible assets are amortised over their estimated useful lives, using the straight-line method, at the following rates per annum:

Customer relationship	20%
Internet platforms	20%

16. INTERESTS IN ASSOCIATES

	2017 HK$'000	2016 HK$'000
Cost of investments in associates		
– Listed investments in Hong Kong	64,472	63,835
– Unlisted investments	18,723	18,723
	83,195	82,558
Share of post-acquisition losses and other comprehensive expense, net of dividends received	(3,873)	(12,036)
	79,322	70,522
Fair value of listed investments, Hi-Level Holdings	134,311	121,335

As at 31 December 2017 and 2016, the Group had interests in the following associates:

Name of associate	Form of business structure	Place of incorporation/ establishment/ operations	Class of shares held	Proportion of issued share/ registered capital held by the Group 31.12.2017 %	31.12.2016 %	Principal activities
Bestime Technology Development Limited	Incorporated	Hong Kong	Ordinary	30	30	Trading of electronic products
Reachfull Investment Limited ("Reachfull")	Incorporated	British Virgin Islands	Ordinary	6 *(Note b)*	6 *(Note b)*	Investment holding
Hi-Level Holdings *(Note a)*	Incorporated	Cayman Islands	Ordinary	33.0	34.3	Distribution of electronic products with provision of independent design house services

Notes: (a) Hi-Level Holdings ceased to be a subsidiary of the Group upon the completion of the Spin-off on 7 January 2016. The Group's equity interest in Hi-Level Holdings was diluted from 51.0% to approximately 34.3%, details of which are set out in note 34. As at 31 December 2017, as a result of the combined, effect of additional equity interest acquired by the Group in Hi-Level Holdings at a consideration of HK$637,000 (2016:HK$389,000) after the Spin-off and the exercise of share options by the option holders of Hi-Level Holdings during the current year, the Group's equity interest in Hi-Level Holdings was diluted from approximately 34.3% to approximately 33.0%.

(b) The Group is able to exercise significant influence over the major financing and operating decisions of Reachfull as the Group has one out of five board seats in the board of directors of Reachfull, which represents 20% of voting rights of Reachfull according to the shareholders' agreement.

16. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates

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

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

Hi-Level Holdings

	31.12.2017 *HK$'000*	31.12.2016 *HK$'000*
Current assets	**506,361**	543,662
Non-current assets	**905**	818
Current liabilities	**363,447**	433,306

	31.12.2017 *HK$'000*	31.12.2016 *HK$'000*
Revenue	**2,254,447**	1,798,674
Profit for the year	**37,212**	30,690
Other comprehensive income (expense) for the year	**5,077**	(3,203)
Total comprehensive income for the year	**42,289**	27,487
Dividends received from the associate during the year	**6,179**	3,085

16. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

Hi-Level Holdings *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
Net assets of Hi-Level Holdings	**143,819**	111,174
Proportion of the Group's ownership interest in Hi-Level Holdings	**33.0%**	34.3%
	47,460	38,133
Goodwill	**32,412**	32,412
Others	**(550)**	(23)
Carrying amount of the Group's interest in Hi-Level Holdings	**79,322**	70,522

Aggregate information of associates that are not individually material

	2017	2016
	HK$'000	*HK$'000*
The Group's share of loss	**–**	(12,298)
The Group's share of total comprehensive expenses	**–**	(12,298)
Aggregate carrying amount of the Group's interests in these associates	**–**	–

The Group has discontinued recognition of its share of loss of associates. The amount of unrecognised share of the associates, both for the year and cumulatively, are as follows:

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
Unrecognised share of loss of the associates for the year	1	–

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
Accumulated unrecognised share of loss of the associates	**393**	392

17. INTEREST IN A JOINT VENTURE

	31.12.2017 HK$'000	31.12.2016 HK$'000
Cost of unlisted investment in a joint venture	13,300	13,300
Share of post-acquisition losses and other comprehensive expenses	(7,783)	(8,279)
	5,517	5,021

As at 31 December 2017 and 2016, the Group had interest in the following joint venture:

Name of joint venture	Form of business structure	Place of incorporation/ operations	Class of shares held	Proportion of issued share capital held by the Group		Proportion of voting rights held by the Group		Principal activity
				31.12.2017 %	31.12.2016 %	31.12.2017 %	31.12.2016 %	
Kitronix Limited ("Kitronix")	Incorporated	Hong Kong	Ordinary	35	35	40 *(Note)*	40 *(Note)*	Manufacturing of liquid crystal display modules

Note: The Group is able to exercise joint control over the financing and operating decisions of Kitronix as major decision regarding the relevant activities of Kitronix requires unanimous consent of all the directors of Kitronix according to the shareholders' agreement.

The summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs:

Kitronix

	31.12.2017 HK$'000	31.12.2016 HK$'000
Current assets	7,740	6,401
Non-current assets	8,882	8,766
Current liabilities	859	820

The above amounts of assets and liabilities including the following:

	31.12.2017 HK$'000	31.12.2016 HK$'000
Cash and cash equivalent	7,740	6,401

17. INTEREST IN A JOINT VENTURE *(Continued)*

Kitronix *(Continued)*

	2017	2016
	HK$'000	*HK$'000*
Revenue	**1,427**	491
Profit (loss) for the year	**868**	(181)
Other comprehensive income (expense) for the year	**548**	(1,044)
Total comprehensive income (expense) for the year	**1,416**	(1,225)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Kitronix recognised in the consolidated financial statements:

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
Net assets of Kitronix	**15,763**	14,347
Proportion of the Group's ownership in Kitronix	**35%**	35%
Carrying amount of the Group's interest in Kitronix	**5,517**	5,021

18. AVAILABLE-FOR-SALE INVESTMENTS

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
Available-for-sale investments comprise:		
At fair value:		
Investments in club debenture	**2,997**	2,997
Investments in listed equity securities in Hong Kong *(Note (i))*	**56,530**	30,774
At cost:		
Investments in unlisted equity securities in Hong Kong *(Note (ii))*	**–**	6,000
Investments in unlisted equity securities in overseas *(Note (iii))*	**10,080**	18,720
Total	**69,607**	58,491
Analysed for reporting purposes as:		
Non-current assets	**69,607**	58,491

18. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes:

(i) Listed securities are stated at fair value which is determined based on the quoted market bid price available on the Stock Exchange.

(ii) The unlisted equity securities in Hong Kong represent investments in equity securities issued by a private entity which is engaging in manufacturing of paper products and these investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimation is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. During the year ended 31 December 2017, an impairment loss of approximately HK$6,000,000 was recognised to write down the carrying amount of the unlisted equity securities in Hong Kong to its recoverable amount.

(iii) As at 31 December 2016, the unlisted equity securities in overseas represented investment in an unlisted company which was a non-wholly-owned subsidiary of Hon Hai Industry Co., Ltd ("Hon Hai"), a substantial shareholder of the Company, which held 19.81% (2016: 19.86%) of the issue share capital of the Company. The unlisted company was engaged in development, manufacturing and marketing of electronic components and related products. The investment was measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimation was so significant that the directors of the Company were of the opinion that the fair value could not be measured reliably. During the year ended 31 December 2017, the unlisted equity securities in overseas have been listed on the Stock Exchange. As a result, the investment is measured at fair value as at 31 December 2017 as described in Note (i).

