中國恒嘉融資租賃集團有限公司

CHINA EVER GRAND FINANCIAL LEASING GROUP CO., LTD.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 379)

ANNUAL REPORT 2017

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Wong Lik Ping *(Chairman)*
Mr. Lai Ka Fai
Mr. Tao Ke
Mr. Qiao Weibing

NON-EXECUTIVE DIRECTOR

Ms. Yeung Sau Han Agnes

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Goh Choo Hwee
Mr. Ho Hin Yip
Mr. U Keng Tin

CHIEF EXECUTIVE OFFICER

Mr. Lai Ka Fai

JOINT COMPANY SECRETARIES

Mr. Li Chak Hung
Mr. Siu Wai Bun

AUTHORISED REPRESENTATIVES

Mr. Wong Lik Ping
Mr. Lai Ka Fai

AUDIT COMMITTEE

Mr. Ho Hin Yip *(Chairman)*
Mr. Goh Choo Hwee
Mr. U Keng Tin

REMUNERATION COMMITTEE

Mr. Ho Hin Yip *(Chairman)*
Mr. Wong Lik Ping
Mr. Goh Choo Hwee

NOMINATION COMMITTEE

Mr. Wong Lik Ping *(Chairman)*
Mr. Goh Choo Hwee
Mr. Ho Hin Yip

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

In Hong Kong:
The Hongkong and Shanghai Banking Corporation Limited
Fubon Bank (Hong Kong) Limited
China Minsheng Bank – Hong Kong branch

In the PRC:
China Citic Bank
China Guangfa Bank
Bank of China
Industrial and Commercial Bank of China

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2203, 22/F.
Kwan Chart Tower
No. 6 Tonnochy Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

379

WEBSITE

http://www.egichk.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Ever Grand Financial Leasing Group Co., Ltd (the "Company"), I hereby present the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017 for your review. The year of 2017 is a challenging year. The unfavourable change in the financial environment as a result of stringent regulatory environment in the PRC has brought about certain negative impact on our financial leasing business and thus decline in profit from the segment. Coupled with adverse change in fair value of the listed shares investment and a non-cash impairment loss on goodwill, the Group recorded an overall loss in 2017.

RESULTS OF OPERATIONS

For the year under review, the financial leasing business has contributed a segment loss of HK$10.9 million after including an impairment loss on goodwill of HK$31.0 million (2016: a profit of HK$61.0 million). The terminal and logistics service recorded an increase in segment profit from HK$27.5 million in 2016 to HK$43.5 million in 2017. The investment division recorded a significant decline in segment performance from a profit of HK$44.8 million in 2016 to a loss of HK$24.3 million in 2017. The newly set up food additives business recorded a start-up cost of HK$0.4 million. The Polishing segment, classified as discontinued operations, recorded a loss of HK$0.1 million in 2017 as compared with a loss of HK$27.4 million in 2016. After further considering the corporate expenses, certain other income, gains and losses, other expenses and income tax expenses, the Group recorded a net loss of HK$35.8 million in 2017 against a profit of HK$51.8 million in 2016.

FUTURE OUTLOOK

Notwithstanding the unfavorable change in the financial market in the PRC, we believe the impact is temporary and the emphasis on enhancement of financial risk prevention and control in the Chinese bank system could improve stability of the financial market in the PRC which in turn benefits the finance lease industry in the long term. With abundant opportunities from the industries of energy, resources and manufacturing in the PRC and continuous government support, we have faith in our financial leasing segment which could pick up the business volume in the foreseeable future. We will nurture the development of the food additives business, which could be an impetus to our future revenue and profit growth of the Group, and enhance the operation efficiency in the remaining business segments. Meanwhile, the Group will pay attention to new potential growth opportunities in a very diligent manner through merger & acquisition, business integration and expansion in order to sustain the growth and the profitability of the Group.

CHAIRMAN'S STATEMENT

ACKNOWLEDGEMENT

Here, on behalf of the Board of the Company, I hereby wish to extend my gratitude for the hard work contributed by all the staff and the Directors, as well as the support to the Company from all our customers, creditors, business partners and the shareholders. We will adhere to proven management strategy, grasp market trend and opportunities, and endeavor to bring greater value to our shareholders and make new contribution to the community.

Wong Lik Ping
Chairman
Hong Kong, 23 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Following the completion of disposal of manufacturing and trading of polishing materials and equipment ("Polishing Segment") on 5 January 2017, the Group regarded (i) Financial leasing business, (ii) Terminal and logistics services, (iii) manufacture and sales of food additives, new food ingredients and nutritional enhancers ("Food additives business") and (iv) Investment division as continuing operations and (v) Polishing segment as discontinued operation for the year under review (the "Current Year").

The continuing operations of the Group recorded revenue of HK$198.1 million in 2017 as compared with HK$221.2 million in 2016, gross profit of HK$31.3 million in 2017 against HK$72.5 million in 2016 and net loss of HK$35.7 million as compared to net profit of HK$79.2 million in 2016. The discontinued operation recorded a net loss of HK$0.1 million in 2017 as compared with a net loss of HK$27.4 million in 2016.

For the year under review, the Financial leasing business has contributed a segment loss of HK$10.9 million (including a non cash impairment loss on goodwill of HK$31.0 million) as compared with a segment profit of HK$61.0 million in 2016 (definition of segment profit or loss and detailed analysis set out in note 6). The decrease is mainly due to an unfavorable change in financial environment in the PRC where the tight liquidity and rising interest rates resulting from the strict regulatory policies made the Group difficult to obtain bank credits to finance the potential finance lease projects and thus lowering the lease volume and overall profitability. The increasingly intensified competition in the finance lease industry as a result of increasing number of finance lease company in the PRC also aggravated the business performance. They caused the segment revenue and gross profit amount to reduce by 10% to HK$198.1 million and 57% to HK$31.3 million respectively. In addition, the decrease is also attributable to the absence of a government subsidy income of approximately HK$8.5 million derived from an one-time financial support policy in 2016.

The Terminal and logistics services recorded an increase in segment profit from HK$27.5 million in 2016 to HK$43.5 million in 2017. The increase is mainly due to the improvement of optimization of the berth and storage facilities and reduction in the finance cost in current year.

The Food additives business, classified under others in the segment information, only commenced this year and is now in a preliminary stage. The segment is still sourcing the necessary machineries and equipment, recruiting manpower, completing the plant facilities and applying the production license. At the end of this reporting period, certain machineries and equipment was secured and will be delivered and installed in the first quarter of 2018. It is expecting to commence trial production of the first production line in the second half of 2018. The segment loss of HK$0.4 million in this year mainly represented the start-up cost.

The investment division recorded a significant decline from segment profit of HK$44.8 million in 2016 to segment loss of HK$24.3 million in 2017. The segment performance was affected by an adverse change in the fair value of securities investments from an overall profit of HK$38.0 million from the convertible bonds and the listed shares in 2016 to a loss of HK$26.6 million from the listed shares in 2017.

The Polishing segment, currently classified as discontinued operations, was disposed on 5 January 2017 and ceased to be consolidated thereafter. Therefore, the net loss of the discontinued operation was largely reduced from HK$27.4 million in 2016 to HK$0.1 million in 2017.

After considering the corporate expenses (2017: HK$38.6 million; 2016: HK$57.6 million), certain unallocated other income, gains and losses, other expenses and income tax expense, the Group recorded a net loss of HK$35.8 million (2016: net profit of HK$51.8 million) and a net loss attributable to the owners of the company of HK$42.7 million in the Current Year (2016: net profit of HK$29.8 million).

To remove the non-cash material gain or loss on goodwill and disposal of subsidiaries and profit or loss from the change in fair value on the securities investment, the adjusted profit or loss from the continuing operation in both years can be reconciled as below:

	2017	2016
	HK$'000	*HK$'000*
(Loss)/profit for the year from continuing operations	**(35,689)**	79,193
Add: impairment loss on the goodwill	**31,000**	–
Less: gain on disposal of subsidiaries	**–**	(20,547)
Less: change in fair value of convertible bonds designated as financial assets at fair value through profit or loss	**–**	(43,257)
Add: change in fair value of held for trading investments	**26,585**	5,263
	21,896	20,652

Continuing Operations

Revenue and gross profit

During the year, the Group's revenue and gross profit, entirely derived from the Financial leasing business, represented HK$198.1 million and HK$31.3 million (2016: HK$221.2 million and HK$72.5 million) respectively. The revenue mainly represents (i) service fee income for financing arrangement and consultancy services and (ii) finance lease interest income generated from financial leasing. The cost of services mainly represents (i) service cost to banks and other non-bank financial institutions on various kinds of factoring and consultancy services and (ii) interest expenses on borrowings from banks and other non-bank financial institutions. The main customer base primarily includes large corporations covering industries of energy resources, manufacturing, medical and urban infrastructure, transportation and public utility construction.

During the year, the Group entered into 18 finance lease transactions (2016: 21). The aggregate finance lease volume is approximately RMB3.1 billion or HK$3.7 billion (2016: RMB6.1 billion or HK$7.1 billion). The decrease in revenue is mainly attributable to the increasingly stringent regulatory environment in the Chinese financial market making the Group become more difficult to obtain bank factoring to finance the potential finance lease projects, as a result, less sizable finance lease projects could be completed during the Current Year. The stringent regulatory policy also led to a temporarily tight liquidity and put up the overall interest cost in the market. It not only put off certain potential customers but also eroded the profitability of the completed projects in the Current Year. To decrease its reliance on bank factoring, the Group diligently completed 4 finance lease projects, funded by the internal resource (2016: nil) during the Current Year. The principal of the self-funded finance lease project is relatively shorter term and smaller in size for risk prevention at the expense of much smaller profitability as compared with those of the factoring-backed finance projects. This also elaborates the significant reduction in the finance lease volume by half while only slight decline in term of the project number in the Current Year.

The decrease in gross profit margin is also due to increasingly intensified competition in the financial leasing market in the PRC as a result of increasing number of finance lease company in the PRC. It weakened the Group's ability to negotiate price and shift the increasing cost pressure from the interest rate hike with customers, and led the gross profit margin to fall in the Current Year.

Other income, gains and losses

The breakdown of other income and gains or losses are set out as below:

		2017	2016
		HK$'000	*HK$'000*
Other income			
Interest income from loan receivables	*Note 1*	**9,647**	4,544
Interest income from banks and non-bank financial institutions		**2,995**	1,934
Interest income from fund product and convertible bonds designated as financial assets at fair value through profit or loss		**–**	820
Rental income		**155**	691
Government grants	*Note 2*	**4,552**	13,080
Sundry income		**3,414**	2,764
		20,763	23,833

	2017	2016
	HK$'000	*HK$'000*
Other gains and losses		
Change in fair value of held for trading investments	**(26,585)**	(5,263)
Net foreign exchange (losses) gains	**(168)**	12
Loss on disposal of plant and equipment	**(132)**	(8)
Realised gain on disposal of available-for-sale investments	**–**	550
Change in fair value of investment properties	**–**	3,250
	(26,885)	(1,459)

Note 1: the amount represents interest income arising from subscriptions of trust products in the PRC and money lending business in Hong Kong.

Note 2: the amount for the Current Year represented government subsidies from local finance bureau which are calculated by reference to the amount of tax paid and based on fulfilment of certain conditions in accordance with the rules and regulations issued by the local government. The decrease is mainly due to the absence of a government subsidy income of approximately HK$8.5 million derived from an one-time financial support policy in 2016.

Administrative expenses

The Group's administrative expenses for the year mainly included staff costs (including directors 'and chief executive's emoluments) of HK$45.0 million (2016: HK$58.6 million), legal and professional and various administrative expenses. The decrease is primarily due to reduction in staff cost as a result of less staff incentive expenses and reduction in staff number.

Impairment loss on goodwill

During the year under review, the Group recorded a non-cash impairment loss on goodwill of HK$31.0 million which arose from the acquisition of the Finance lease business in January 2016. Since there was a decline in both finance lease volume and number together with the significant decrease in the gross profit margin in the Current Year, the management, amongst others, made downward revisions on revenue and gross profit margin in the latest forecast model to reflect the unfavorable changes in the Chinese financial market condition occurred in the Current Year. According to the value-in-use calculation ("VIU") based on the approved 4-year period financial budget of the Financial lease business, a shortfall, obtained by comparing the recoverable amount from the VIU with the carrying amount of the Finance lease business as at 31 December 2017, amounts to HK$31.0 million which is fully allocated to the goodwill as an impairment loss recognized in the profit or loss in the Current Year.

Share of joint venture's result

Increase in share of joint venture's result from a profit of HK$27.5 million in 2016 to HK$43.5 million in 2017 was mainly due to (i) an improvement in gross profit margin as a result of the successful implementation of optimization of the berth and storage facilities through leasing out idle facilities and (ii) reduction in the finance cost as a result of decrease in the overall bank borrowing balance during the Current Year.

Income taxation

Income tax expense for the year mainly comprised of current tax payable of HK$5.7 million (2016: HK$16.5 million) primarily from the finance lease business and deferred tax charge of HK$0.4 million (2016: HK$1.1 million) on imputed interest on deposits from customers and undistributed profits of subsidiaries. Decrease is generally in line with the decrease in the profit before taxation of the Finance lease business.

Discontinued operation

The decrease is attributable to the cessation of consolidation of the result of the Polishing Segment in early 2017 as compared with full year consolidation in 2016.

FINANCIAL POSITION

Increase in the total asset amount of the Group as at 31 December 2017 of HK$2,584.6 million as compared with HK$1,833.9 million as at 31 December 2016 is mainly due to significant increase in finance lease receivables of HK$578.4 million. By virtue of such finance lease receivable mostly backed by the corresponding borrowings, the total liability amount increased from HK$494.0 million as at 31 December 2016 to HK$1,230.2 million as at 31 December 2017 as a result of increase in borrowings by HK$792.4 million. As such, the gearing ratios (measured as total liabilities over total asset) increased from 26.9% as at 31 December 2016 to 47.6% at 31 December 2017 and the current ratios (measured as total current assets over total current liabilities after excluding the assets and liabilities classified as held for sale) decreased from 2.4 as at 31 December 2016 to 1.6 as at 31 December 2017.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had bank balances, restricted bank deposits, deposits placed with non-bank financial institutions and cash of approximately HK$261.8 million (of which HK$61.7 million was pledged to the banks to secure bank borrowings granted to the Group for Financial leasing business (2016: HK$105.6 million)) as compared to HK$204.6 million as at 31 December 2016. As at 31 December 2017, the Group had bank and other borrowings amounting to HK$472.8 million (2016: HK$135.3 million), HK$304.5 million (2016: HK$46.8 million) and HK$293.0 million (2016: HK$95.8 million) which are due within one year, one to two years and two to five years respectively.

For the year under review, the Group has financed its operations with facilities provided by banks and other non-bank financial institutions and internally generated cash flows.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

During the year ended 31 December 2017 and 2016, the continuing operations of the Group had no foreign currency sales and purchases.

CREDIT EXPOSURE

The Group's major credit risk is primarily attributable to finance lease receivables and loan receivables. Any deterioration in collectability of our finance lease receivables and the underlying quality of leased assets and collaterals could adversely affect our business and financial conditions. In order to minimise the credit risk of the finance lease receivables, the management of the Group has delegated a team responsible for evaluation of credit risk stemming from the financial viability of customers and guarantors (if any) and the prospect of the industries in which the customers operate and critical assessment on adequacy of the value of the leased assets, collaterals and any forms of securities provided by customers at the inception of the lease. Throughout the lease term, the Group closely monitored the recoverability and will consider requesting additional collaterals or any form of security from customers in case of any adverse change in credibility.

Before investing in the loan receivables, the Group also assesses the credit quality of the loan borrowers and defines the terms of the loans. The Group closely monitored recoverability to ensure prompt follow-up action is taken to recover any overdue debt.

CHARGE OF ASSETS

As at 31 December 2017, the restricted bank deposits of HK$61.7 million (2016: HK$105.6 million) and the finance lease receivables of RMB546.5 million or HK$656.2 million (2016: RMB248.8 million or HK$277.9 million) were pledged to the banks and other non-bank financial institutions for facilities granted to the Group.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2017 and 2016.

CAPITAL COMMITMENTS

At 31 December 2017, the Group had capital commitments of HK$2.0 million for the acquisition of property, plant and equipment (2016: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT

The global economy is generally recovering. The international financial market tends to be stable, though a recent downward adjustment on stock market triggered by the faster-than-expected interest rate hike. In China, the economy continued to display a steady growth with gross domestic product (so called "GDP") of 6.8% in 2017, published by National Bureau of Statistics, as compared with 6.7% in 2016, indicating a more stable foundation. However, there were various uncertainties and issues in the operation of the domestic economy such as the economic structural reform and measures to address the surplus capacity and the accumulation of financial risks on debt risks from provincial governments, highly leveraged enterprises and certain real estate market.

Implementation of a series of various regulations on the PRC financial market has brought about certain adverse impact on the PRC finance lease industry, in particular for the finance lease company which greatly relies on the provision of credit from banks. Such measure led to a short-term adverse impact on the industry as banks become more cautious and difficult to grant credit and that resulted in a short term liquidity shortage and putting up the overall interest cost in the current year. However, emphasis on enhancement of financial risk prevention and control could enhance stability of the PRC financial market, including the finance lease industry, in the PRC and thus sustain steady growth in the long term. The future finance lease industry will continue to play an important role to serve and to grow with the real economy, driven by abundant opportunities from the industrial upgrades for manufacturing high-quality and innovative products and overall medical facilities upgrade and government supporting policies to facilitate the finance lease industry development. Moreover, the penetration rate of the finance lease service is still relatively low in the PRC financial market as compared with those of the developed countries and still has a great room for growth. Local management team will exploit every opportunity to broaden the financing channels and cooperate with other non-bank financial institutions such as insurance companies, trusts and funds to enrich the capital and hence reduce its reliance of source of funds from banks. Local management will endeavor to create innovative financial service solutions to broaden the revenue base and expand the existing clientele. By adherence to the effective and proven risk management and control policies and leveraging on highly experienced local management team, we are cautiously optimistic to overcome the short term predicament and could pick up the business volume in the financial leasing business in the foreseeable future.

The terminal and logistics services has been struggling with declining low demand from the customers of the port for the past few years. Local management will endeavor to improve the operation efficiency and promote cost reduction during the downturn. Meantime, disposal of the terminal and logistics services experiences delay since additional time is required by both contracting parties to fulfil the conditions (other than the approval from the shareholders as required under the Listing Rules for the disposal agreements and the transactions contemplated there under having been obtained by the Vendor) for the disposal agreements taking effect. Reference is made to the announcement of the Company dated 22 January 2015 in relation to the disposal, the announcements of the Company dated 29 April 2015, 30 October 2015, 28 April 2016, 28 October 2016, 28 April 2017 and 31 October 2017 relating to the delay in dispatch of the circular for the disposal.

MANAGEMENT DISCUSSION AND ANALYSIS

The global stock markets generally showed a strong upward trend during the year with the recent downward adjustment. The general market perspective tends to be optimistic about the future performance with attention drawn to the pace of the interest rate hike. The Group will continue to adopt a proven and effective investment strategy towards the investment portfolio.

The Food additives business is still in a preliminary stage. The project has been run as scheduled so far and the trial run of the first production line of Sorbitol, a nutritive sweetener commonly used in sugar-free chewing gum and diet foods, is expected to take place in the second half of 2018. Its expected capacity could reach 4,000 ton per annum and aims to sell to the food manufacturers and traders in the PRC. The segment is expected as an impetus to our future revenue and profit growth of the Group.

Lastly, the Group will look for new potential growth opportunities in a very diligent manner in order to diversify the source of income and attain growth in the long term.

SIGNIFICANT INVESTMENTS AND MATERIAL DISPOSALS

At 31 December 2017, the Group held loan receivables of HK$125.0 million (2016: HK$69.1 million), available-for-sale investments of HK$77.1 million (2016: HK$22.3 million) and held for trading investments of approximately HK$40.6 million (2016: HK$113.0 million). During the year, the Group made a HK$35 million 1-year 10% per annum loan to an individual third party in Hong Kong, further invested in loan receivables through 2-years trust products of RMB15.0 million or HK$18.0 million both issued by financial institutions in the PRC. The Group recorded loan interest income from loan receivables amounting to HK$9.7 million (2016: HK$4.5 million). Included in the available-for-sale investment represents unlisted equity securities issued by private entities established in the PRC with a carrying amount of HK$24.0 million and various wealth management products acquired from the private and public equity firms in the PRC in an aggregate amount of HK$53.1 million. The Group recorded income from the wealth management products of HK$1.7 million in profit or loss and its fair value loss of HK$0.9 million in other comprehensive expense during the year. The held for trading investments as at 31 December 2017 mainly represented the listed equity shares in the Hong Kong and Chinese stock exchange and the resulting fair value loss in the current year was mainly due to the significant decline in their market value.

During the year, an office premise which was leased out to tenant and classified as investment property as at 31 December 2016 has been changed for self-use since the lease was expired. Accordingly, the property was transferred from investment property to property and equipment and depreciated thereafter.

The completion of the disposal of the entire issued share capital of Teamcom Group Limited took place on 5 January 2017 and the Polishing Segment ceased to be consolidated thereafter. Further details of the disposal are set out in the Company's announcements dated 17 November 2016 and 9 January 2017.

EMPLOYEE AND REMUNERATION

As at 31 December 2017, the Group had approximately 39 (2016: 75) employees (excluding employees of the Company's joint ventures) in Hong Kong and the PRC. The employees are remunerated with basic salary, bonus and other benefits in kind with reference to industry practice and their individual performance.

A new share option scheme was adopted on 29 July 2016. As at 31 December 2016, a total number of 145,500,000 share options were granted to the eligible employees, including directors of the Company. With 43,500,000 share options lapsed during the year, the outstanding number as at 31 December 2017 amounted to 102,000,000 share options. Details of the share options granted are set out in the announcement of the Company dated 8 December 2016. There was no share option granted during the Current Year and its movement refers to the note 28 to the consolidated financial statement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Overview

This Environmental, Social and Governance (ESG) Report (the "Report") of China Ever Grand Financial Leasing Group Co., Ltd. and its subsidiaries ("the Group") for the year ended 31 December 2017 covers environmental and social subject areas in accordance with the requirements of Environmental, Social and Governance Reporting Guide stated in Appendix 27 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Corporate governance is addressed separately in the Corporate Governance Report.

Scope of the Report

The Report endeavours to present a balanced representation of the Group's environmental and social performance and covers the entire operations of all subsidiaries in the Group.

The content of the Report is defined through a process to determine ESG management approach, strategy, priorities and objectives relating to the Group's operations, to describe our management, measurement and monitoring system employed to implement ESG strategy, and to disclose our key policies, compliance with relevant laws and regulations, our performance, and key performance indicators ("KPIs").

Approved by the board of directors

The board has overall responsibility for the Group's ESG strategy and reporting. The board is responsible for evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The Report was approved by the board on 23 March 2018.

ENVIRONMENTAL AND SOCIAL SUBJECT AREAS OF THE GROUP

About the Group

The Group is principally engaged in the provision of finance lease and related consulting services in the P.R.C., the trading of equity securities, investment in property, investment in terminal and logistics services business, food additives business and investment holding. The Group mainly operates in Beijing and Hong Kong. Particulars of the Group's principal entities are set out in note 39 to the consolidated financial statements for the year ended 31 December 2017.

Strategies

Environmental and social responsibilities are viewed as the Group's core commitment to environment, internal workplace, and external community, and an integral part of the Group's practice to create value for stakeholders. Our strategy is to fulfil the Group's environmental and social responsibilities through achieving environmental and social objectives during daily operations.

Objectives

We integrate environmental and social considerations into the Group's business objectives to achieve:

Environmental objectives:

- Prioritize services to green business, energy saving and environmental protection industries in order to align with the 13th Five-Year Plan for Economic and Social Development of the People's Republic of China;

- Add environmentally friendly elements to our daily service activities;
- Continuously improve waste management;
- Use energy and resources efficiently; and
- Reduce greenhouse gas emissions

Social objectives:

- Encourage diversified cultures;
- Adhere to the principle of transparency and implement the values of honesty and fairness in the supply chain management;
- Respect rights of employees and promote an equal opportunity workplace;
- Commit to occupational safety and health, and provide a safe and healthy workplace;
- Promote community participation; and
- Commit to ethical business practices, and build integrity within the workplace

Approach

Monitored by the board of directors, the Group is executing its environmental and social strategy and achieving its related objectives through a series of actions and commitments:

- Embed environmental and social objectives into business processes including decision making process;
- Formulate and document environmental and social policies for management and staff members to follow;
- Comply with environmental and social laws and regulations;
- Report our performance on a balanced picture;
- Disclose KPIs as measurement of actual results;
- Ensure appropriate and effective ESG risk management and internal control systems are in place; and
- Practise corporate citizenship in things we do

Environmental and social management system comprises:

- The direction from the board to fulfil the ESG responsibilities;
- Day-to-day execution of environmental and social strategy and achieving its objectives by senior management;
- Performance and achievements done by employees in accordance with the Group's environmental and social policies;
- Compliance with environmental and social laws and regulations;
- Reviewing and monitoring of ESG risks management and internal control systems by the board; and
- Reporting and disclosure of our performance and KPIs

Measures for the achievement of environmental and social objectives are:

- Environmental policies;
- Social policies;
- Checklists for the compliance with applicable environmental and social laws and regulations;
- Requiring documentation for the performance and achievements of environmental and social related activities or matters; and
- Data collection, calculation, and disclosure of KPIs

The implementation of environmental and social strategies, management of environmental activities, and measurement of achieving environmental and social objectives are monitored by dedicated managerial staff members and finally by the board for its overall ESG responsibility.

Stakeholder Engagement and Materiality

Stakeholder engagement is a key success factor in formulating our environmental and social strategy, defining our objectives, assessing materiality, and establishing policies. Our key stakeholders include customers, suppliers or service providers, employees, management and shareholders. We have conducted a survey, discussed or communicated with stakeholders to understand their views and respond to their needs and expectations, evaluated and prioritised their inputs to improve our performance, and finally strived to provide value to our stakeholders, community and the public as a whole.

Based on the stakeholder engagement, we have identified issues with significant environmental and social impact and issues concerning stakeholders. The results of materiality assessment prioritised stakeholder inputs and made us focused on the material aspects for actions, achievements and reporting. We present below the relevant and required disclosure.

GENERAL DISCLOSURE AND KPIs

A. Environmental

The Group recognises the importance of a practice to protect the natural environment for the benefit of humans. We are committed to doing things we can to reduce the degrading of the biophysical environment.

Aspect A1: Emissions

Emissions refer to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Emissions disclosed as KPIs are calculated based on the consumption data collected and applicable emission factors. Since certain emission factors of mainland China are not accessible or updated from official sources, we have applied relevant emission factors which we are available from recognized or reputable sources. If certain emission factors of mainland China are not available, available consumption data collected, waste produced, or emission measured is disclosed.

- *Air and Greenhouse Gas Emissions*

  Air emissions include NOx, SOx and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

  – Air and Greenhouse Gas Emissions from Production

    In view of the Group's business nature, there were no air and greenhouse gas emissions from production.

  – Air and Greenhouse Gas Emissions from Vehicles

    The Group believes that green transportation brings benefits, which include reduction of transportation costs and reduction of energy consumption and pollution. As such, the Group encourages optimising transportation routes, high filling rate or carpooling and proper tire pressure to achieve efficiency.

    The Group reminds employees to consider environmental impact in their commuting decisions to reduce air and greenhouse emissions. Employees are encouraged to take public transportation as often as possible and select fuel-efficient vehicles. While employees are driving, it is suggested to avoid unnecessary acceleration or deceleration, close windows when the vehicle is travelling at high speed, and only use air-conditioning when it is necessary.

KPI A1.1 Emissions from vehicles

Types of emissions	2017 (g)
NOx	6, 693
SOx – Hong Kong office	63
SO_2 – Mainland China office	913
Particulate Matter ("PM")	849
Hydrocarbons ("HC") – Mainland China office	6,312
Carbon Monoxide ("CO") – Mainland China office	56,075

KPI A1.2 Greenhouse gas ("GHG") emissions in total

GHG emissions in total are 96 tonnes for the year ended 31 December 2017, which includes scope 1, scope 2, and scope 3 emissions as disclosed below.

KPI A1.2 Scope 1 – Direct emissions from operations that are owned or controlled by the Group

Main categories of Scope 1 emissions:
GHG emissions from mobile combustion sources

Types of emissions	2017 (kg)
Carbon Dioxide ("CO_2")	37, 872
Methane ("CH_4")	118
Nitrous Oxide ("N_2O")	2,026
Total GHG emissions	40,016

– Indirect Greenhouse Gas Emissions from Electricity Consumption

Electricity consumption of the Group is a major part of its greenhouse gas emissions. Various electricity-saving policies have been established to reduce the electricity consumption by the Group. The Group encourages staff members to switch off light during daytime, maintain lamps well to keep clean, use stairs instead of elevators, install energy-efficient lighting, and disable the standby mode for all electrical appliances, including computers, photocopiers and printers when they are not in use. Air conditioning is required to be set no lower than 25 ℃ in summer. It is also required to ensure the windows and doors are closed while air-conditioning is on, and turn off the air-conditioning after office hours or after the usage of the meeting room.