During the year ended 31 December 2017, the Group has acquired another unlisted equity securities of an overseas company which is engaged in development, manufacturing and marketing of infrared device and related products. The investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimation is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

19. CLUB MEMBERSHIPS

	HK$'000
Club memberships outside Hong Kong, at cost	
As at 1 January 2016	3,278
Disposal upon spin-off of subsidiaries *(note 34)*	(266)
As at 31 December 2016	3,012
Disposal	(150)
As at 31 December 2017	2,862

As at 31 December 2017 and 2016, the club memberships were tested for impairment by comparing their carrying amounts with their recoverable amounts. The directors of the Company determined that no impairment loss was necessary and were of the opinion that the club memberships are worth at least their carrying amounts.

20. INVENTORIES

	31.12.2017 *HK$'000*	31.12.2016 *HK$'000*
Finished goods	**1,232,929**	1,109,780

21. TRADE AND OTHER RECEIVABLES

	31.12.2017 *HK$'000*	31.12.2016 *HK$'000*
Trade receivables	**3,002,922**	1,441,890
Less: allowance for doubtful debts	**(29,385)**	(20,885)
	2,973,537	1,421,005
Other receivables	**32,179**	103,772
Prepayment and deposits paid	**92,886**	34,481
Total trade and other receivables	**3,098,602**	1,559,258

The Group allows a credit period ranging from 30 days to 120 days to its trade customers.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the due date at the end of the reporting period:

	31.12.2017 *HK$'000*	31.12.2016 *HK$'000*
Current	**2,497,441**	1,058,299
Within 30 days	**407,235**	229,000
More than 30 days and within 60 days	**42,754**	57,378
More than 60 days and within 90 days	**7,778**	23,847
More than 90 days	**18,329**	52,481
	2,973,537	1,421,005

Before accepting a new customer, the Group assesses the potential customer's credit quality by investigating their historical credit record and then sets a credit limit for that customer. Limits attributed to customers are reviewed periodically. The majority of the trade receivables that are neither past due nor impaired have no history of defaults on payments.

Other receivables are unsecured, interest-free, repayable on demand and expected to be settled within twelve months from the reporting date.

21. TRADE AND OTHER RECEIVABLES *(Continued)*

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$476,096,000 (2016: HK$362,706,000) which are past due as at the reporting date for which the Group has not provided for impairment loss as these debtors have good repayment history and there has not been a significant change in credit quality. The Group does not hold any collateral over these balances. The average age of these receivables is 27 days (2016: 40 days).

Ageing of trade receivables which are past due but not impaired

	31.12.2017 *HK$'000*	31.12.2016 *HK$'000*
Within 30 days	**407,236**	229,000
More than 30 days and within 60 days	**42,754**	57,378
More than 60 days and within 90 days	**7,778**	23,847
More than 90 days	**18,328**	52,481
Total	**476,096**	362,706

Movement in the allowance for doubtful debts

	2017 *HK$'000*	2016 *HK$'000*
1 January	**20,885**	11,614
Release upon spin-off of subsidiaries	**–**	(1,000)
Impairment losses recognised on receivables	**15,528**	16,834
Amounts recovered during the year	**(138)**	–
Amount written off as uncollectible	**(6,890)**	(6,563)
31 December	**29,385**	20,885

The Group does not hold any collateral over these balances.

During the year ended 31 December 2017, the Group has discounted trade receivables of HK$1,500,929,000 (2016: HK$1,000,611,000) to certain banks without recourse and the related trade receivables were derecognised accordingly.

The Group's trade and other receivables and bills receivable that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	31.12.2017 *HK$'000*	31.12.2016 *HK$'000*
United States Dollar ("USD")	**537,932**	119,799
Renminbi ("RMB")	**3,939**	12,486
	541,871	132,285

22. FINANCE LEASE RECEIVABLES/OTHER BORROWINGS

	Minimum lease payments 31.12.2017 HK$'000	Present value of minimum lease payments 31.12.2017 HK$'000	Minimum lease payments 31.12.2016 HK$'000	Present value of minimum lease payments 31.12.2016 HK$'000
Finance lease receivables comprise:				
Within one year	28,347	24,150	30,183	26,239
In more than one years, but not more than two years	24,437	20,428	26,133	22,382
Within a period of more than two years but not exceeding five years	35,500	28,532	40,967	34,364
	88,284	73,110	97,283	82,985
Less: unearned finance income	(15,174)	N/A	(14,298)	N/A
Present value of minimum lease payment receivables	73,110	73,110	82,985	82,985

Analysed for reporting purpose as:

	31.12.2017 HK$'000	31.12.2016 HK$'000
Current assets	24,150	26,239
Non-current assets	48,960	56,746
	73,110	82,985

The Group has entered into sales contracts with its customers pursuant to which legal ownership is transferred to the customers upon full payment of the contract sum (the "Contracts") plus a nominal amount of HK$500 for each business equipment. The mode of payment of contract sum under the Contracts depends on the utilisation of the business equipment by the customers during the contract period, subject to monthly minimum instalment payments during the terms of the Contracts. As the feature of these contracts is such that substantially all the risks and rewards incidental to the ownership of the business equipment have been transferred to the customers upon the inception of the contract, notwithstanding that the titles to the equipment may only be transferred to the customers upon full payment of the contract sum plus a nominal amount of HK$500 for each equipment which occur at the end of the contract period, the sales of the business equipment under such Contracts have been accounted for as finance lease under HKAS 17 Lease and finance lease receivables have been recognised accordingly. Distributor profit was also recognised in the profit or loss resulting from an outright sale of the business equipment being leased, at normal selling prices, under the Contracts.

22. FINANCE LEASE RECEIVABLES/OTHER BORROWINGS *(Continued)*

In addition, excluding the Contracts with a carrying amount of HK$1,433,000 (2016: Nil) which were financed directly by the Group, the Group had entered into an agreement (the "Agreement") with a Hong Kong financial institution (the "Financial Institution") whereby the Group drew down the principal amount of portion of the Contracts with a carrying amount of HK$71,677,000 (2016: HK$82,985,000) from the Financial Institution when the Group leased the above business equipment to the customers. The other borrowings is to be settled to the Financial Institution with the same terms as the finance lease receivables from the customers. As collaterals for the financing, the Group transferred the legal ownership title of the business equipment leased to the customers to the Financial Institution and the Financial Institution has the ultimate right to payment from the customers of the Contracts in accordance with the Agreement. Thus, the majority of credit risk of the finance lease receivables is therefore transferred to the Financial Institution.

As at 31 December 2017, the Group's other borrowings to the extent of HK$71,677,000 (2016: HK$82,985,000) were secured by the business equipment leased to customers with a carrying amount of HK$71,677,000 (2016: HK$82,985,000) being held as collaterals.

Pursuant to the Agreement, the Financial Institution will return the ownership title of the business equipment to the Group upon the completion of the Contracts plus a nominal amount of HK$200 for each equipment to be paid by the Group.

The carrying amounts of the above other borrowings are repayable*:

	31.12.2017 ***HK$'000***	31.12.2016 *HK$'000*
Within one year	**23,565**	26,239
Within a period of more than one year but not exceeding two years	**20,129**	22,382
Within a period of more than two years but not exceeding five years	**27,983**	34,364
	71,677	82,985

* The amounts due are based on scheduled repayment dates set out in the agreements.

Analysed for reporting purpose as:

	31.12.2017 ***HK$'000***	31.12.2016 *HK$'000*
Current liabilities	**23,565**	26,239
Non-current liabilities	**48,112**	56,746
	71,677	82,985

Effective interest rates per annum of the finance lease receivables and other borrowings for the year are fixed at respective contract dates as follows:

	31.12.2017	31.12.2016
Effective interest rate	**7.4% to 10%**	7.8% to 10%

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.12.2017 *HK$'000*	31.12.2016 *HK$'000*
Investments held-for-trading:		
Equity securities listed in Hong Kong	**636**	25,960
Unlisted equity funds *(note)*	**8,390**	8,257
	9,026	34,217

note: The amount represented unlisted equity funds which are quoted in an active market. The fair value of the investments is determined by reference to the quoted prices as at 31 December 2017 and 2016. The amount was denominated in USD.

24. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

At 31 December 2017, the pledged bank deposits represented deposits pledged to banks to secure short-term banking facilities granted to the Group and were therefore classified as current assets. The pledged bank deposits would be released upon the settlement of the relevant bank borrowings.

The bank balances and pledged bank deposits carry fixed interest at rates which range from 0.02% to 0.10% (2016: from 0.02% to 0.10%) per annum and variable interest at rates which range from 0.01% to 0.40% (2016: from 0.01% to 0.40%) per annum, respectively.

The Group's bank balances and cash and pledged bank deposits that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	31.12.2017 *HK$'000*	31.12.2016 *HK$'000*
USD	**54,896**	59,981
RMB	**30,175**	10,286
	85,071	70,267

25. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

	31.12.2017 HK$'000	31.12.2016 HK$'000
Trade payables	**1,328,875**	832,258
Other payables	**68,524**	37,010
Accruals and deposits received	**82,051**	70,529
Total trade and other payables	**1,479,450**	939,797
Bills payable	**129,450**	36,981

The average credit period on purchase of goods ranged from 30 days to 120 days.

Included in the Group's trade and other payables and bills payable with aggregate amount of approximately HK$27,081,000 (2016: HK$73,360,000) are denominated in USD which is other than the functional currency of the relevant group entities.

The following is an aged analysis of trade payables and bills payable presented based on the due date at the end of the reporting period:

	31.12.2017 HK$'000	31.12.2016 HK$'000
Current	**1,246,885**	699,956
Within 30 days	**149,540**	79,608
More than 30 days and within 60 days	**19,416**	20,402
More than 60 days and within 90 days	**11,961**	11,688
More than 90 days	**30,523**	57,585
	1,458,325	869,239

26. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative not under hedge accounting:

	ASSETS		LIABILITIES	
	31.12.2017	31.12.2016	**31.12.2017**	31.12.2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Fair value of derivatives not under hedge accounting:				
Foreign currency forward contracts	**1,210**	190	**1,448**	18,593

Major terms of the outstanding foreign exchange forward contracts with monthly net-settlement to which the Group is committed are as follows:

As at 31 December 2017

Maximum aggregate notional amount (monthly-settled)	Maturity	Fixed forward exchange rates
Eight contracts to buy USD in total notional amount USD413,500,000	Ranging from 12 February 2018 to 5 September 2019	HKD/USD ranging from 7.725 to 7.749

As at 31 December 2016

Maximum aggregate notional amount (monthly-settled)	Maturity	Fixed forward exchange rates
Eighteen contracts to buy USD in total notional amount USD424,000,000	Ranging from 17 January 2017 to 6 September 2018	HKD/USD ranging from 7.695 to 7.749

As at 31 December 2016, the Group had one outstanding foreign currency forward contract with a financial institution with a notional amount of USD2,000,000/USD4,000,000, of which the financial institution would pay to or receive from the Group an amount calculated based on the difference between the RMB/USD exchange rate on the monthly settlement date and the pre-determined RMB/USD forward rate of 6.29. The contract would be mature on 13 March 2017.

27. BANK BORROWINGS

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
Bank borrowings comprise:		
Invoice financing and import loan	**1,945,334**	1,670,527
Other bank loans	**1,140,243**	536,955
	3,085,577	2,207,482
Analysed as:		
Current	**3,085,577**	2,062,397
Non-current	**–**	145,085
	3,085,577	2,207,482
Secured	**2,077,177**	1,505,828
Unsecured	**1,008,400**	701,654
	3,085,577	2,207,482

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
Carrying amount of bank loans contain a repayment on demand clause are repayable as follows:		
– within one year	**2,623,565**	1,892,236
– more than one year, but not exceeding two years	**277,619**	5,884
– more than two years, but not exceeding five years	**114,393**	103,368
– over five years	**–**	60,909
	3,015,577	2,062,397
Carrying amount of bank loans not contain a repayment on demand clause are repayable as follows:		
– within one year	**70,000**	–
– more than one year, but not exceeding two years	**–**	145,085
	70,000	145,085

At 31 December 2017, all of the bank borrowings bear interest at London Interbank Offered Rate ("LIBOR") plus a margin per annum or Hong Kong Interbank Offered Rate ("HIBOR") plus a margin per annum with the average effective interest rate of 2.11% (2016: 1.56%).

27. BANK BORROWINGS *(Continued)*

Included in the Group's bank borrowings with aggregate amount of HK$234,048,000 (2016: HK$149,846,000) denominated in USD which is other than the functional currency of the relevant group entities.

28. SHARE CAPITAL

	Number of ordinary shares	Amount *HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2016, 31 December 2016 and 2017	1,454,000,000	145,400
Issued and fully paid:		
At 1 January 2016, 31 December 2016	624,281,440	62,428
Exercise of share options *(note)*	1,556,000	156
At 31 December 2017	625,837,440	62,584

	Number of non-redeemable convertible preference shares	Amount *HK$'000*
Non-redeemable convertible preference shares of HK$0.10 each		
Authorised:		
At 1 January 2016, 31 December 2016 and 2017	46,000,000	4,600
Issued and fully paid:		
At 1 January 2016, 31 December 2016 and 2017	–	–

note: During the year ended 31 December 2017, 1,556,000 share options were exercised and converted into 1,556,000 ordinary shares at the exercise price of HK$2.60 per share.

29. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share Option Scheme of the Company

Pursuant to a resolution passed on 27 July 2012, the Company adopted a share option scheme (the "Scheme") for recognition of past services contributed by, and giving incentives to the eligible participants. All directors, non-executive directors, employees, shareholders, suppliers, customers of each member of the Group, any other person or entity that provides research, development or other technological support to any member of the Group and any other persons who, in the sole discretion of the Board, have contributed or will contribute to the Group are eligible to participate in the Scheme.

Shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option scheme adopted by the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of adoption of the Scheme.

The Company may renew this 10% limit with shareholders' approval provided that each such renewal may not exceed 10% of the shares in the Company in issue as at the date of the shareholders' approval.

The total number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme or any other share option scheme adopted by the Company must not exceed 30% of the shares in issue from time to time.

Unless approved by shareholders of the Company, the total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant (including both exercised and unexercised options) under the Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue.

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The offer of a grant of share options may be accepted within 28 days from the date on which the letter containing the offer is delivered to that participant and the amount payable on acceptance of the grant is HK$1.

The subscription price for the shares of the Company to be issued upon exercise of the options shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share. The subscription price will be established by the board of directors of the Company at the time the option is offered to the participants.

29. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(a) Share Option Scheme of the Company *(Continued)*

The following tables disclose movements in the share options under the Scheme during the current year.

Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share (subject to adjustments) HK$	Outstanding at 1.1.2016	Lapsed during the year	Outstanding at 31.12.2016	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2017
					Number of share options					
Employees										
25.9.2014	50%	25.9.2014 – 24.9.2015	25.9.2015 – 24.9.2017	2.60	1,805,000	–	1,805,000	(778,000)	(1,027,000)	–
	50%	25.9.2014 – 24.9.2016	25.9.2016 – 24.9.2017	2.60	1,805,000	(266,000)	1,539,000	(778,000)	(761,000)	–
Exercisable as at year end					3,610,000	(266,000)	3,344,000	(1,556,000)	(1,788,000)	–
Weighted average exercise price					HK$2.60	HK$2.60	HK$2.60	HK$2.60	HK$2.60	–
Weighted average share price at the dates of exercise					N/A	N/A	N/A	HK$2.90	N/A	N/A

The fair value of the share options granted on 25 September 2014, the date of grant, determined using the Binomial Option Pricing Model, was HK$1,983,000. The inputs into the Binomial Option Pricing Model are as follows:

	Share options with a vesting period of one to two years
Exercise price	HK$2.60
Grant date share price	HK$2.57
Expected life of share options	3 years
Expected volatility	45% per annum
Expected dividend yield	8.95%
Risk free rate	0.794% per annum

The expected volatility was determined by using the Company's historical volatility quoted by Bloomberg. The expected dividend yield was determined by the final and special dividends paid during the interim period in respect of the financial year of 2013.

During the year ended 31 December 2016, 266,000 share options were lapsed as several employees resigned from the Group. During the year ended 31 December 2017, 1,788,000 share options were lapsed as exercisable period was expired.

The Group recognised a total expense of approximately HK$328,000 in relation to the share options granted by the Company during the year ended 31 December 2016 (2017: Nil).

29. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Equity-settled pre-IPO share option scheme of Hi-Level Holdings

Pursuant to the written resolution of the shareholders of Hi-Level Holdings dated 11 October 2015, the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") of Hi-Level Holdings was approved and adopted. The Pre-IPO Share Option Scheme was established to recognise and motivate the contribution of the eligible persons.

Under the Pre-IPO Share Option Scheme, the Board of Directors of the Hi-Level Holdings may grant options to the following eligible persons to subscribe for shares in the Hi-Level Holdings (the "Eligible Persons"):

(i) any employees;

(ii) any direct or indirect shareholder of any member of Hi-Level Group;

(iii) any supplier of goods or services to any member of Hi-Level Group;

(iv) any customer, consultant, business or joint venture partners, franchisee, contractor, agent or representative of any member of Hi-Level Group;

(v) any person or entity furnishing research, development or other technical support, enquiries, consultancy, professional or other services to any member of Hi-Level Group; and

(vi) any associate of the foregoing persons.

On 4 January 2016, there were share options granted to directors or employees of the Group for their contributions to Hi-Level Holdings under the Pre-IPO Share Option Scheme. The following tables disclose movements in the share options granted for the year ended 31 December 2017:

					Number of share options						
Grantees	Vesting proportion	Vesting date	Exercisable period	Exercise price per share *HK$*	Outstanding at 1.1.2016	Options granted during 2016	Options lapsed during 2016	Outstanding at 31.12.2016	Options exercised during the year	Options lapsed during the year	Outstanding at 31.12.2017
Employees	50%	6.1.2017	7.1.2017 – 6.1.2019	0.31	–	9,475,000	(525,000)	8,950,000	(7,680,000)	(75,000)	1,195,000
	50%	6.1.2018	7.1.2018 – 6.1.2019	0.31	–	9,475,000	(525,000)	8,950,000	–	(125,000)	8,825,000
Directors	50%	6.1.2017	7.1.2017 – 6.1.2019	0.31	–	3,500,000	–	3,500,000	(3,500,000)	–	–
	50%	6.1.2018	7.1.2018 – 6.1.2019	0.31	–	3,500,000	–	3,500,000	–	–	3,500,000
					–	25,950,000	(1,050,000)	24,900,000	(11,180,000)	(200,000)	13,520,000
Exercisable as at year end								–			13,520,000
Weighted average exercise price					–	HK$0.31	HK$0.31	HK$0.31	HK$0.31	HK$0.31	HK$0.31

29. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Equity-settled pre-IPO share option scheme of Hi-Level Holdings *(Continued)*

Share options granted in January 2016 under the Scheme are exercisable during the period from 7 January 2017 to 6 January 2019 in two batches.

The share-based payment expense of HK$243,000 (2016: HK$720,000) in respect of the above is included in the share of profit of the associate for the year ended 31 December 2017.

30. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Revaluation of investment properties *HK$'000*	Decelerated tax depreciation *HK$'000*	Tax losses *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 1 January 2016	8,986	(780)	(3,493)	(1,132)	3,581
Charge (credit) to profit or loss	2,958	(369)	–	59	2,648
At 31 December 2016	11,944	(1,149)	(3,493)	(1,073)	6,229
Charge (credit) to profit or loss	5,297	(40)	–	1,823	7,080
At 31 December 2017	17,241	(1,189)	(3,493)	750	13,309

The following is the analysis of the deferred tax balances for financial reporting purposes:

	31.12.2017 ***HK$'000***	31.12.2016 *HK$'000*
Deferred tax assets	**6,391**	6,508
Deferred tax liabilities	**(19,700)**	(12,737)
	(13,309)	(6,229)

As at 31 December 2017, the Group had unused tax losses of approximately HK$111,976,000 (2016: HK$110,600,000) available to offset future taxable profits. As at 31 December 2017, a deferred tax asset amounting to HK$3,493,000 (2016: HK$3,493,000) was recognised for tax losses amounting to approximately HK$21,173,000 (2016: HK$21,173,000) and no deferred tax asset was recognised in respect of the remaining tax losses of approximately HK$90,803,000 (2016: HK$89,427,000) due to unpredictability of future profit streams.

30. DEFERRED TAXATION *(Continued)*

At 31 December 2017, a deferred tax liability has been recognised in respect of the increase in fair value of investment properties of HK$21,188,000 (2016: HK$11,833,000).

As at 31 December 2017, the Group had deductible temporary differences in relation to decelerated tax depreciation of approximately HK$19,073,000 (2016: HK$18,891,000). As at 31 December 2017, a deferred tax asset amounting to HK$1,189,000 (2016: HK$1,149,000) was recognised for deductible temporary differences in relation to decelerated tax depreciation amounting to approximately HK$7,204,000 (2016: HK$6,964,000) and no deferred tax asset was recognised in respect of the remaining deductible temporary differences in relation to decelerated tax depreciation of approximately HK$11,869,000 (2016: HK$11,927,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements for the profits amounting to approximately RMB42,540,000 (31 December 2016: RMB23,343,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

31. RETIREMENT BENEFITS SCHEME

The Group participates in both a defined contribution retirement benefits scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme, or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

Under the ORSO Scheme and MPF Scheme, no forfeited contributions are available to reduce the contributions payable in future years.