In our Beijing office, energy saving signs remind staff members to turn off the lights and promote energy conservation. In our Hong Kong office, light-emitting diode ("LED") lamps were installed as much as possible, and multi-purpose devices with printing, scanning and photocopying functions were adopted to achieve electrical efficiency.

KPI A1.2 Scope 2 – Energy indirect emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the Group

2017
Main sources of Scope 2 emissions:
Electricity purchased from power companies

Types of emissions	**(kg)**
CO_2 equivalent emission	20,757
Total GHG emissions	20,757

– Indirect Greenhouse Gas Emissions from Paper Waste Disposed at Landfills

In order to address indirect emissions relating to paper waste deposited at landfills, the Group encourages employees to apply computer technology such as emails, electronic backup devices and storage devices to reduce paper consumption, print on both sides of a sheet of paper, avoid unnecessary printing or copying on paper, adjust documents and use space efficiency formats to optimise use of paper, and put recycling boxes near the photocopiers to collect single-sided paper for reuse and used double-sided paper for recycling.

In our Beijing office, saving paper signs remind staff members to optimise use of paper and reduce paper waste.

– Indirect Greenhouse Gas Emissions from Business Travel by Employees

The Group constantly reminds employees to consider environmental impact in their commuting decisions to reduce air and greenhouse gas emissions. Employees are encouraged to take public transportation as often as possible and select fuel-efficient vehicles. While employees are driving, it is recommended to avoid unnecessary acceleration or deceleration, keep windows closed when the vehicle is travelling at high speed, and only use air-conditioning when it is necessary.

The Group recognises the severity of indirect greenhouse gas emissions from business travel by employees, and requires employees to utilise teleconference instead of overseas meetings and choose railway rather than airway for short distance travel to reduce the carbon footprint of business travel.

KPI A1.2 Scope 3 – All other indirect emissions that occur outside the Group, including both upstream and downstream emissions

2017

Activities from which indirect GHG emissions arise:

- Paper waste disposed at landfills – Hong Kong office

Types of emissions	**(kg)**
CO_2 equivalent emission	1,321

- Business air travel by employees

Types of emissions	**(kg)**
CO_2 equivalent emission	33,539
Total GHG emissions	34,860

For Beijing office, total paper waste disposed for the year ended 31 December 2017 is 118kg.

- *Discharges into Water and Land*

  The Group requires that discharges, if any, into waterways and land must comply with relevant laws and regulations.

- *Generation of Hazardous Waste and Non-hazardous Waste*

  Our internal guidance encourages employees to handle office waste generated in a proper and environmentally friendly manner.

  – Hazardous Waste

    Hazardous wastes are those defined by national regulations. There was no significant hazardous waste generated in view of the Group's business nature.

    KPI A1.3 Total hazardous waste produced and intensity

    There was no significant hazardous waste generated in view of the Group's business nature.

  – Non-hazardous Waste

    We promote waste reduction practices including waste reduction at source, reuse, clean recycling, recover and reduction of disposal at landfills. Employees are encouraged to purchase supplies or equipment with longer life-span, to install recycling bins to collect recyclables, such as waste paper, glass or aluminium bottles, metal, and plastics, and to have recyclers to collect recyclables.

KPI A1.4 Total non-hazardous waste produced and the intensity

	2017
	(Tonnes)
Non-hazardous waste produced – Landfill	0.1
Non-hazardous waste produced – Landfill or Incineration	0.15
Total non-hazardous waste produced	0.25
	(Tonnes/ per employee)
Non-hazardous waste intensity	0.008

KPI A1.5 Description of measures to mitigate emissions and results achieved.

In accordance with policies stated above for the reduction of air and greenhouse gas emissions from vehicles, the Group adopts the following measures: control the numbers of vehicles owned by the Group; control the frequency of employees not to take public transportation for local business commuting; and control the volume of business travel by employees. We consider such measures had been achieved for the year ended 31 December 2017.

KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.

Non-hazardous wastes are preferred to be recycled, otherwise, they are sent for landfill or incineration. In accordance with policies stated above for the reduction of non-hazardous wastes, the Group adopts the following measures: control the commercial wastes generated by employees; control the waste of papers; control the volume of non-hazardous waste going direct to landfill or incineration without recycling. We consider such measures had been achieved for the year ended 31 December 2017.

- *Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group*

  For the year ended 31 December 2017, there were no confirmed non-compliance incidents or grievances in relation to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Aspect A2: Use of Resources

The Group recognises that efficient use of resources, including energy, water and other raw materials, in production, storage, transportation, buildings, electronic equipment, etc., is one of the significant aspects to protect environment.

- *Efficient Use of Energy*

  The Group established policies and procedures to reduce energy consumption in the facility, to assess the energy efficiency, to increase the use of clean energy, if possible, to set targets to monitor energy consumption, to ensure power is turned off when electrical appliances are not in use, and to admit natural daylight into workplace during the day.

<u>KPI A2.1 Direct and/or indirect energy consumption by type in total and intensity</u>

Direct energy consumption by type	2017 (kWh in'000s)
Non-renewable fuel consumed	152
Electricity purchased for consumption	25
Total energy consumed	177
	(kWh in'000s/ per employee)
Total energy consumption intensity	6

- *Water Consumption*

  The Group requires employees to reduce water consumption in the offices. For example, employees are encouraged to fully empty any containers before washing, to turn off water taps promptly, to check faucets and pipes for leaks, and to adopt water saving appliances.

  During the year, our Beijing office reduced the number of water dispenser from three water dispensers to two water dispensers as an effort of saving electricity and water.

  Both our Hong Kong and Beijing offices operate in leased office premises for which both the water supply and discharge are solely controlled by the building management, therefore, the provision of water withdrawal and discharge data or sub-meter for individual occupants are not feasible.

  <u>KPI A2.2 Water consumption in total and intensity</u>

  As mentioned above, data for water usage is not available for the Group.

  <u>KPI A2.3 Description of energy use efficiency initiatives and results achieved</u>

  The Group's ability to use energy efficiently can be revealed by its intention and measures for the reductions in energy consumption. Energy consumption has a direct effect on the environmental footprint of the Group, its operational costs, and exposure to certain risks (e.g. fluctuations in energy supply and prices). The Group's policies and measures specific to managing energy use have been stated above. We consider such policies had been adopted and measures had been achieved for the year ended 31 December 2017.

KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved

The Group's ability to use water efficiently can be revealed by its intention and measures for the reductions in water consumption. Water consumption has a direct effect on the environmental footprint of the Group, its operational costs, and exposure to certain risks (e.g. reliance on sources of water that may be considered sensitive due to their relative size or function; or status as a possibly rare, threatened, or endangered system; or to their possible support of a particular endangered species of plant or animal). The Group's policies and measures specific to water use have been stated above. We consider such policies had been adopted and measures had been achieved for the year ended 31 December 2017.

- *Efficient Use of Raw Material and Packaging Material*

  No significant raw material or packaging material waste was generated in view of the Group's business nature.

  KPI A2.5 Total packaging material used for finished products and, if applicable, with reference to per unit produced

  The disposal of products and packing materials at the end of a use phase is a steadily growing environmental challenge, tracking the use of packaging materials is to reduce, reuse and/or recycle the packaging materials. As mentioned above, no significant raw material or packaging material waste was generated in view of the Group's business nature.

Aspect A3: The Environment and Natural Resources

The Group is committed to reducing the operation impacts on environment and natural resources. Policies are established to consider the actual impacts on environment and natural resources and to reduce such impacts. We encourage environmental education and advocacy among employees to motivate environmentally responsible behaviour which helps fulfil the Group's commitment to minimising its adverse impacts on the environment.

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

We understand that our performance in respect of emissions, waste production and disposal, and use of resources impacts the environment, we endeavour to minimise such impacts, and communicate our environmental policies, measures, performance, and achievements to our stakeholders. No significant impacts on the environment and natural resources was caused in view of the Group's business nature. Policies and/or measures adopted in the year ended 31 December 2017 specific to managing potential impacts of activities on the environment and natural resources are mentioned above.

B. Social

The Group strives to fulfil its social responsibilities as a corporate citizen of communities. We endeavour to establish harmonious relationship with our employees, customers, suppliers, and the communities. We care about the well-being and development of employees, ensure high standard of service responsibility, enhance transparent relationship with external parties, including customers, suppliers, and contribute to our community development.

EMPLOYMENT AND LABOUR PRACTICES

Aspect B1: Employment

The Group established employment policies, including compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

- *Compensation and Dismissal*

  The Group offers competitive remuneration to attract and retain talented staff members. Remuneration packages are reviewed periodically to ensure consistency with employment market. Laws and regulations on minimum wage and statutory social benefits are required to be followed. Dismissal is required to comply with employment laws and regulations, and to follow the internal policies and procedures, including policy on prevention of dismissal purely on employees' gender, marital status, disability, or family status.

  A share option scheme was adopted in 2016 for the primary purpose of providing incentives to directors and eligible employees. The purpose of the scheme is to provide incentives to attract, retain and motivate eligible employees whose present and potential contributions are important to the success of the Group by offering them an opportunity to participate in the Group's future performance through the grant of share options.

- *Recruitment and Promotion*

  The Group attracts talent through fair, flexible and transparent recruitment strategy. Recruitment process includes application for recruitment, description of position, collection of job applications, interview, selection, approval, and job offering. Promotion is required to be based on performance and suitability.

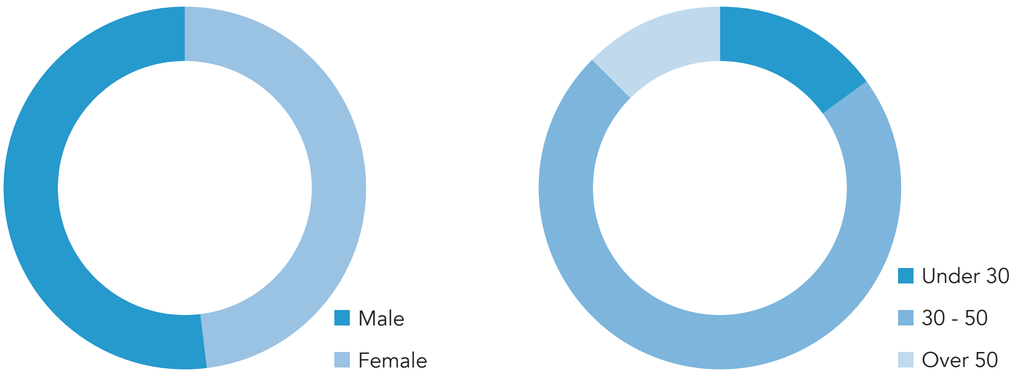
- *Working Hours, Rest Periods, Benefits and Welfare*

  Employees' working hours, rest periods, benefits and welfare, including social security befits and mandatory provident fund, are required to be in compliance with employment or labour laws and regulations. Selected benefit programs, including medical coverage, are also provided.

- *Equal Opportunities, Diversity and Anti-discrimination*

  The Group is an equal opportunity employer. We endeavour to provide a fair workplace for employees and follow the principles of equality and non-discrimination. Recruitment, remuneration, promotion, and benefits are required to be handled based on objective assessment, equal opportunity and non-discrimination regardless of gender, race, or other measures of diversity.

  The composition of the Group's workforce by gender and by age as of 31 December 2017 is stated as follows:



Percentage of workforce by gender

Percentage of workforce by age group

Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group

For the year ended 31 December 2017, there were no confirmed non-compliance incidents or grievances in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Aspect B2: Health and Safety

The Group is committed to maintaining a healthy and safe workplace for employees, and to preventing workplace injuries and illnesses.

- *Providing a Safe Working Environment*

  The Group requires entities to establish and document policies and procedures on safety for employees to follow, set targets for the safety of employees, monitor the safety performance against the targets periodically, and report any safety incidents to management.

- *Protecting Employees from Occupational Hazards*

  One of the key factors for successfully protecting employees from occupational hazards is to train employees to protect themselves from psychological and physical hazards. The Group encourages such training to be delivered to employees.

- *Work-life Balance*

  The Group supports employees to enjoy leisure and sports activities outside of workplace.

  The Group provides membership of fitness center to employees of Beijing office. In March 2017, series of learning and playing Holdem game were held in Beijing office for employees to learn and enjoy. In January and April 2017, annual dinner and anniversary gathering were held in Beijing respectively. In September and December, parties to celebrate Mid-Autumn Festival and Christmas were held in Hong Kong respectively.

- *Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group*

  For the year ended 31 December 2017, there were no confirmed non-compliance incidents or grievances in relation to providing a safe working environment and protecting employees from occupational hazards.

Aspect B3: Development and Training

The Group is committed to providing adequate training to our employees to improve their knowledge and skills for discharging duties at work. Training includes vocational training courses provided internally or externally.

- *Employee Development*

  The Group requires employees to attend internal and external training courses including employee continuing education to improve employees' knowledge and skills for their job positions.

- *Training Activities*

  Training and development courses are offered throughout the Group to upgrade employee skills and knowledge. During the year, all directors participated in continuous professional development activities by reading regulatory updates, and/or attending seminars or workshops relevant to the business or directors' duties. In April 2017, relevant staff of Beijing office attended a seminar on asset securitization to update the knowledge of staff.

Aspect B4: Labour Standards

The Group is committed to avoiding child and forced labour in the workplace.

- *Preventing Child and Forced Labour*

  The Group prohibits child labour. It requires human resource department and user departments work together to prevent or identify child labour, and to ensure child labour is not in the workforce.

  We are committed to protecting human rights, to prohibiting forced labours, and to creating a workplace with respect, fairness, and free will for our employees.

- *Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group*

  For the year ended 31 December 2017, there were no confirmed non-compliance incidents or grievances in relation to child and forced labour.

OPERATING PRACTICES

Aspect B5: Supply Chain Management

Supply chain management is a key area of our business, which includes managing environmental and social risks of the supply chain. The Group requires suppliers to provide products and services for us with up-to-standard quality, health and safety to ensure compliance with environmental laws and regulations, and labour standards. The contracting for procurement of products and services is required to be based solely upon specification, quality, service, price, tendering, and applicable environmental and social considerations.

The Group requires impartial selection of suppliers and service providers, maximisation of competition in tendering process, approval of contract terms, compliance with laws and regulations, prevention and detection of bribery or fraud in the tendering and procurement process, and accomplishment of efficiency and cost saving in procurement.

The Group established supply chain management policies and procedures, including assessment, selection, approval, procurement, and performance evaluation. Performance evaluation is based on quality, service, cost, environmental protection, and social responsibilities.

Aspect B6: Product Responsibility

Product responsibility refers to health and safety, advertising, labelling and privacy matters relating to services provided.

- *Health and Safety*

  The Group is fully responsible for our services. We ensure health and safety relating to our services provided. In view of the Group's business nature, there were no products produced.

- *Advertising*

  The Group respects our customers' rights and is committed to providing accurate service information for customers in connection with their purchase decision. The Group requires careful review of advertising material to protect customers' interest.

- *Labelling*

  In view of the Group's business nature, there were no products produced which require labelling.

- *Privacy Matters*

  The Group is committed to protecting customer data and privacy information, and keeping business information confidential. Training to employees in this regard and proper information system security are required.

- *Methods of Redress*

  Although we ensure the quality of our services, at the same time, the Group requires that services with quality, safety, or health issues should be compensated in accordance with terms of service contracts. Compensation is required to be offered to all customers who are affected with consistent treatment and procedures.

- *Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group*

  For the year ended 31 December 2017, there were no confirmed non-compliance incidents or grievances in relation to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Aspect B7: Anti-corruption

The Group established anti-corruption policies to prohibit employees from receiving any advantages offered by customers, suppliers, colleagues, or other parties, while they are performing employee duties, and prohibit any activities involving conflicts of interest, bribery, extortion, fraud, and money laundering. Staff handbook lays out the Group's expectation and certain guiding provisions on code of conduct. The Group encourages employees, customers, suppliers, or other parties to report incidents relating to any conflicts of interest, bribery, extortion, fraud and money laundering.

- *Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group*

  For the year ended 31 December 2017, there were no confirmed non-compliance incidents or grievances in relation to bribery, extortion, fraud and money laundering.

COMMUNITY

Aspect B8: Community Investment

The Group endeavours to support the communities in which we operate including community engagement to understand the needs of communities, and to ensure the Group's activities take into consideration of the communities' interest.

- *Labour Needs*

  The Group strives to enlarge the business operation so that we can hire more workers to utilize communities' available labour resources.

- *Community Activities*

  We encourage our employees to participate in community activities, such as community health initiatives, sports, cultural activities, volunteer work, and education donation.

- *Environmental Protection*

  All employees of the Group are encouraged to participate in environmental protection activities and raise the environmental awareness of people in the communities.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance of the Company is crucial to safeguarding the interests of the shareholders and enhancing the performance of the Group. The Board is committed to maintaining and ensuring high standards of corporate governance. During the financial year ended 31 December 2017, the Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code and Report") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the following deviations:

1. **Code Provision A.2.7**

   During 2017, the Chairman did not hold any formal meeting with independent non-executive director without the presence of executive directors (as provided under code provision A.2.7 of the CG Code) due to the tight schedule of the Chairman and independent non-executive Directors. Nevertheless, the Board continues to maintain a culture of openness and constructive relations between executive and non-executive Directors (including independent non-executive Directors). In the absence of the Chairman, the CEO is in the position to facilitate the effective contribution of non-executive directors, and ensure their views are communicated and heard by the Board.

2. **Code Provision B.1.2**

   The terms of reference of the Remuneration Committee exclude review of and making recommendations to the Board in relation to senior management remuneration as in the Board's opinion, it was more appropriate for the executive directors to perform these duties.

3. **Code Provision E.1.2**

   Under Code Provision E.1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting. Mr. Wong Lik Ping, Chairman of the Board was unable to attend the annual general meeting of the Company held on 1 June 2017 due to his other important commitment.

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS

The Board currently comprises four Executive Directors, one Non-Executive Director ("NED") and three Independent Non-Executive Directors ("INEDs"). The brief biographic details of and the relationship among Board members is set out in the Directors' Profiles section on pages 38 and 39. The Board has established three Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee. Attendance of the Board Meetings, the meetings of the Board Committees and the General Meetings for the year ended 31 December 2017 is given below. The respective responsibilities of the Board and Board Committees are discussed later in this report.

	Number of meetings attended/eligible to attend				
	Board Meeting	Audit Committee	Nomination Committee	Remuneration Committee	General Meeting
Executive Directors					
Wong Lik Ping	1/5		0/1	0/2	0/2
Lai Ka Fai	5/5				2/2
Tao Ke	3/5				0/2
Qiao Weibing	4/5				1/2
Non-executive Directors					
Cheng Kwok Woo *(note 1)*	2/3				0/1
Yeung Sau Han Agnes	1/5				0/2
Independent non-executive Directors					
Goh Choo Hwee	5/5	3/3	1/1	2/2	2/2
Ho Hin Yip	5/5	3/3	1/1	2/2	1/2
U Keng Tin	5/5	3/3			2/2

Note:

1. Resigned on 1 June 2017

All Directors are regularly updated on governance and regulatory matters. There is an established procedure for Directors to obtain independent professional advice at the expense of the Company in discharge of their duties.

The Board held meetings from time to time whenever necessary. Notice of at least 14 days has been given to all Directors for all regular board meetings and the Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying board papers in respect of regular board meetings are sent out in full to all directors within reasonable time before the meeting. Draft minutes of all board meetings are circulated to Directors for comment within a reasonable time prior to confirmation.

Minutes of board meetings and meetings of Board Committees are kept by duly appointed secretaries of the respective meetings and all Directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. During 2017, Mr. Wong Lik Ping served as the Chairman whereas Mr. Liu Bing served as the CEO of the Group until 6 November 2017, his vacancy was taken up by Mr. Lai Ka Fai. The Chairman provides leadership for the Board. The CEO has overall chief executive responsibility for the Group's business development and day-to-day management generally. With the support of Executive Directors and Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and receive adequate and reliable information in a timely manner.

NON-EXECUTIVE DIRECTORS

The Board currently has one NED and three INEDs, one of the INEDs hold appropriate professional qualifications, or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. All NED and INEDs of the Company have been appointed for a specific term and are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association.

Each of the INEDs has given the Company an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all INEDs are independent and meet the independence guidelines set out in Rule 3.13 of the Listing Rules.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

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

The Directors are committed to complying with the code provision A.6.5 on Directors' training. All Directors have participated in continuous professional development activities by reading regulatory updates, and/or attending seminars/workshops relevant to the business/Directors' duties.

A record of training they received for the year ended 31 December 2017 was provided to the Company. The individual training record of each Director received for the year ended 31 December 2017 is set out below:

	Reading Regulatory updates	Attending seminars/ workshops relevant to the business/ directors' duties
Executive Directors		
Wong Lik Ping	✔	✔
Lai Ka Fai	✔	✔
Tao Ke	✔	✔
Qiao Weibing	✔	✔
Non-Executive Directors		
Cheng Kwok Woo (resigned on 1 June 2017)	✔	✔
Yeung Sau Han Agnes	✔	✔
Independent non-executive Directors		
Goh Choo Hwee	✔	✔
Ho Hin Yip	✔	✔
U Keng Tin	✔	✔

DELEGATION BY THE BOARD

The Board sets the Group's objectives and strategies and monitors its performance. The Board also decides on matters such as annual and interim results, major transactions, director appointments, and dividend and accounting policies and monitors the risk management and internal control systems of the Group's business operation. The Board has delegated the authority and responsibility of overseeing the Group's day to day operations to management executives.

When the Board delegates aspect of its management and administration functions to management, clear directions would be given as to the power of management, in particular, the circumstances where management should report back to the Board before making decision or entering into any commitments on behalf of the Group.

Principal functions that are specifically delegated by the Board to the management include (i) implementation of corporate strategy and policy initiatives; (ii) provision of management reports to the Board in respect of Group's performance, financial position and prospects; and (iii) day-to-day management of the Group.

BOARD DIVERSITY POLICY

The Board has adopted a Diversity of Board Members Policy (the "Board Diversity Policy") and discussed all measurable objectives set for implementing the policy.

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will be based on merit and the candidates will be considered against measurable objectives, taking into account the Company's business and needs. Selection of candidates will be based on a range of diversity criteria, including but not limited to gender, age, cultural and educational background, knowledge, professional experience and skills. The ultimate decision will be based on merit and the contribution that the selected candidates may bring to the Board.

The Nomination Committee will review the Board Diversity Policy as appropriate from time to time in light of experience, evolving standards of corporate governance and recommend any proposed changes to the Board for approval.

REMUNERATION COMMITTEE

The Company has set up a Remuneration Committee to ensure that there are formal and transparent procedures for setting policies on the remuneration of Directors. For the year ended 31 December 2017, the Remuneration Committee comprises the Board's Chairman, Mr. Wong Lik Ping, and two INEDs, namely Mr. Goh Choo Hwee and Mr. Ho Hin Yip. The Remuneration Committee is chaired by Mr. Ho Hin Yip.

During the year, two Remuneration Committee meetings were held to review the remuneration packages of the Directors. The Remuneration Committee ensures that no Director is involved in deciding his own remuneration. The terms of reference of the Remuneration Committee, a copy of which is posted on the Company's website, are consistent with the terms set out in the relevant section of the CG Code and Report.

NOMINATION COMMITTEE

The Company has set up a Nomination Committee to ensure fair and transparent procedures for the appointment, re-election and removal of Directors to the Board. For the year ended 31 December 2017, the Nomination Committee comprises the Board's Chairman, Mr. Wong Lik Ping, and two INEDs, namely Mr. Goh Choo Hwee and Mr. Ho Hin Yip. The Nomination Committee is chaired by Mr. Wong Lik Ping.

During the year, one Nomination Committee meeting was held to discuss appointment and re-election of Directors. In selecting and recommending candidates for directorship, the Committee will consider the experience, qualification and suitability of the candidates as well as the Board Diversity Policy. The Board will approve the recommendations based on the same criteria. The terms of reference of the Nomination Committee, a copy of which is posted on the Company's website, are consistent with the terms set out in the relevant section of the CG Code and Report.

AUDIT COMMITTEE

For the year ended 31 December 2017, the Audit Committee comprises three INEDs, namely Mr. Ho Hin Yip, Mr. Goh Choo Hwee and Mr. U Keng Tin. The Audit Committee is chaired by Mr. Ho Hin Yip.

The principal duties of the Audit Committee are to review and provide supervision over the financial reporting process, risk management and internal control systems of the Group, and perform the corporate governance duties. During the year, three Audit Committee meetings were held to review the financial reporting matters, risk management and internal control systems of the Group. The terms of reference of the Audit Committee, a copy of which is posted on the Company's website, are consistent with the terms set out in the relevant section of the CG Code and Report.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct for dealings in securities of the Company by the Directors. On specific enquiries made, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2017.

CORPORATE GOVERNANCE REPORT

To comply with the code provision A.6.4 of the CG Code and Report, the Company has also adopted the Model Code as the code of conduct for securities transactions by Relevant Employees to regulate the dealings in the securities of the Company by certain employees of the Group who are considered to be likely in possession of unpublished price sensitive information of the Company.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's performance, position and prospects.

Management shall provide sufficient explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other information presented before board meeting for approval.

The Directors acknowledge their responsibility for preparing the Group's consolidated financial statements and ensuring that the preparation of the Group's consolidated financial statements is in accordance with the relevant requirements and applicable standards.

A statement by the auditors about their reporting responsibilities is included in the Independent Auditor's Report on pages 46 to 51 of this annual report.

The Board will present a balanced, clear and understandable assessment to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

Risk Management and Internal Controls

The main features of the risk management and internal control systems of the Group are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations. The Group has established a risk management framework, which consists of the Board, the Audit Committee and the functional responsible management of the Group ("Senior Management").

The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Board, through the Audit Committee, conducts reviews of the effectiveness of such systems once annually, covering all material controls including financial, operational and compliance controls. The Group has formulated and adopted risk management policy in providing directions in identifying, evaluating and managing significant risks. At least on an annual basis, the Senior Management identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant. In addition, the Group has engaged Mazars CPA Limited ("Mazars") to assist the Board and the Audit Committee in ongoing monitoring of risk management and internal control systems of the Group and in performing the internal audit functions for the Group. The annual review plan of the Group covers major activities and material controls including operational, financial and compliance of the Group's business units. It also covers the changes, since the last annual review, in the nature and extent of significant risks, and the Group's ability to respond to changes in its business and the external environment.

A report on the result of risk management and internal control review report from Mazars was provided to the Audit Committee and the Board in March 2018. The Board, through the Audit Committee, had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to (i) the Group's adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting functions; (ii) the scope and quality of management's review on risk management and internal control systems; (iii) result of work provided by Mazars; and (iv) status of compliance with the Listing Rules.

The Board concluded that there are no material irregularities nor areas of concern that would have significant adverse impact on the Group's state of affair, and that the Group's risk management and internal control systems were effective and adequate, and the resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting function and Listing Rule compliance are adequate during the year.

The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. Its improvement is an ongoing process and the Board maintains a continuing commitment to strengthen the Company's control environment and processes.

The Group has adopted policy and procedure on disclosure of insider information and there was no material breach of procedures and internal controls for the handling and dissemination of inside information during the year. The company regularly reminds the directors and the relevant staff about due compliance and latest regulatory updates with the insider information and other relevant regulations.

AUDITOR'S REMUNERATION

For the year ended 31 December 2017, the auditor of the Company provided audit and non-audit services to the Company and the Group.

The auditor's remuneration in relation to audit and non-audit services for the year ended 31 December 2017 amounted to HK$1,100,000 and HK$Nil respectively.

The statement of the auditor of the Company regarding their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 46 and 51.

JOINT COMPANY SECRETARIES

All directors have access to the advice and services of the Company Secretary. The Company Secretary is responsible for ensuring the Board policies and procedures are followed and for facilitating information flows and communications among Directors as well as with shareholders and management.

Mr. Li Chak Hung and Mr. Siu Wai Bun, are the joint company secretaries of the Company. Both of Mr. Li and Mr. Siu report to the Chairman and the Board directly.

Mr. Li Chak Hung was appointed as company secretary of the Company on 13 March 2002. He is a member of the Hong Kong Institute of Certified Public Accountants. He undertook over 15 hours of relevant professional training to update his skills and knowledge during the year.