The employees employed by the Group's Mainland China subsidiaries are members of the state-managed retirement benefits schemes operated by the Mainland China government. The Group's Mainland China subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total expense recognised in profit or loss of HK$11,958,000 (2016: HK$10,124,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

32. PLEDGE OF ASSETS

At the end of reporting period, the following assets of the Group were pledged to banks in order to secure general banking facilities granted by these banks to the Group:

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
Investment properties	**224,600**	200,100
Leasehold land and building	**49,615**	43,133
Bank deposits	**13,819**	–
Trade receivables	**1,341,544**	442,837
Investments held-for-trading	**8,390**	8,257
	1,637,968	694,327

33. ACQUISITION OF BUSINESSES

(a) On 16 October 2017, the Group completed the acquisition of the entire equity interests in Hannah Dynamic Limited ("Hannah Dynamic") from two independent third parties, a company incorporated in Macau which is engaged in the business of supply and installation of digital advertising panel in Macau with a net cash inflow of HK$91,000 which represented cash consideration paid of HK$25,000, net of cash and cash equivalents of Hannah Dynamic acquired of HK$116,000.

On 14 November 2017, the Group completed the acquisition of the entire equity interests in Square Solution Limited ("Square Solution") from an independent third party, a company incorporated in Hong Kong which is engaged in the leasing of digital advertising panel in Hong Kong with cash consideration paid of HK$155,000.

The aggregate net cash outflow in respect of the acquisition of Hannah and Square Solution is HK$64,000.

(b) On 26 September 2016, S.A.S. Electric Company Limited ("S.A.S. Electric"), a newly incorporated wholly-owned subsidiary of the Company, completed the acquisition of assets and liabilities at an aggregate cash consideration of approximately HK$27,420,000 from a connected person of the Company (the "Connected Person"), which is a subsidiary of SHARP Corporation (the "Acquisition"). SHARP Corporation is a non-wholly owned subsidiary of Hon Hai Industry Co., Ltd ("Hon Hai"), a substantial shareholder of the Company. On 26 August 2016, S.A.S. Electric entered into a distribution agreement with SHARP Corporation, appointing S.A.S. Electric as the sole and exclusive distributor of various products, including but not limited to, audio-visual products, home and kitchen appliances and air-conditioning products and business equipment and solutions products under the brand name of "SHARP" in Hong Kong and Macau (the "Sole Distributor") effective from 26 September 2016 (the "Distribution Agreement"), details of which were set out in the Company's announcements dated 26 August 2016. In addition, the Connected Person also ceased to be the Sole Distributor on 23 September 2016. The Acquisition has been accounted for as a business combination using the purchase method. The Acquisition would allow the Group to expand by leveraging on SHARP Corporation's leading position in the electronic appliances, business equipment and solution products market.

33. ACQUISITION OF BUSINESSES *(Continued)*

(b) *(Continued)*

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Plant and equipment	3,432
Customer relationship	5,628
Inventories	27,362
Finance lease receivables	80,454
Other borrowings	(80,454)
Net assets acquired	36,422
Total consideration satisfied by and cash outflow arising on acquisition:	
Cash consideration paid	27,420
Deemed contribution from a shareholder *(note)*	9,002

note: The difference of HK$9,002,000 between the fair value of net assets acquired from the Connected Person of HK$36,422,000 and the consideration paid of HK$27,420,000 represented the deemed contribution from Hon Hai, a substantial shareholder and was credited to equity of the Company.

Included in the profit for the year is HK$6,423,000 attributable to the additional business generated by S.A.S. Electric. Revenue for the year includes HK$66,878,000 generated from S.A.S. Electric.

Had the acquisition been completed on 1 January 2016, total group revenue for the year would have been HK$10,524,380,000, and profit for the year would have been HK$241,858,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

34. SPIN-OFF OF SUBSIDIARIES

On 7 January 2016, upon the completion of the dividend by way of distribution in specie of the shares of Hi-Level Holdings by the Group (set out in note 11) and the Spin-Off of Hi-Level Holdings, the Group's interest in Hi-Level Holdings was diluted from 51.0% to approximately 34.1%. Consequently, Hi-Level Holdings ceased to be a subsidiary and became an associate of the Company. The Group has adopted equity accounting in respect of its interest on Hi-Level Holdings thereafter.

	HK$'000
Net assets disposed of:	
Plant and equipment	328
Goodwill	15,050
Club membership	266
Inventories	84,725
Trade and other receivables	160,770
Amount due from the Group	7,527
Bank balances and cash	34,843
Trade and other payable	(182,465)
Amount due to the Group	(4,153)
Tax payable	(2,448)
Bank borrowings	(50,865)
	63,578
Translation reserve	(571)
Non-controlling interests	(23,779)
Fair value gain on dividend by way of a distribution in specie	10,454
Fair value gain on retained interest in Hi-Level Holdings held by the Group	27,714
	77,396
Special interim dividend by way of a distribution in specie *(note 11)*	(13,950)
	63,446
Transferred to interest in an associate	(63,446)
Total consideration	–

	HK$'000
Net cash outflow in respect of the disposal of subsidiaries:	
Cash and bank balances disposed of	34,843

Note: In October 2015, Hi-Level Technology Limited, a subsidiary of Hi-Level Holdings, had declared a special dividend of HK$40,000,000 to its then shareholders conditionally upon the Spin-Off. On 7 January 2016, Hi-Level Technology Limited has paid out the special dividend of which HK$20,400,000 was settled through offsetting the amount due from the Group for the same amount and HK$19,600,000 was paid by its bank balances and cash to the non-controlling interests.

35. OPERATING LEASES

The Group as lessee

	2017	2016
	HK$'000	*HK$'000*
Minimum lease payments paid under operating leases in respect of rented premises	**14,913**	6,527

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

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
Within one year	**11,071**	6,488
In the second to fifth year inclusive	**14,055**	13,181
	25,126	19,669

Operating lease payments represent rentals payable by the Group for certain of its office and warehouse. Leases are negotiated for lease terms of one to two years with fixed rentals.

The Group as lessor

Property rental income net of outgoings HK$11,000 (2016: HK$11,000) earned during the year was HK$14,871,000 (2016: HK$10,195,000). The properties held have committed tenants for the next five (2016: six) years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
Within one year	**16,993**	12,253
In the second to fifth year inclusive	**33,057**	26,199
More than five years	**–**	6,677
	50,050	45,129

36. CAPITAL COMMITMENTS

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment and investment property contracted for but not provided in the consolidated financial statements	**118,002**	221,240

37. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the bank borrowings and other borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
Financial assets		
Fair value through profit or loss		
Held-for-trading	**9,026**	34,217
Loans and receivables (including cash and cash equivalents)	**3,602,801**	2,131,182
Available-for-sale investments	**69,607**	58,491
Finance lease receivables	**73,110**	82,985
Derivative financial instruments	**1,210**	190
Financial liabilities		
Amortised cost	**4,691,737**	3,198,126
Derivative financial instruments	**1,448**	18,593

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other receivables, finance lease receivables, amount due from an associate, derivative financial instruments, financial assets at fair value through profit or loss, pledged bank deposits, bank balances and cash, trade and other payables, bills payable, amount due to an associate, bank borrowings and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases and foreign currency trade and other receivables, financial assets at fair value through profit or loss, pledged bank deposits, bank balances and cash, trade and other payables, bills payable and bank borrowings, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary liabilities (including intercompany payables within the Group) and monetary assets at the end of reporting period are as follows:

	Liabilities		Assets	
	31.12.2017	31.12.2016	**31.12.2017**	31.12.2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
USD	**300,168**	224,058	**601,218**	188,037
RMB	**1,908**	–	**34,114**	22,772

Included in above are the Group's foreign currency denominated monetary assets designated at FVTPL at the reporting date which are as follows:

	Assets	
	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
USD	**8,390**	8,257

The Group currently does not have a foreign currency hedging policy. However, management will monitor foreign exchange exposure closely and consider for further usage of hedging instruments when the need arise.