Mr. Siu Wai Bun was appointed as joint company secretary of the Company on 6 November 2017 in place of Mr. Lai Ka Fai. Mr. Siu is a member of Hong Kong Institute of Certified Public Accountants. During the year, both Mr. Siu Wai Bun and Mr. Lai Ka Fai undertook more than 15 hours of relevant professional training to update their skills and knowledge.

SHAREHOLDERS' RIGHTS

Convening an extraordinary General Meeting by shareholders

Pursuant to Article 58 of the Company's Articles of Association, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

A shareholder shall make a written requisition to the Board or the company secretary at the Company's office in Hong Kong at Room 2203, 22/F., Kwan Chart Tower, No. 6 Tonnochy Road, Wanchai, Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

As regards proposing a person for election as a Director, please refer to the procedures available on the websites of the Company and the Stock Exchange.

Making enquiry to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the company secretary at the Company's office in Hong Kong at Room 2203, 22/F., Kwan Chart Tower, No. 6 Tonnochy Road, Wanchai, Hong Kong.

INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company has established a range of communication channels between itself, its shareholders and investors, including answering questions through the annual general meeting, the publications of annual and interim reports, notices, announcements and circulars on the website of the Company at www.egichk.com. During the year, the Board is not aware of any significant changes in the Company's constitutional documents.

On behalf of the Board
Wong Lik Ping
Chairman

Hong Kong, 23 March 2018

DIRECTORS' PROFILES

EXECUTIVE DIRECTORS

Mr. Wong Lik Ping, aged 57, is the Chairman of the Group. He joined the Group in August 2012 and is responsible for strategic planning, business development and Board issues of the Group. He was (i) an executive director and a vice-chairman of Shougang Fushan Resources Group Limited (stock code: 639) from March 2009 to December 2015 and (ii) an executive director and the chairman of Theme International Holdings Limited (stock code: 990) from November 2009 to January 2016, both companies listed on the Main Board of the Stock Exchange. He is a director and the sole shareholder of Worldkin Development Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), Mr. Wong is a member of the National Committee of the Chinese People's Political Consultative Conference. He has extensive experience in trading business, financial industry and investments in a wide range of businesses in the PRC. Mr. Wong is also a director of a joint venture of the Company in the PRC.

Mr. Lai Ka Fai, aged 49, joined the Group in June 2010 and was appointed as an executive director and chief executive officer of the Company in January 2012 and November 2017 respectively. Mr. Lai is responsible for the corporate governance, port operation business and new business development of the Group. He holds a Bachelor degree in Laws from The Manchester Metropolitan University in the United Kingdom, a Postgraduate Certificate in Laws from The University of Hong Kong and a Master degree of Business Administration from the University of Leicester in the United Kingdom. He is a solicitor of the High Court of the Hong Kong Special Administrative Region and has over 15 years of experience in the legal field. He is also a director of a joint venture of the Company in the PRC.

Mr. Tao Ke, aged 35, was appointed as an executive director of the Company on 6 March 2015. Mr. Tao holds a Master of Social Science degree from University of Glasgow and a Bachelor degree in Economics from Beijing Institute of Technology. Mr. Tao has extensive experience in corporate finance and overseas merger and acquisition. He had been working in international investment banks and responsible for clients' project management, project acquisition and various initial public offerings. Mr. Tao is currently a general manager of a chemical production group in Shandong.

Mr. Qiao Weibing, aged 51, was appointed as an executive director of the Company on 17 March 2016. Mr. Qiao holds a bachelor degree from Shanxi University and a master degree in management engineering from China University of Mining and Technology. Mr. Qiao has over 20 years' working experience in the government regulatory authorities and financial institutions in the PRC. Mr. Qiao is currently the chief investment officer of the Company and the chairman and CEO of Beijing Ever Grand International Finance Lease Co., Ltd., a subsidiary of the Company in the PRC.

DIRECTORS' PROFILES

NON-EXECUTIVE DIRECTOR

Ms. Yeung Sau Han Agnes, aged 52, joined the Group in May 2007 and was an executive director and the CEO of the Group. She resigned as the CEO and was re-designated from an executive director to a non-executive director on 12 June 2015. She graduated from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) with a higher diploma in fashion design.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Goh Choo Hwee, aged 46, was appointed as an independent non-executive director of the Company in January 2012. He has over 15 years of experience in PRC-related, corporate and securities practice. He is currently a partner at Ma Tang & Co, Solicitors, a law firm in Hong Kong. He graduated from The University of Hong Kong with Postgraduate Certificate in Laws in 1995. He has become a member of The Law Society of Hong Kong and has been a practicing solicitor in Hong Kong since 1997. He is currently an independent non-executive director of each of Tsui Wah Holdings Limited (stock code: 1314) and Huajin International Holdings Limited (stock code: 2738) and was an independent non– executive director of Theme International Holdings Limited (stock code: 990) from September 2013 to November 2015, all of which are companies listed on the Main Board of the Stock Exchange. He was appointed and remain as the company secretary of Xinhua News Media Holdings Limited (stock code: 309), a company listed on the Main Board of the Stock Exchange, in December 2013.

Mr. Ho Hin Yip, aged 44, was appointed as an independent non-executive director of the Company in December 2012. He is presently the Financial Controller and Joint Company Secretary of Singapore-listed Dukang Distillers Holdings Limited, where he is responsible for the finance and accounting functions, statutory compliance and corporate governance affairs. He has more than 19 years of financial and auditing experience. He is a fellow member of The Association of Chartered Certified Accountants and a practising member of the Hong Kong Institute of Certified Public Accountants. He also act as an independent non-executive director of each of Xinhua News Media Holdings Limited (stock code: 309) and Jiyi Household International Holdings Limited (stock code: 1495), and was an independent non-executive director of LC Group Holdings Limited (stock code:1683) during August 2015 to February 2017, all of which are companies listed on the Main Board of the Stock Exchange.

Mr. U Keng Tin, aged 68, was appointed as an independent non-executive director of the Company in May 2013. He holds the Bachelor's degree of Arts from York University, Canada and Master's degree of Arts in International Economics from University of San Francisco, USA. He is presently a director of an estate management company, Full Fill Services Co., Limited and an executive director of a listed company in Singapore, Chinese Global Investors Group Limited. He has over 30 years of experience in the securities industry.

DIRECTORS' REPORT

The Board is pleased to present this Report and the audited financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

Details of the activities and other particulars of the Company's principal subsidiaries are set out in note 39 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's revenue and segment information for the year ended 31 December 2017 is set out in note 5 and note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 52 and 53 of this annual report.

The directors do not recommend payment of final dividend for the year ended 31 December 2017.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 140 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the share capital of the Company are set out in note 26 to the consolidated financial statements.

SHARE PREMIUM AND RESERVES

Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

At 31 December 2017, in the opinion of the directors, the Company's share premium and reserves available for distribution to shareholders amounted to HK$459,843,000.

Movement in the share premium and reserves of the Group during the year are set out on page 56 of this annual report.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's largest customer and five largest customers taken together accounted for 26% and 73% of the total revenue from the continuing operation for the year respectively.

Due to the nature of our continuing operations, we do not have any significant purchases from suppliers during the normal course of our business during the year. However, we relied on interest-bearing borrowings from various banks and non-bank financial institutions to operate our business.

None of the directors, their associates, or any shareholder (which to the knowledge of the directors) owns more than 5% of the Company's share capital has any interest in the Group's five largest customers.

RELATED PARTY TRANSACTIONS

Related party transactions during the year are disclosed in note 38 to the consolidated financial statements.

DIRECTORS

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

Executive directors
Mr. Wong Lik Ping *(Chairman)*
Mr. Lai Ka Fai
Mr. Tao Ke
Mr. Qiao Weibing

Non-executive directors
Mr. Cheng Kwok Woo (resigned on 1 June 2017)
Ms. Yeung Sau Han Agnes

Independence non-executive directors
Mr. Goh Choo Hwee
Mr. Ho Hin Yip
Mr. U Keng Tin

DIRECTORS' REPORT

In accordance with Article 87(1) of the Company's Articles of Association, Mr. Lai Ka Fai, Mr. Qiao Weibing and Mr. Ho Hin Yip shall retire from offices by rotation in the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

The biographic details of the existing directors are set out on pages 38 and 39 of this annual report.

DIRECTORS' SERVICES CONTRACTS

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

MANAGEMENT CONTRACTS

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

SHARE OPTION SCHEME

A new share option scheme was adopted on 29 July 2016. As at 31 December 2016, a total number of 145,500,000 share options were granted to the employees, directors and chief executive of the Company with an exercise price of HK$0.12 per share. With 43,500,000 share options lapsed during the year, the outstanding number as at 31 December 2017 amount to 102,000,000 share options. Details of the share option scheme of the Company are set out in note 28 to the consolidated financial statements. Save as disclosed, there was no options granted under the Scheme during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the directors have any interest in competing business to the Group.

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

At 31 December 2017, the following directors and chief executive of the Company have the following interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code:

Long and short positions in the ordinary shares/underlying shares of the Company:

Directors/chief executive	Number of share/underlying shares held: Personal interests	Corporate interests	*(Note 2)* Number of underlying shares held under equity derivatives	Total interests	Long(L) or Short(S) Position	Percentage of interests
Wong Lik Ping	466,000,000	1,455,000,000 *(Note1)*		1,921,000,000	S	16.12%
Yeung Sau Han Agnes	27,250,000	–		27,250,000	L	0.23%
Qiao Weibing			10,000,000	10,000,000	L	0.08%
Lai Ka Fai			4,000,000	4,000,000	L	0.03%
Tao Ke			3,000,000	3,000,000	L	0.03%
Goh Choo Hwee			2,000,000	2,000,000	L	0.02%
Ho Hin Yip			2,000,000	2,000,000	L	0.02%
U Keng Tin			2,000,000	2,000,000	L	0.02%

Notes:

1. These interests are held by Worldkin Development Limited ("Worldkin") which is wholly-owned by Mr. Wong Lik Ping. Mr. Wong is therefore deemed to be interested in the shares held by Worldkin. The interests held by Worldkin are disclosed under the section headed "SUBSTANTIAL SHAREHOLDERS" below.

2. These interests represented the interests in underlying shares in respect of the share options granted by the Company to the directors. Details of which are set out in note 28 to the consolidated financial statements.

Save as disclosed above, none of the directors, chief executive and their associated had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, as recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The directors and chief executive have been granted unlisted options under the Company's share option scheme, details of which are set out in note 28 to the consolidated financial statements.

Save as disclosed above, as at 31 December 2017, the directors, chief executive of the Company nor their associates had or was deemed to have any long positions or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, in accordance with the register of the substantial shareholders kept by the Company under Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules, the following persons were interest (including short positions) in the shares or underlying shares of the Company.

Interest in the ordinary shares/underlying shares of the Company:

Name of Shareholders	*Notes*	**Number of Shares/ underlying Shares held**	**Long(L) or Short (S) positions**	**Percentage holding**
Worldkin Development Limited		1,455,000,000	S	12.21%
Mr. Wong Lik Ping	*1*	1,921,000,000	S	16.12%
Funde Sino Life Insurance Co. Ltd.		3,574,430,000	L	29.99%
Active Way International Limited	*2&3*	1,921,000,000	L	16.12%
FDG Kinetic Investment (BVI) Limited	*3*	1,921,000,000	L	16.12%
FDG Kinetic Limited	*3*	1,921,000,000	L	16.12%
Sinopoly Strategic Investment Limited	*3*	1,921,000,000	L	16.12%
FDG Electric Vehicles Limited	*3*	1,921,000,000	L	16.12%
Mr. Xu Yufeng		800,000,000	L	6.71%
Mr. Li Bensheng		600,000,000	L	5.03%

Notes:

1. Mr. Wong Lik Ping holds entire equity interest of Worldkin Development Limited ("Worldkin") and is accordingly deemed to have interest in 1,455,000,000 shares of the Company that Worldkin has interests in. Mr. Wong personally owns 466,000,000 shares of the Company.

2. Active Way International Limited has security interests in 1,921,000,000 shares.

3. Active Way International Limited is a wholly owned subsidiary of FDG Kinetic Investment (BVI) Limited, which in turn is wholly owned by FDG Kinetic Limited, which in turn owned as to 67.19% by Sinopoly Strategic Investment Limited, which in turn is a wholly owned subsidiary of FDG Electric Vehicles Limited. Accordingly, FDG Electric Vehicles Limited is deemed to have interests in 1,921,000,000 shares held by Active Way International Limited.

Save as disclosed above, no other parties were recorded in the register required to be kept under Section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 31 December 2017.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

THE Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 29 to 37 of this annual report.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in section 467 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) for the benefit of the directors of the Group is currently in force and was in force during the year. The Company has taken out insurance against the liabilities and costs associated with proceedings which may be brought against directors of the Group.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained the amount of public float as approved by the Hong Kong Stock Exchange and as permitted under the Listing Rules as at the date of this report.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of ascertaining shareholders' entitlement to attend and vote at the coming annual general meeting, the register of members of the Company will be closed from 31 May 2018 to 5 June 2018 (both days inclusive), during such period no transfer of shares in the Company will be effected. In order to qualify for entitlement to attend and vote at the forthcoming annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company Hong Kong Branch Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m., 30 May 2018.

AUDITOR

The consolidated financial statements for the year ended 31 December 2017 were audited by Messrs. Deloitte Touche Tohmatsu ("Deloitte").

A resolution to re-appoint Deloitte as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Wong Lik Ping
Chairman

Hong Kong, 23 March 2018

Deloitte. 德勤

TO THE MEMBERS OF CHINA EVER GRAND FINANCIAL LEASING GROUP CO., LTD.
中國恒嘉融資租賃集團有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Ever Grand Financial Leasing Group Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 52 to 139, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, 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 the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

Key audit matters	How our audit addressed the key audit matters
Impairment of finance lease receivables	
We identified the impairment of finance lease receivables as a key audit matter due to its significance to the consolidated financial statements, and the use of judgement by the management in evaluating the recoverability of finance lease receivables. Refer to note 4 to the consolidated financial statements, the carrying amount of finance lease receivables is HK$1,080,680,000 as at 31 December 2017, which contributed to approximately 42% to the total assets. In determining the impairment for finance lease receivables, the management considers the creditworthiness, past collection history, subsequent settlement of each finance lease customer, and also relevant deposits received, pledge of leased assets and guarantees. During the year ended 31 December 2017, no allowance for bad and doubtful debts have been charged to profit or loss.	Our procedures in relation to the impairment of finance lease receivables included: • Understanding management's assessment of the credit risk of entering into the finance lease contracts with its customers and how the management evaluates the recoverability of finance lease receivables; • Reviewing agreements of finance lease receivables, on a sample basis, to understand relevant terms such as settlement terms and the existence of pledged assets and guarantees; • Assessing the reasonableness of the management assessment of the recoverability of finance lease receivables; and • Tracing the settlement records and subsequent settlement to bank receipts, on a sample basis.