No sensitivity analysis is presented for USD denominated financial assets and liabilities in which the functional currency of the respective group entities is HKD as HKD is currently pegged to USD. Management considers that the exposure to exchange fluctuation in respect of USD is limited.

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Currency risk (Continued)

The Group is mainly exposed to the fluctuation in HKD against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HKD (excluding financial assets at fair value through profit or loss). 5% (2016: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding RMB denominated monetary items and adjusts their translation at the year end for a 5% (2016: 5%) change in foreign currency rates. The sensitivity analysis includes mainly foreign currency trade and other receivables and bank balances and cash. 5% (2016: 5%) strengthening of RMB against HKD will increase the Group's profit for the year by the following amount. For 5% (2016: 5%) weakening of RMB against HKD, there would be an equal and opposite impact on the profit and the balance below would be negative.

	RMB	
	2017	2016
	HK$'000	*HK$'000*
Increase in profit	**1,345**	951

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 24 and 27 for details). Management will monitor interest rate risk exposure closely. By management's discretion, the Group keeps its borrowings at floating rates and may enter into interest rate swaps to balance the fair value interest rate risk and cash flow interest rate risk exposure of the Group. In addition, the Group was also exposed to fair value interest rate risk in relation to fixed-rate other borrowings (see note 22 for details of these borrowings).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of LIBOR and HIBOR arising from the Group's variable-rate bank borrowings.

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank balances and bank borrowings. The analysis is prepared assuming the variable-rate bank balances and bank borrowings at the end of reporting period were outstanding for the whole year. For variable-rate bank balances, 20 basis points increase and 5 basis points decrease (2016: 20 basis points increase and 5 basis points decrease) are used. For variable-rate bank borrowings, 20 basis points (2016: 20 basis points) increase or decrease is used.

If interest rates had been 20 basis points higher for variable-rate bank balances and variable-rate bank borrowings/5 basis points lower for variable-rate bank balances and 20 basis points lower for variable-rate bank borrowings (2016: 20 basis points higher for variable-rate bank balances and variable-rate bank borrowings/5 basis points lower for variable-rate bank balances and 20 basis points lower for variable-rate bank borrowings) and all other variables were held constant, the Group's profit for the year ended 31 December 2017 would decrease by approximately HK$5,706,000 if interest rate is higher/increase; would increase by approximately HK$6,055,000 if interest rate is lower (2016: decrease by approximately HK$4,119,000/increase by approximately HK$4,341,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and bank borrowings.

(iii) Other price risk

The Group is exposed to other price risk through its investments in listed equity securities, unlisted equity funds, club debenture and listed equity securities classified as available-for-sale investments. For the available-for-sale investments stated at cost, the exposure to other price risk is not measurable as the range of reasonable fair value estimates is significant, accordingly, sensitivity analysis is not presented. The management manages the other price risk exposure by maintaining a portfolio of investments with different risks.

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(iii) Other price risk (Continued)

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the reporting date.

If the market prices of the respective listed equity instruments and the quoted price of the equity funds had been 5% (2016: 5%) higher/lower and all other variables were held constant:

- post-tax profit for the year would increase/decrease by approximately HK$337,000 (2016: HK$1,429,000) as a result of the changes in fair value of financial assets through profit or loss; and

- the investment revaluation reserve would increase/decrease by approximately HK$2,976,000 (2016: HK$1,689,000) stated at fair value as a result of the changes in fair value of available-for-sale investments.

Credit risk

As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Credit risk on finance lease receivables is limited because the majority of credit risk is transferred to the Financial Institution as defined and detailed in note 22.

The credit risk on bank balances and bank deposits is limited because the counterparties are banks with high credit ratings.

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

As at 31 December 2017, the Group had concentration of credit risk on trade receivables as 11% (2016: 7%) and 27% (2016: 31%) of the total trade receivables were due from the Group's largest customer and top five largest customers, respectively. The directors of the Company considered that the credit risk of amounts due from these customers is insignificant after considering their historical settlement record, credit quality and financial position.

Other than concentration of credit risk on trade receivables as described above and on bank balances, which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk on other financial assets.

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2017, the Group has available unutilised overdraft and bank loan facilities of approximately HK$16,000,000 (2016: HK$8,000,000) and HK$7,391,338,000 (2016: HK$6,710,936,000), respectively.

The following tables detail the Group's remaining contractual maturity for its non-derivative and derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the liquidity analysis for the Group's derivative financial instruments is prepared based on the expected settlement date as the management considers that such basis is essential for an understanding of the timing of the expected cash flows of the contracts.

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity tables

	Weighted average effective interest rate %	On demand or less than 1 month *HK$'000*	1 – 3 months *HK$'000*	3 months to 1 year *HK$'000*	Over 1 year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31.12.2017 *HK$'000*
31.12.2017							
Non-derivative financial liabilities							
Trade and other payables	–	1,335,503	31,376	30,520	–	1,397,399	1,397,399
Bills payable	–	129,450	–	–	–	129,450	129,450
Bank borrowings – variable rate	2.11	3,020,806	70,121	–	–	3,090,927	3,085,577
Amount due to an associate	–	7,634	–	–	–	7,634	7,634
Other borrowings	8.39	2,428	4,797	20,480	58,926	86,631	71,677
		4,495,821	106,294	51,000	58,926	4,712,041	4,691,737
Derivatives – net settlement							
Foreign exchange forward contracts	–	722	81	363	282	1,448	1,448

* Weighted average effective interest rate determined based on the variable interest rate of outstanding bank borrowings at the end of the reporting period.

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity tables (Continued)

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2016 HK$'000
31.12.2016							
Non-derivative financial liabilities							
Trade and other payables	–	779,593	32,090	57,585	–	869,268	869,268
Bills payable	–	36,981	–	–	–	36,981	36,981
Bank borrowings – variable rate	*1.56	2,065,040	–	–	148,231	2,213,271	2,207,482
Amount due to an associate	–	1,410	–	–	–	1,410	1,410
Other borrowings	8.47	2,643	5,240	22,300	67,100	97,283	82,985
		2,885,667	37,330	79,885	215,331	3,218,213	3,198,126
Derivatives – net settlement							
Foreign exchange forward contracts	–	16,327	429	1,536	301	18,593	18,593

* Weighted average effective interest rate determined based on the variable interest rate of outstanding bank borrowings at the end of the reporting period.

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2017, the aggregate undiscounted principal amounts of these bank loans amounted to approximately HK$3,015,577,000 (2016: HK$2,062,397,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. However, in accordance with Hong Kong Interpretation 5 *Presentation of Financial Statements Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*, all such bank loans have been classified as current liabilities.