KEY AUDIT MATTERS (Continued)

Key audit matters	How our audit addressed the key audit matters
Valuation of goodwill	
We identified the valuation of goodwill as a key audit matter due to its complexity and judgement exercised by the management. As disclosed in note 4 to the consolidated financial statements, in determining whether goodwill is impaired requires an estimation of the recoverable amounts of the cash-generating units ("CGUs") to which goodwill has been allocated, the Group engages an independent professional valuer to perform such valuation. The valuation is determined based on the cash flow projection for the CGUs discounted to their present values and it requires the use of key assumptions, including the discount rate, terminal growth rate, budgeted sales and gross margin, taking into account the financial budgets approved by the directors based on the management's experience from the financial leasing business, and also the management's expectations for the market development. During the year ended 31 December 2017, impairment loss on goodwill of HK$31,000,000 has been recongised to profit or loss. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, further impairment loss may arise. As at 31 December 2017, the carrying amount of goodwill is HK$72,373,000. Details of the recoverable amount calculation are disclosed in note 16.	Our procedures in relation to the valuation of goodwill included: • Understanding the Group's estimation of the amounts of the CGUs, including the valuation model adopted, key assumptions used and the involvement of the independent valuer appointed by the Group; • Evaluating the appropriateness of the valuation model adopted and discount rate used; • Evaluating the reasonableness of the budgeted sales and gross margin, and terminal growth rate by considering the approved financial budgets and the available industry and market data; and • Comparing financial budgets used in the calculation of value in use with actual results of the Group for the annual assessment of impairment as at 31 December 2017.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Wan Chi Lap.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Continuing operations			
Revenue	5	198,134	221,212
Cost of services		(166,866)	(148,720)
Gross profit		31,268	72,492
Other income	7	20,763	23,833
Other gains and losses	7	(26,885)	(1,459)
Administrative expenses		(66,081)	(87,262)
Impairment loss on goodwill	16	(31,000)	–
Change in fair value of convertible bonds designated as financial assets at fair value through profit or loss		–	43,257
Gain on disposal of subsidiaries	33	–	20,547
Share of result of a joint venture		43,508	27,545
Other expenses		(1,203)	(2,109)
(Loss) profit before taxation from continuing operations		(29,630)	96,844
Income tax expense	9	(6,059)	(17,651)
(Loss) profit for the year from continuing operations		(35,689)	79,193
Discontinued operation			
Loss for the year from discontinued operation	10	(114)	(27,365)
(Loss) profit for the year	11	(35,803)	51,828
(Loss) profit for the year attributable to:			
Owners of the Company		(42,654)	29,813
Non-controlling interests		6,851	22,015
		(35,803)	51,828
(Loss) earnings per share (HK cent)	12		
From continuing and discontinued operations			
Basic		(0.36)	0.25
Diluted		(0.36)	0.25
From continuing operations			
Basic		(0.36)	0.48
Diluted		(0.36)	0.48

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
(Loss) profit for the year	**(35,803)**	51,828
Other comprehensive income (expense)		
Item that will not be reclassified to profit or loss:		
Exchange difference arising on translation to presentation currency	**71,640**	(59,166)
Items that may be subsequently reclassified to profit or loss:		
Reclassification adjustments relating to disposal of foreign operation during the year	**114**	(818)
Net fair value loss on available-for-sale investments during the year	**(932)**	–
Reclassification adjustments relating to investment revaluation reserve upon disposal of subsidiaries	**–**	285
	(818)	(533)
Other comprehensive income (expense) for the year, net of income tax	**70,822**	(59,699)
Total comprehensive income (expense) for the year	**35,019**	(7,871)
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	**17,245**	(22,323)
Non-controlling interests	**17,774**	14,452
	35,019	(7,871)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	14	26,157	1,656
Investment properties	15	–	26,200
Goodwill	16	72,373	103,373
Interest in a joint venture	17	831,236	738,675
Available-for-sale investments	18	77,096	22,334
Finance lease receivables	19	602,643	142,523
Loan receivables	20	24,014	33,501
Restricted bank deposits	23	21,505	53,393
Service income receivables and deposits	21	12,693	10,782
		1,667,717	1,132,437
Current assets			
Finance lease receivables	19	478,037	359,736
Loan receivables	20	101,022	35,584
Service income receivables, other receivables, deposits and prepayments	21	56,851	21,466
Held for trading investments	22	40,628	112,964
Deposits placed with non-bank financial institutions	23	143,288	17,763
Restricted bank deposits	23	40,167	52,219
Bank balances and cash	23	56,879	81,236
		916,872	680,968
Assets classified as held for sale	10	–	20,470
		916,872	701,438
Current liabilities			
Service cost payables, other payables and accruals	24	64,186	58,168
Deposits received from customers	19	35,094	62,221
Tax payable		17,055	27,747
Borrowings	25	472,795	135,346
		589,130	283,482
Liabilities associated with assets classified as held for sale	10	–	10,820
		589,130	294,302
Net current assets		327,742	407,136
Total assets less current liabilities		1,995,459	1,539,573

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Capital and reserves			
Share capital	26	119,192	119,192
Reserves		1,085,255	1,068,010
Equity attributable to owners of the Company		1,204,447	1,187,202
Non-controlling interests		149,961	152,695
Total equity		1,354,408	1,339,897
Non-current liabilities			
Deposits received from customers	19	25,912	31,159
Borrowings	25	597,466	142,523
Service cost payables	24	–	8,800
Deferred tax liabilities	27	17,673	17,194
		641,051	199,676
		1,995,459	1,539,573

The consolidated financial statements on pages 52 to 139 were approved by the Board of Directors on 23 March 2018 and are signed on its behalf by:

WONG LIK PING
DIRECTOR

LAI KA FAI
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Translation reserve	Share options reserve	Investment revaluation reserve	Statutory reserve	Accumulated losses	Subtotal	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note a)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note b)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016	119,192	1,520,921	(45,781)	(8,325)	–	(285)	–	(378,179)	1,207,543	845	1,208,388
Profit for the year	–	–	–	–	–	–	–	29,813	29,813	22,015	51,828
Other comprehensive (expense) income for the year	–	–	–	(52,421)	–	285	–	–	(52,136)	(7,563)	(59,699)
Total comprehensive (expense) income for the year	–	–	–	(52,421)	–	285	–	29,813	(22,323)	14,452	(7,871)
Recognition of equity-settled share-based payments	–	–	–	–	1,982	–	–	–	1,982	–	1,982
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	138,243	138,243
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	(845)	(845)
Transfer to statutory surplus reserve	–	–	–	–	–	–	4,811	(4,811)	–	–	–
At 31 December 2016	119,192	1,520,921	(45,781)	(60,746)	1,982	–	4,811	(353,177)	1,187,202	152,695	1,339,897
(Loss) profit for the year	–	–	–	–	–	–	–	(42,654)	(42,654)	6,851	(35,803)
Other comprehensive income (expense) for the year	–	–	–	60,831	–	(932)	–	–	59,899	10,923	70,822
Total comprehensive income (expense) for the year	–	–	–	60,831	–	(932)	–	(42,654)	17,245	17,774	35,019
Share options lapsed	–	–	–	–	(501)	–	–	501	–	–	–
Transfer to statutory surplus reserve	–	–	–	–	–	–	1,586	(1,586)	–	–	–
Transfer upon disposal of subsidiaries	–	–	45,781	–	–	–	–	(45,781)	–	–	–
Dividend paid to non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	(20,508)	(20,508)
At 31 December 2017	119,192	1,520,921	–	85	1,481	(932)	6,397	(442,697)	1,204,447	149,961	1,354,408

Notes:

(a) Special reserve represented the difference between the nominal amount of the share capital issued by PME International (BVI) Company Limited, the then holding company of the Group, and the aggregate of the nominal amount of the issued share capital and other reserves accounts of the subsidiaries which were acquired by PME International (BVI) Company Limited pursuant to the group reorganisation carried out in 1997. As relevant subsidiaries had been disposed of during the year, the amount was transferred to accumulated losses.

(b) As stipulated by the relevant laws and regulations of the People's Republic of China ("PRC"), before distribution of the net profit each year, the subsidiaries established in the PRC shall set aside 10% of their net profit after taxation to the statutory reserve (except where the reserve has reached 50% of the subsidiaries' registered capital). The reserve fund can only be used, upon approval by the directors of the relevant subsidiaries and by the relevant authority, to offset accumulated losses or increase capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 *HK$'000*	2016 *HK$'000*
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(29,744)**	69,486
Adjustments for:		
Finance costs	**47,017**	26,166
Depreciation of property, plant and equipment	**1,787**	1,627
Change in fair value of convertible bonds designated as financial assets at fair value through profit or loss	**–**	(43,257)
Change in fair value of held for trading investments	**26,585**	5,263
Share of results of joint ventures	**(43,508)**	(28,516)
Impairment loss on goodwill	**31,000**	–
Gain on disposal of available-for-sale investments	**–**	(550)
Change in fair value of investment properties	**–**	(3,250)
Loss on disposal of property, plant and equipment	**132**	8
Loss (gain) on disposal of subsidiaries	**114**	(20,547)
Equity-settled share-based payment	**–**	1,982
Impairment loss on assets classified as held for sale	**–**	19,150
Finance lease interest income	**(63,624)**	(28,733)
Interest income	**(12,642)**	(7,298)
Operating cash flows before movements in working capital	**(42,883)**	(8,469)
Increase in inventories	**–**	(2,757)
(Increase) decrease in service income receivables, other receivables, deposits and prepayments	**(30,942)**	43,206
Decrease in service cost payables, other payables and accruals	**(5,464)**	(60,924)
Decrease in deposits received from customers	**(39,398)**	(45,730)
Decrease (increase) in held for trading investments	**46,480**	(16,555)
Increase in finance lease receivables	**(830,188)**	(340,955)
(Increase) decrease in deposits placed with financial institutions	**(125,525)**	35,170
Cash used in operations	**(1,027,920)**	(397,014)
Income tax paid	**(17,558)**	(20,198)
Finance lease interest income received	**63,136**	28,733
Interest paid	**(46,598)**	(25,937)
NET CASH USED IN OPERATING ACTIVITIES	**(1,028,940)**	(414,416)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
INVESTING ACTIVITIES			
Acquisition of investment properties		–	(22,950)
Acquisition of subsidiaries	32	–	(40,387)
Disposal of subsidiaries	33	7,970	2,122
Investment in available-for-sale investments		(54,014)	(11,569)
Proceeds from disposal of available-for-sale investments		–	2,550
Addition of loan receivables		(69,722)	(46,752)
Repayment from loan receivables		17,361	–
Withdrawal of restricted bank deposits		55,443	55,763
Placement of restricted bank deposits		(3,559)	(15,269)
Purchases of property, plant and equipment		(17)	(155)
Deposits paid for acquisition of property, plant and equipment		(686)	–
Interest received		10,638	7,298
NET CASH USED IN INVESTING ACTIVITIES		(36,586)	(69,349)
FINANCING ACTIVITIES			
Proceeds from borrowings		1,061,419	182,868
Dividend paid to non-controlling shareholder of a subsidiary		(20,508)	–
Interest paid		–	(229)
NET CASH FROM FINANCING ACTIVITIES		1,040,911	182,639
NET DECREASE IN CASH AND CASH EQUIVALENTS		(24,615)	(301,126)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		81,236	394,867
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		258	(12,505)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		56,879	81,236

1. GENERAL INFORMATION

China Ever Grand Financial Leasing Group Co., Ltd. (the "Company") is a public limited company incorporated in Cayman Islands 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.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are provision of finance lease and related consulting services in the PRC, the trading of equity securities, investment in property, investment in terminal and logistics services business, investment holding, investment in food additives business and money lending business. The Group was also engaged in the manufacture and trading of polishing materials and equipment which was discontinued in prior year (see note 10).

The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") as the directors consider that it is a more appropriate presentation for a company listed on the Stock Exchange and for the convenience of the shareholders.

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 (the "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.

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.

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

Amendments to HKAS 7 Disclosure initiative (Continued)

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 relevant items is provided in note 35. 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 35, 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 improvements 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 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. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- 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:

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

HKFRS 9 Financial instruments (Continued)

Classification and measurement:

- Debt instruments classified as loan receivables carried at amortised cost: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9;

- 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 and the Group will measure these securities at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investment revaluation reserve. Upon initial application of HKFRS 9, the fair value change relating to these securities would be adjusted to investment revaluation reserve as at 1 January 2018; and

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

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 was to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on service income receivables and loan receivables. Such further impairment recognised under expected credit loss model would increase the opening accumulated losses at 1 January 2018.

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

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.

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

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

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.

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, cash flows in relation to operating lease payments are currently 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.

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

HKFRS 16 Leases (Continued)

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$145,000 as disclosed in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon the application of HKFRS 16, 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 and refundable rental deposits received 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.

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 on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

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".

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

For 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 when the Company:

– has power over the investee;

– has exposure, or rights, to variable returns from its involvement with the investee; and

– has the ability to use its power over the investee 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 from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group's accounting policies.

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

Changes in the Group's ownership interests in existing subsidiaries

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).

Business combinations

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

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

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

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

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

The Group's policy for goodwill arising on the acquisition of a joint venture is described below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in joint ventures

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

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations". Any retained portion of an investment in a joint venture that has not been classified as held for sale shall be accounted for using the equity method. The financial statements of joint ventures 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, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the 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 joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interests in its former subsidiary after the sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

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.

Finance lease interest income including handling fees (if any) represents interest income from financial leasing business, 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.

Service fee income is recognised when the services are provided.

Rental income from property leasing is recognised on a straight-line basis over the relevant lease terms.

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

Interest income is accrued on a time apportionment 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses 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 (i.e. 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 Group are reclassified to profit or loss.

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

Borrowing costs

Borrowing costs which are not eligible for capitalisation to qualifying assets are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-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, annual leave and sick leave) after deducting any amount already paid.

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 as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable and deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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 difference 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

For the purposes of measuring deferred taxes 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.

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

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

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

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.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (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 item is derecognised.

Property, plant and equipment

Property, plant and equipment including buildings, leasehold land (classified as finance leases) and freehold land held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Impairment losses on tangible assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible assets (Continued)

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 a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and 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 instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets 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.