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity tables (Continued)

	Weighted average effective interest rate	Less than 1 month	1 – 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2017							
Bank borrowings – variable rate	**2.11**	**951,002**	**1,258,539**	**431,091**	**400,283**	**3,040,915**	**3,015,577**
As at 31 December 2016							
Bank borrowings – variable rate	1.56	614,014	959,773	327,951	171,923	2,073,661	2,062,397

The amount included above for variable interest rate non-derivative financial liabilities is subject to change if changes in variable interest rate differ to those estimates of interest rates determined at the end of the reporting period.

38. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

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

Financial assets/financial liabilities	Fair value as at 31.12.2017 HK$'000	Fair value as at 31.12.2016 HK$'000	Fair value hierarchy	Valuation technique and key input	Significant unobservable input
Financial assets designated at fair value through profit or loss					
Listed equity securities	636	25,960	Level 1	Quoted bid prices in an active market	N/A
Unlisted equity funds	8,390	8,257	Level 1	Quoted bid prices in an active market	N/A
Available-for-sale investments					
Club debenture	2,997	2,997	Level 2	By comparing the quoted prices in market at the end of the reporting period from different sources	N/A
Listed equity securities	56,530	30,774	Level 1	Quoted bid price in an active market	N/A
Derivative financial instruments					
Foreign currency forward contracts *(note)*	Assets 1,210 Liabilities 1,448	Assets 190 Liabilities 18,593	Level 2	Discounted cash flow – Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A

38. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments *(Continued)*

note: At 31 December 2016, the Company's foreign currency forward contracts as set out in note 26 to the consolidated financial statements also exposed the Company to market risk arising from changes in foreign exchange rates risk. Based on the terms of these contracts, if at 31 December 2016, (i) RMB had weakened against USD by 5% and all other variables were held constant, the Company's post-tax profit for the year would have been decreased by approximately HK$2,232,000 and (ii) RMB had strengthened against USD by 5% and all other variables were held constant, the Company's post-tax profit for the year would have been increased by HK$4,865,000.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent market risk as the pricing model used involves multiple variables and certain variables are interdependent.

There were no transfers between Levels 1, 2 and 3 in both years.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost, using the discounted cash flows analysis with the most significant inputs being the discount rate that reflects the credit risk of counterparties, recognised in the consolidated financial statements approximate their fair values.

39. CONNECTED PERSON AND RELATED PARTY TRANSACTIONS AND BALANCES

(I) Connected persons

During the year, the Group had significant transactions and balances with deemed connected persons pursuant to the Rules Governing the Listing of Securities on the Stock Exchange. The significant transactions during the year and balances at the end of the reporting period with a substantial shareholder and its subsidiaries are as follows:

(a) Transactions

Name of party	Nature of transactions	2017 HK$'000	2016 HK$'000
Hon Hai and its subsidiaries *(note)*	Purchases of electronic products by the Group	**1,446,862**	702,276
	Sales of electronic products by the Group	**3,348,266**	1,059,632
	Rental expense paid by the Group	**8,507**	2,526
	Rental income received by the Group	**2,400**	–
	Reimbursement of warranty services provided by the Group	**2,370**	2,649

39. CONNECTED PERSON AND RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(I) Connected persons- continued

(b) Balances

Name of party	Nature of balances	31.12.2017 HK$'000	31.12.2016 HK$'000
Hon Hai and its subsidiaries	Trade payables	334,297	246,148
	Trade receivables	1,306,640	466,318

During the year ended 31 December 2016, the Group completed an acquisition of assets and liabilities from the Connected Person at an aggregate cash consideration of HK$27,420,000. Details of which are set out in note 33.

note: Hon Hai is a substantial shareholder of the Company, who held 19.81% (2016: 19.86%) of the issued share capital of the Company as at 31 December 2017.

(II) Related parties, other than connected persons

The significant transactions with related parties, other than connected persons, during the year, and significant balances with them at the end of the reporting period, are as follows:

(a) Transactions

Name of party	Nature of transactions	2017 HK$'000	2016 HK$'000
Associate:			
Hi-Level Technology Limited *(note)*	Purchases of electronic products	10,491	2,258
	Sales of electronic products	16	640
	Rental income received	507	508

(b) Balances

Name of party	Nature of balances	31.12.2017 HK$'000	31.12.2016 HK$'000
Joint venture:			
Kitronix	Other receivables	127	85
Associate:			
Hi-Level Technology Limited *(note)*	Trade payables	7,634	1,410
	Trade receivables	65	220

39. CONNECTED PERSON AND RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(II) Related parties, other than connected persons *(Continued)*

(c) Compensation of key management personnel

note: Hi-Level Technology Limited, a subsidiary of Hi-Level Holdings, which became an associate of the Company upon the completion of the Spin-Off on 7 January 2016 as set out in notes 1 and 34.

The amounts represent trading balances which are unsecured, non-interest bearing and repayable with an average credit period of 60 days.

The directors are the key management personnel of the Company and their compensation for both years is set out in note 9.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

A summary of the statement of financial position of the Company at 31 December 2017 and 31 December 2016 are as follows:

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
Non-current assets		
Investment in subsidiaries	**223,930**	201,948
Amounts due from subsidiaries	**755,316**	637,186
	979,246	839,134
Current assets		
Prepayment and other receivables	**227**	227
Bank balances	**495**	180
	722	407
Current liabilities		
Other payables	**347**	261
Amounts due to subsidiaries	**581,494**	550,788
Bank borrowings – due within one year	**70,000**	–
Tax payable	**1,599**	789
	653,440	551,838
Net current liabilities	**(652,718)**	(551,431)
Net assets	**326,528**	287,703
Capital and reserves		
Share capital	**62,584**	62,428
Share premium and reserves *(note)*	**263,944**	225,275
Total equity	**326,528**	287,703

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

Note:

	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Contributed surplus *HK$'000*	Share option reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2016	1,718	1,109	105,796	1,634	50,913	161,170
Profit and total comprehensive income for the year	–	–	–	–	127,670	127,670
Dividends recognised as distribution	–	–	–	–	(49,943)	(49,943)
Dividend by way of a distribution in specie	–	–	–	–	(13,950)	(13,950)
Recognition of equity-settled share-based payments	–	–	–	328	–	328
At 31 December 2016	1,718	1,109	105,796	1,962	114,690	225,275
Profit and total comprehensive income for the year	–	–	–	–	136,611	136,611
Dividend paid	–	–	–	–	(101,832)	(101,832)
Exercise of share option	4,803	–	–	(913)	–	3,890
Share option lapsed	–	–	–	(1,049)	1,049	–
At 31 December 2017	6,521	1,109	105,796	–	150,518	263,944

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and paid up share capital/ registered capital	Proportion of issued share/ registered capital held by the Company 31.12.2017 %	31.12.2016 %	Principal activities
Dragon Trading Limited	British Virgin Islands/ Hong Kong	Ordinary USD40,000	**100**	100	Investment holding
HAS Electronic Company Limited	Hong Kong	Ordinary HK$1,000,000	**100**	100	Distribution of electronic products
RSL Microelectronics Company Limited	Hong Kong	Ordinary HK$500,000	**100**	100	Distribution of electronic products
S.A.S. Electric (as defined in note 33)	Hong Kong	Ordinary HK$1,000,000	**100**	100	Distribution of home appliances and business equipment and provision of related ancillary services

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and paid up share capital/ registered capital	Proportion of issued share/ registered capital held by the Company 31.12.2017 %	31.12.2016 %	Principal activities
S.A.S. Electronic Company Limited	Hong Kong	Ordinary HK$1,000,000	**100**	100	Distribution of electronic products
S.A.S. Enterprises Company Limited	Hong Kong	Ordinary HK$100 Non-voting deferred* HK$1,000,000	**100** **100**	100 100	Distribution of electronic products
S.A.S. Investment Company Limited	Hong Kong	Ordinary HK$100 Non-voting deferred* HK$1,000,000	**100** **100**	100 100	Property and investment holding
S.A.S. Lighting Company Limited	Hong Kong	Ordinary HK$2	**100**	100	Distribution of LED lighting products
SMartech Electronic Company Limited	Hong Kong	Ordinary HK$1,000,000	**70**	70	Distribution of electronic products
SPT Technology Limited	Hong Kong	Ordinary HK$10,000,000	**100**	100	Distribution of electronic products
時捷電子科技(深圳)有限公司**	The PRC	Registered capital HK$200,000,000 (2016: HK$160,000,000)	**100**	100	Distribution of electronic products
時捷照明（深圳）有限公司**	The PRC	Registered capital HK$5,000,000	**100**	100	Distribution of LED lighting products
Time Speed Technology Corporation 時曄科技股份有限公司	Taiwan	Registered capital TWD50,000,000	**100**	100	Distribution of electronic products

* The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meetings of the company or to participate in any distribution on winding up.

** Foreign wholly-owned enterprise.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

With the exception of Dragon Trading Limited and S.A.S. Investment Company Limited, all the subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities 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 any debt securities outstanding at the end of the year or at any time during the year.

At the end of the reporting period, the Company had other subsidiaries that were not material to the Group. A majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries 31/12/2017	31/12/2016
Distribution of electronic components/ LED lighting products	Hong Kong	9	6
	PRC	4	4
	Taiwan	1	2
Investment holding	Hong Kong	2	2
	British Virgin Islands	6	4
Others	Hong Kong	12	11
	PRC	2	2
	Others	4	2

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ establishment/ operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		31.12.2017	31.12.2016	2017	2016	31.12.2017	31.12.2016
		%	%	HK$'000	HK$'000	HK$'000	HK$'000
SMartech Electronic Company Limited	Hong Kong	30	30	52,380	24,468	133,178	80,798
Individually immaterial subsidiaries with non-controlling interests				1,399	(2,198)	4,115	9,781
				53,779	22,270	137,293	90,579

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	SMartech Electronic Company Limited	
	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
Current assets	**1,961,015**	1,559,723
Non-current assets	**10,340**	352
Current liabilities	**(1,527,427)**	(1,290,748)
Equity attributable to owners of the Company	**310,750**	188,529
Non-controlling interests	**133,178**	80,798
Revenue	**10,632,556**	5,510,406
Profit for the year	**174,601**	81,559
Profit and total comprehensive income attributable to owners of the Company	**122,221**	57,091
Profit and total comprehensive income attributable to the non-controlling interests	**52,380**	24,468
Profit for the year	**174,601**	81,559
Dividends paid to non-controlling interests	**–**	9,000
Net cash outflow from operating activities	**(51,107)**	(160,212)
Net cash outflow from investing activities	**(9,319)**	(213)
Net cash (outflow) inflow from financing activities	**(15,276)**	119,040
Net cash outflow	**(75,702)**	(41,385)

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, 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.

	Amounts due to non-controlling shareholders	Dividend payable	Bank borrowings	Other borrowings	Interest payable	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2017	–	–	2,207,482	82,985	–	2,290,467
Financing cash flows *(Note)*	(9,860)	(101,832)	878,095	(11,308)	(59,836)	695,259
Dividend declared	–	101,832	–	–	–	101,832
Distribution to non-controlling shareholders upon deregistration of a subsidiary	9,860	–	–	–	–	9,860
Interest expenses	–	–	–	–	55,975	55,975
Capitalisation of interest expense	–	–	–	–	3,861	3,861
At 31 December 2017	–	–	3,085,577	71,677	–	3,157,254

Note: The cash flows represent the proceeds from and repayment of bank borrowings, dividend paid, settlement of distribution to non-controlling shareholders upon deregistration of a subsidiary and the interests paid in the consolidated statement of cash flows.

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2013	2014	2015	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
	(Restated)				
Revenue	10,797,607	10,605,352	11,262,149	10,339,603	**19,461,921**
Profit before tax	249,977	218,511	126,004	256,612	**424,291**
Income tax expense	(35,952)	(33,457)	(28,392)	(32,500)	**(67,509)**
Profit for the year	214,025	185,054	97,612	224,112	**356,782**
Profit for the year attributable to:					
Owners of the Company	172,134	145,479	80,530	201,842	**303,003**
Non-controlling interests	41,891	39,575	17,082	22,270	**53,779**
	214,025	185,054	97,612	224,112	**356,782**

ASSETS AND LIABILITIES

	At 31 December				
	2013	2014	2015	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
	(Restated)				
Total Assets	2,757,540	3,756,707	3,550,823	4,455,473	**6,286,815**
Total Liabilities	(1,879,141)	(2,755,963)	(2,550,234)	(3,317,469)	**(4,832,960)**
Net Assets	878,399	1,000,744	1,000,589	1,138,004	**1,453,855**
Equity attributable to owners of the Company	762,547	881,262	882,651	1,047,425	**1,316,562**
Non-controlling interests	115,852	119,482	117,938	90,579	**137,293**
Total Equity	878,399	1,000,744	1,000,589	1,138,004	**1,453,855**

Location	Lot No.	Use
Units 1 and 2 on Ground Floor and Carparking spaces Nos. B20, B21 and B22 on Basement Floor, Peninsula Square, Sung On Street, Hunghom, Kowloon, Hong Kong	11743/588444 share of Kowloon Inland Lot No. 10985	Commercial
Unit No. 5 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	21/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40	Commercial
Unit No. 6 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	14/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40	Commercial
Unit No. 7 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	14/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40	Commercial
Unit No. 12 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	14/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40	Commercial
Unit No.9 on 11th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	14/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40	Commercial
Unit No.10 on 11th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	22/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40	Commercial
Unit No.14 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	26/12841 share of the remaining position of section O of Kowloon Marine Lot No. 40	Commercial
Unit No.15 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	20/12841 share of the remaining position of section O of Kowloon Marine Lot No. 40	Commercial

PARTICULARS OF INVESTMENT PROPERTIES

Location	Lot No.	Use
Unit No.8 on 11th Floor of Tower A, Hunghom Commercial Centre, No. 39 Ma Tau Wai Road, Kowloon, Hong Kong	25/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40	Commercial
Unit 1212 on 12th Floor, Harbour Crystal Centre, No. 100 Granville Road, Kowloon, Hong Kong	12/3100 share of Kowloon Inland Lot No. 10600	Commercial
Yuquan Industrial Estate, Xingye Road, Fenggang Town, Dongguan, the PRC	Dong Fu Guo Yung (2010) De Te No. 361	Industrial
Unit No.1, 2, 3, 5, 6 and 7 on 29th Floor of Tower 1, Phase 2 of KK One North, Binhe Road, Futian Shenzhen, the PRC	Yue (2017) Shenzhen Real Estate Right No. 0132937	Commercial

The Group has 100% interest in the above properties.