Financial assets

The Group's financial assets are classified into available-for-sale financial assets, financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. 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 financial asset 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 financial asset, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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 as at FTVPL.

A financial asset is classified as held for trading if:

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

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.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'other income, gains and losses' line item.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets

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

Equity and debt securities held by the Group that are classified as available-for-sale financial assets 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 available-for-sale debt instruments relating to interest income calculated using the effective interest method, and changes in foreign exchange rates, if applicable are recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of available-for-sale 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 investment revaluation reserve is reclassified to profit or loss.

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

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 loan receivables, restricted bank deposits, finance lease receivables, service income receivables, other receivables and deposits, deposits placed with non-bank financial institutions and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment loss on financial assets

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

For 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.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of finance lease receivables, trade receivables and loan 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 finance lease receivable, trade receivable or loan 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into 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 the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

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.

Financial liabilities

Financial liabilities (including service cost payables, other payables and accruals, borrowings and deposits received from customers) are initially measured at fair values and subsequently measured at amortised cost using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. 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 in its entirety, the difference between the asset's carrying amount and the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when, and only when, the obligation specified in the relevant contract is discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

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). 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 the share options reserve.

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 accumulated losses.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The following 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment of finance lease receivables

For impairment of finance lease receivables, the Group considers to make allowance for impairment based on the evaluation of recoverability by the management's judgement. A considerable amount of judgement is required by the management in assessing the recoverability of finance lease receivables. Management has closely monitored the recoverability and ensured adequate collaterals are received from these customers. In determining the impairment for finance lease receivables, the management considers the creditworthiness, past collection history and subsequent settlement of each finance lease customer, and also relevant deposits received, pledge of leased assets and guarantees. As at 31 December 2017, the carrying amounts of finance lease receivables were approximately HK$1,080,680,000 (2016: HK$502,259,000). At the end of the reporting period, no allowance for bad and doubtful debts have been charged to profit or loss. Details of finance lease receivables are disclosed in note 19.

Valuation of goodwill

During the year ended 31 December 2016, the Group acquired China Ever Grand Capital Group Limited ("Ever Grand Capital") and identified a goodwill in the acquisition. The value in use is determined based on the cash flow projection for the cash generating units ("CGUs"), discounted to their present values and requires the use of key assumptions, including the discount rate, terminal growth rate, budgeted sales and gross margin, taking into account the financial budget approved by the directors based on the management's experience from the financial leasing business and also management's expectations for the market development. During the year ended 31 December 2017, impairment loss on goodwill of HK$31,000,000 has been recongised to profit or loss. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, further impairment loss may arise. As at 31 December 2017, the carrying amount of goodwill was HK$72,373,000 (2016: HK$103,373,000). Details of the recoverable amount calculation are disclosed in note 16.

Collectability of loan receivables

When there is objective evidence of impairment loss on loan receivables, the Group estimates the future cash flows of loan receivables for impairment testing purpose. The amount of the impairment loss is measured as the difference between the loan receivables carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the future cash flows are less than expected, a material impairment loss may arise. The aggregate carrying value of loan receivables at 31 December 2017 was HK$125,036,000 (2016: HK$69,085,000).

5. REVENUE

Revenue represents finance lease interest income generated from financial leasing and service fee income provided to outsiders.

	2017 HK$'000	2016 HK$'000
Continuing operations		
Service fee income	134,510	192,479
Finance lease interest income	63,624	28,733
	198,134	221,212

6. SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on the nature of the operations of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 Operating segments are as follows:

Financial leasing – provision of finance lease consulting services and financing services in the PRC ("Financial Leasing Segment")

Terminal and logistics services – loading and discharging services, storage services and leasing of terminal facilities and equipment through investment in a joint venture

Investment – investments in held for trading investments, convertible bonds, available-for-sale investments, investment property and money lending business in Hong Kong

Others – research and development, manufacturing and sales of food additives, new food ingredients and nutritional enhancers in the PRC ("Food Additives Business")

During the year ended 31 December 2016, as described in note 10, the Group had committed to dispose of its sale of polishing materials and equipment segment (the "Polishing Segment"). The Polishing Segment was classified as discontinued operation as described in note 10.

During the year ended 31 December 2017, the Group expanded its business to the Food Additives Business, which has been regarded as an operating segment of the Group since then. There was no aggregation of operating segments to derive the reportable segments of the Group.

6. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

For the year ended 31 December 2017

	Continuing operations				
	Financial leasing *HK$'000*	Terminal and logistics services *HK$'000*	Investment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue					
External sales	198,134	–	–	–	198,134
Segment (loss) profit	(10,932)	43,508	(24,298)	(367)	7,911
Other income, gains and losses					1,642
Corporate expenses					(38,643)
Other expenses					(540)
Loss before taxation					(29,630)

For the year ended 31 December 2016

	Continuing operations			
	Financial leasing *HK$'000*	Terminal and logistics services *HK$'000*	Investment *HK$'000*	Total *HK$'000*
Revenue				
External sales	221,212	–	–	221,212
Segment profit	61,045	27,545	44,833	133,423
Other income, gains and losses				2,617
Gain on disposal of subsidiaries				20,547
Corporate expenses				(57,634)
Other expenses				(2,109)
Profit before taxation				96,844

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned or loss incurred by each segment without allocation of certain other income, certain other gains and losses, gain on disposal of subsidiaries and corporate expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

At 31 December 2017

	Continuing operations				
	Financial leasing	Terminal and logistics services	Investment	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	1,563,881	831,256	105,177	4,090	2,504,404
Unallocated corporate assets					80,185
Consolidated assets					2,584,589
Segment liabilities	1,179,659	–	14,804	–	1,194,463
Unallocated corporate liabilities					35,718
Consolidated liabilities					1,230,181

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

At 31 December 2016

	Continuing operations			
	Financial leasing	Terminal and logistics services	Investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	810,314	738,719	160,308	1,709,341
Assets related to Polishing Segment				20,470
Unallocated corporate assets				104,064
Consolidated assets				1,833,875
Segment liabilities	406,749	–	31,393	438,142
Liabilities related to Polishing Segment				10,820
Unallocated corporate liabilities				45,016
Consolidated liabilities				493,978

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

– all assets are allocated to reportable and operating segments other than an office premise for administrative purpose, certain other receivables and bank balances and cash; and

– all liabilities are allocated to reportable and operating segments other than certain other payables, tax payables and deferred tax liabilities.

6. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2017

	Continuing operations				
	Financial leasing *HK$'000*	Terminal and logistics services *HK$'000*	Investment *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Amounts charged (credited) in the measure of segment profit or loss or segment assets:					
Addition to non-current assets	–	–	–	686	686
Additions of property, plant and equipment	17	–	–	–	17
Depreciation of property, plant and equipment	695	–	–	–	695
Change in fair value of held for trading investments	601	–	25,984	–	26,585
Interest income from loan receivables	(7,395)	–	(2,252)	–	(9,647)
Finance lease interest income	(63,624)	–	–	–	(63,624)
Interest expenses (included in cost of services)	47,017	–	–	–	47,017
Impairment loss on goodwill	31,000	–	–	–	31,000
Interest in a joint venture	–	831,236	–	–	831,236
Share of result of a joint venture	–	(43,508)	–	–	(43,508)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:					
Income tax expense	5,974	–	85	–	6,059

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2016

	Continuing operations			
	Financial leasing *HK$'000*	Terminal and logistics services *HK$'000*	Investment *HK$'000*	Consolidated *HK$'000*
Amounts charged (credited) in the measure of segment profit or loss or segment assets:				
Additions of property, plant and equipment	17	–	38	55
Depreciation of property, plant and equipment	833	–	228	1,061
Change in fair value of held for trading investments	2,060	–	3,203	5,263
Change in fair value of investment properties	–	–	(3,250)	(3,250)
Change in fair value of convertible bonds designated as financial assets at FVTPL	–	–	(43,257)	(43,257)
Interest income from convertible bonds designated as financial assets at FVTPL	–	–	(820)	(820)
Interest income from loan receivables	(3,797)	–	(747)	(4,544)
Realised gain on disposal of available-for-sale investments	–	–	(550)	(550)
Finance lease interest income	(28,733)	–	–	(28,733)
Interest expenses (included in cost of services)	25,937	–	–	25,937
Interest in a joint venture	–	738,675	–	738,675
Share of result of a joint venture	–	(27,545)	–	(27,545)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:				
Income tax expense	17,184	116	351	17,651

6. SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from customers of the financial leasing segment of corresponding years contributing over 10% of total sales of the Group are as follows:

	Continuing operations	
	2017	2016
	HK$'000	HK$'000
Customer A	51,782	32,988
Customer B	36,222	N/A[1]
Customer C	27,297	N/A[1]
Customer D	N/A[1]	35,472
Customer E	N/A[1]	23,278

1 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Geographical information

The Group's financial leasing, terminal and logistics services divisions and Food Additives Business are located in the PRC. Investment division is located in Hong Kong. Locations are determined according to principal place of operating the businesses. Revenue was generated in respective locations.

The following is an analysis of the carrying amount of non-current assets analysed by the geographical location and in which the assets are located:

	2017	2016
	HK$'000	HK$'000
PRC	904,295	842,092
Hong Kong	25,471	27,812
	929,766	869,904

Note: Non-current assets excluded finance lease receivables and other financial instruments.

7. OTHER INCOME, GAINS AND LOSSES

Continuing operations

	2017 HK$'000	2016 HK$'000
Other income		
Interest income from loan receivables	9,647	4,544
Interest income from banks and non-bank financial institutions	2,995	1,934
Interest income from convertible bonds designated as financial assets at FVTPL	–	820
Rental income	155	691
Government grants *(Note)*	4,552	13,080
Sundry income	3,414	2,764
	20,763	23,833

	2017 HK$'000	2016 HK$'000
Other gains and losses		
Change in fair value of held for trading investments	(26,585)	(5,263)
Net foreign exchange (losses) gains	(168)	12
Loss on disposal of property, plant and equipment	(132)	(8)
Realised gain on disposal of available-for-sale investments	–	550
Change in fair value of investment properties	–	3,250
	(26,885)	(1,459)

Note: The amount represents government subsidies from local finance bureau which are calculated by reference to the amount of tax paid and based on fulfilment of certain conditions in accordance with the rules and regulations issued by the local government.

8. DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES EMOLUMENTS

Directors and chief executive emoluments

The emolument paid or payable to each of the directors and chief executives were as follows:

	For the year ended 31 December 2017					
	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Discretionary bonus *HK$'000* *(Note 5)*	Share-based payments *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total *HK$'000*
Executive Directors						
Mr. Wong Lik Ping	–	5,610	2,584	–	18	8,212
Mr. Lai Ka Fai *(Note 3)*	–	1,475	452	–	18	1,945
Mr. Tao Ke	–	1,200	150	–	18	1,368
Mr. Qiao Weibing *(Note 2)*	–	1,896	75	–	18	1,989
Sub-total	–	10,181	3,261	–	72	13,514
Chief executive						
Mr. Liu Bing *(Note 3)*	–	2,454	–	–	17	2,471
Non-executive Directors						
Mr. Cheng Kwok Woo *(Note 4)*	–	–	–	–	–	–
Ms. Yeung Sau Han Agnes	–	260	–	–	–	260
Sub-total	–	260	–	–	–	260
Independent non-executive Directors						
Mr. Goh Choo Hwee	180	–	23	–	–	203
Mr. U Keng Tin	180	–	23	–	–	203
Mr. Ho Hin Yip	180	–	23	–	–	203
Sub-total	540	–	69	–	–	609
Total	540	12,895	3,330	–	89	16,854

8. DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES EMOLUMENTS (Continued)

Directors and chief executive emoluments (Continued)

	For the year ended 31 December 2016					
	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Discretionary bonus *HK$'000* *(Note 5)*	Share-based payments *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total *HK$'000*
Executive Directors						
Mr. Wong Lik Ping	–	6,000	5,500	–	18	11,518
Mr. Lai Ka Fai *(Note 3)*	–	1,300	5,500	54	18	6,872
Mr. Tao Ke	–	1,200	100	41	18	1,359
Mr. Feng Gang *(Note 1)*	–	201	–	–	3	204
Mr. Qiao Weibing *(Note 2)*	–	1,781	100	136	15	2,032
Sub-total	–	10,482	11,200	231	72	21,985
Chief executive						
Mr. Liu Bing *(Note 3)*	–	2,050	5,500	136	17	7,703
Non-executive Directors						
Mr. Cheng Kwok Woo *(Note 4)*	–	1,113	50	–	53	1,216
Ms. Yeung Sau Han Agnes	–	260	50	–	–	310
Sub-total	–	1,373	100	–	53	1,526
Independent non-executive Directors						
Mr. Goh Choo Hwee	180	–	50	27	–	257
Mr. U Keng Tin	180	–	50	27	–	257
Mr. Ho Hin Yip	180	–	50	27	–	257
Sub-total	540	–	150	81	–	771
Total	540	13,905	16,950	448	142	31,985

8. DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES EMOLUMENTS (Continued)

Directors and chief executive emoluments (Continued)

Notes:

(1) Mr. Feng Gang resigned as an executive director of the Company with effect from 17 March 2016.

(2) Mr. Qiao Weibing was appointed as an executive director of the Company with effect from 17 March 2016.

(3) Mr. Lai Ka Fai, the existing executive director of the Company, has taken up the position of chief executive officer in place of Mr. Liu Bing with effect from 6 November 2017.

(4) During the year ended 31 December 2016, Mr. Cheng Kwok Woo's emoluments of HK$1,166,000 were paid or payable by the disposal group. He resigned as a non-executive director of the Company with effect from 1 June 2017.

(5) The discretionary bonus is based on operating appraisal results and basic salary of each director with reference to the contribution to the Group for the annual operating results and the individual performance.

Employee emoluments

The five highest paid employees of the Group during the year included three directors and one chief executive (2016: four directors and one chief executive), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining one (2016: nil) highest paid employee who is neither a director nor chief executive of the Company is as follow:

	2017	2016
	HK$'000	*HK$'000*
Salaries and other benefits	**518**	–
Discretionary bonus	**972**	–
Retirement benefits scheme contributions	**28**	–
	1,518	–

The number of the highest paid employees who are not the directors and chief executive of the Company whose remuneration fell within the following bands is as follow:

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

During the year, no emoluments were paid by the Group to any of the directors or chief executive as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments for both years.

9. TAXATION

	2017 HK$'000	2016 HK$'000
Continuing operations		
Current tax:		
Hong Kong Profits Tax	–	351
PRC Enterprise Income Tax ("EIT")	4,612	16,172
PRC withholding tax	1,084	–
	5,696	16,523
Overprovision in prior year:		
Hong Kong Profits Tax	(16)	–
Deferred tax expense for current year *(note 27)*	379	1,128
Taxation for the year	6,059	17,651

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

EIT is calculated at 25% of the estimated assessable profits of subsidiaries operating in the PRC.

The taxation for the year can be reconciled to the (loss) profit before taxation per the consolidated statement of profit or loss as follows:

	2017 HK$'000	2016 HK$'000
(Loss) profit before taxation from continuing operations	(29,630)	96,844
Tax at the domestic income tax rate *(Note)*	(3,214)	21,290
Tax effect of share of results of joint ventures	(7,179)	(4,545)
Tax effect of expenses not deductible for tax purpose	12,477	7,694
Tax effect of income not taxable for tax purpose	(2,397)	(17,222)
Tax effect of tax losses not recognised	6,388	8,300
Overprovision in prior year	(16)	–
Tax effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	–	2,134
Taxation for the year	6,059	17,651

Note: The domestic tax rate applicable to profits in the tax jurisdictions concerned is used.

10. DISCONTINUED OPERATION/DISPOSAL GROUP HELD FOR SALE

On 17 November 2016, the Group entered into a disposal agreement to dispose of 100% equity interest in Teamcom Group Limited, which operated the Polishing Segment, at a consideration of HK$10,000,000 (the "Disposal"). The cash consideration of HK$10,000,000 is to be settled in two instalments. The first instalment in the sum of HK$5,000,000 was paid upon the completion of the Disposal, and the second instalment in the sum of HK$5,000,000 is to be paid on or before the date falling on the date of the first anniversary of the completion date of the Disposal. Fair value of the consideration is HK$9,650,000, which represents the present value of total consideration discounted at an effective interest rate of 7.5% per annum. As for the second instalment, HK$3,320,000 has been early repaid during the current year, the unsettled consideration of HK$1,680,000 was recorded as other receivables in the consolidated statement of financial position as at 31 December 2017.

As at 31 December 2016, the assets and liabilities attributable to the Polishing Segment, which were expected to be disposed within twelve months, had been classified as assets and liabilities held for sale and were presented separately in the consolidated statement of financial position (see below). The net proceeds of Disposal were expected to be lower than the net carrying amount of the relevant assets and liabilities and accordingly, impairment loss had been recognised as follows during the year ended 31 December 2016. The Disposal was completed on 5 January 2017.

	2016 *HK$'000*
Impairment loss on:	
Property, plant and equipment	932
Interest in a joint venture	9,281
Club debentures	350
Inventories	8,587
	19,150

The loss for the year from the Polishing Segment is set out below:

	2017 ***HK$'000***	2016 *HK$'000*
Revenue	–	74,347
Cost of sales	–	(71,533)
Other income, gains and losses	–	931
Selling and distribution expenses	–	(4,740)
Administrative expenses	–	(7,955)
Share of result of a joint venture	–	971
Finance costs	–	(229)
Impairment loss	–	(19,150)
Income tax expense	–	(7)
Loss for the year	–	(27,365)
Loss on disposal of operation	**(114)**	–
Loss for the year from discontinued operation	**(114)**	(27,365)

10. DISCONTINUED OPERATION/DISPOSAL GROUP HELD FOR SALE (Continued)

Loss for the year from discontinued operation includes the following:

	2017 HK$'000	2016 HK$'000
Auditor's remuneration	–	–
Depreciation of property, plant and equipment	–	566
Costs of inventories recognised as an expense (included in cost of sales)	–	71,533
Minimum lease payment in respect of rental premises	–	970
Staff costs:		
Director's emoluments	–	1,166
Other staff costs	–	
– Salaries and other benefits	–	5,231
– Retirement benefits scheme contributions	–	245
	–	6,642

During the year ended 31 December 2016, the Polishing Segment contributed net cash outflow of HK$2.5 million to the Group's net operating cash flows, received HK$0.8 million in respect of investing activities and received HK$0.6 million in respect of financing activities. The Polishing Segment did not contribute any cash flow to the Group for the year ended 31 December 2017.

10. DISCONTINUED OPERATION/DISPOSAL GROUP HELD FOR SALE (Continued)

The major classes of assets and liabilities of the Polishing Segment as at 31 December 2016 and as at the date of disposal, which had been presented separately in the consolidated statement of financial position as at 31 December 2016 were as follows:

	HK$'000
Inventories	2,916
Trade and other receivables, deposits and prepayments	13,556
Bank balances and cash	3,998
	20,470
Trade and other payables and accruals	(4,265)
Obligations under finance leases	(1,556)
Borrowings	(2,780)
Tax payables	(1,915)
Deferred tax liabilities	(304)
	(10,820)
Net assets disposed of *(note 33)*	9,650

11. (LOSS) PROFIT FOR THE YEAR

	2017 **HK$'000**	2016 *HK$'000*
(Loss) profit for the year from continuing operations is arrived at after charging:		
Auditor's remuneration	**1,100**	1,100
Depreciation of property, plant and equipment	**1,787**	1,061
Interest expenses (included in cost of services)	**47,017**	25,937
Minimum lease payment in respect of rental premises	**4,039**	4,462
Staff costs:		
Directors' and chief executive's emoluments	**16,854**	30,819
Other staff costs		
– Salaries and other benefits	**25,940**	23,861
– Retirement benefits scheme contributions	**2,159**	2,342
– Share-based payments	**–**	1,534
	44,953	58,556

12. EARNINGS PER SHARE

For continuing operations

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

	2017 HK$'000	2016 HK$'000
(Loss) earnings		
(Loss) profit for the year attributable to the owners of the Company	(42,654)	29,813
Less: Loss for the year from discontinued operation	114	27,365
(Loss) earnings for the purpose of basic and diluted earnings per share from continuing operations	(42,540)	57,178

	2017 '000	2016 '000
Number of shares		
Number of ordinary shares for the purpose of basic (loss) earnings per share	11,919,198	11,919,198
Number of ordinary shares for the purpose of diluted (loss) earnings per share	11,919,198	11,919,198

The computation of diluted earnings per share for the years ended 31 December 2017 and 2016 does not assume the exercise of share options granted by the Company as the exercise price of those options was higher than the average market price for shares.

12. EARNINGS PER SHARE (Continued)

For continuing and discontinued operations

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

	2017 *HK$'000*	2016 *HK$'000*
(Loss) earnings		
(Loss) earnings for the purpose of basic and diluted earnings per share ((loss) profit for the year attributable to owners of the Company)	**(42,654)**	29,813

The denominators used are the same as those detailed above.

For discontinued operation

Basic and diluted loss per share for the discontinued operation is HK0.001 cent per share (2016: basic loss per share is HK0.23 cent per share), based on the loss for the year from the discontinued operation of HK$114,000 (2016: HK$27,365,000) and the denominators detailed above.

13. DIVIDENDS

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

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvement, furniture and fixtures HK$'000	Plant, machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 January 2016	–	58	272	5,297	5,627
Exchange differences	–	–	(15)	(1,299)	(1,314)
Additions	–	–	81	773	854
Disposals	–	–	–	(501)	(501)
Acquisition of subsidiaries *(Note 32)*	–	–	198	1,961	2,159
Transfer to assets classified as held for sale *(Note 10)*	–	–	(41)	(3,025)	(3,066)
At 31 December 2016	–	58	495	3,206	3,759
Exchange differences	–	–	80	1,360	1,440
Additions	–	–	17	–	17
Disposals	–	–	(69)	(3,090)	(3,159)
Transfer from investment properties *(Note 15)*	26,200	–	–	–	26,200
At 31 December 2017	**26,200**	**58**	**523**	**1,476**	**28,257**
DEPRECIATION AND IMPAIRMENT					
At 1 January 2016	–	37	103	4,140	4,280
Exchange differences	–	–	(9)	(1,168)	(1,177)
Charge for the year	–	8	129	1,490	1,627
Eliminated on disposals	–	–	–	(493)	(493)
Transfer to assets classified as held for sale *(Note 10)*	–	–	(9)	(2,125)	(2,134)
At 31 December 2016	–	45	214	1,844	2,103
Exchange differences	–	–	(38)	1,275	1,237
Charge for the year	873	8	110	796	1,787
Eliminated on disposals	–	–	(19)	(3,008)	(3,027)
At 31 December 2017	**873**	**53**	**267**	**907**	**2,100**
CARRYING AMOUNTS					
At 31 December 2017	**25,327**	**5**	**256**	**569**	**26,157**
At 31 December 2016	–	13	281	1,362	1,656

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Property, plant and equipment are depreciated on their costs less their residual values on a straight-line basis over their estimated useful lives as follows:

Leasehold land and buildings	20 years
Leasehold improvements, furniture and fixtures	3 to 5 years or over lease term, whichever is shorter
Plant, machinery and equipment	5 to 10 years
Motor vehicles	3 to 8 years

The leasehold land and buildings are held under medium term leases and are situated in Hong Kong.

15. INVESTMENT PROPERTIES

	2017	2016
	HK$'000	*HK$'000*
Fair value		
At beginning of the year	**26,200**	–
Addition *(Note)*	**–**	22,950
Change in fair value	**–**	3,250
Transfer to property, plant and equipment	**(26,200)**	–
At end of the year	**–**	26,200

Note: The Group purchased investment properties through acquisition of a subsidiary, Multi Kingdom Limited. Other than the investment properties, there were no significant assets and liabilities owned by this subsidiary at the date of completion of acquisition.

During the year ended 31 December 2017, the use of the investment properties has been changed to administrative purpose and therefore transferred to property, plant and equipment. At the date of transfer, the fair value of the investment properties was valued by the directors using direct comparison method.

As at 31 December 2016, all of the Group's property interests held to earn rentals or for capital appreciation purposes were measured using the fair value model and were classified and accounted for as investment properties.

The fair value of the Group's investment properties as at 31 December 2016 had been arrived at on the basis of a valuation carried out by Peak Vision Appraisals Limited, independent qualified professional valuers not connected to the Group. The financial controller worked closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The financial controller reported the findings to the board of directors of the Company at each reporting period to explain the cause of fluctuations in the fair value of the assets and liabilities.

15. INVESTMENT PROPERTIES (Continued)

The fair value was determined based on the income capitalisation approach, where the market rentals of all lettable units of the properties were assessed and discounted at the market yield expected by investors for this type of properties. The market rentals were assessed based on estimates of future cash flows, supported by the terms of existing lease and reasonable and supportable assumptions that represent what knowledgeable willing parties would assume about rental income for future leases in the light of current conditions. The rate was determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in Hong Kong.

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

	Level 3	**Fair value as at 2016**
	HK$'000	*HK$'000*
Office units located in Hong Kong	26,200	26,200

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

	Valuation technique(s)	**Significant unobservable input(s)**	**Sensitivity**
Office units located in Hong Kong	Income capitalisation approach	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of approximately 3.75%.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
		Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparables and the property, at an average of HK$32 per square foot per month.	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.

16. GOODWILL

	2017	2016
	HK$'000	*HK$'000*
COST		
Arising on acquisition of subsidiaries *(Note 32)*	**103,373**	103,373
Impairment loss recognised in the year	**(31,000)**	–
	72,373	103,373

For the purposes of impairment testing, goodwill has been allocated to certain cash generating units ("CGUs"), comprising all subsidiaries in the Financial Leasing Segment.

During the year ended 31 December 2017, the Group recognised an impairment loss of HK$31,000,000 (2016: nil) in relation to the goodwill due to an unfavorable change in the market conditions in the PRC which lowered the management's expectation in respect to the expected lease volume and overall profitability in the future.

The basis of the recoverable amount of the CGUs of Financial Leasing Segment and its major underlying assumptions are summarised below:

As at 31 December 2017, the recoverable amount of the Financial Leasing Segment was HK$72,373,000, which has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 4-year period (2016: 3-year period), and pre-tax discount rate of 13.57% (2016: 13.25%). The Financial Leasing Segment's cash flows beyond the 4-year period (2016: 3-year period) are extrapolated using a steady 2.5% (2016: 3.0%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and gross profit, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the Financial Leasing Segment to exceed the aggregate recoverable amount of the Financial Leasing Segment.

17. INTEREST IN A JOINT VENTURE

Details of the Group's investments in joint ventures are as follows:

	2017 HK$'000	2016 HK$'000
Cost of investment in a joint venture, unlisted	**594,056**	594,056
Share of post-acquisition profits, net of dividends received	**237,180**	144,619
	831,236	738,675

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

Name of entity	Nominal value of registered capital	Form of business structure and country of registration and operation	Proportion of nominal value of registered capital held by the Group		Proportion of voting rights held by the Group		Principal activities
			2017	2016	**2017**	2016	
Shanghai PME-XINHUA Polishing Materials Systems ("Shanghai PME-XINHUA") *(Note a)*	RMB10,000,000	Sino-foreign joint venture company, PRC	**–**	60%	**–**	60%	Manufacturing and trading of polishing materials
Rizhao Lanshan Wansheng Harbour Company Limited ("Rizhao Lanshan") *(Note b)*	RMB430,000,000	Sino-foreign joint venture company, PRC	**50%**	50%	**50%**	50%	Loading and discharging services, storage services and leasing of terminal facilities and equipment

Notes:

(a) The Group held 60% of the registered capital of Shanghai PME-XINHUA, and controlled 60% of the voting power in the general meetings. However, under a shareholders' agreement, the decisions on relevant activities of Shanghai PME-XINHUA should be unanimously approved by the Group and another venturer. Therefore, Shanghai PME-XINHUA was regarded as a joint venture of the Group. As at 31 December 2016, interest in Shanghai PME-XINHUA was reclassified to assets classified as held for sale because of the disposal of the Polishing Segment and was disposed upon the completion of the disposal of the Polishing segment during the year. Details as set out in note 10.

(b) The Group indirectly owns 50% of the equity interests in Rizhao Lanshan. Rizhao Lanshan is a Sino-foreign joint venture company established in the PRC and engaged in provision of terminal and logistics services including loading and discharging, storage and transfer of iron ore, steel products, timber and other goods and leasing of terminal facilities and equipment in Lanshan Harbour, Rizhao Port, Shandong Province of the PRC.

17. INTEREST IN A JOINT VENTURE (Continued)

Summarised financial information of material joint venture

Summarised financial information in respect of the Group's material joint venture is set out below.

The joint venture is accounted for using the equity method in these consolidated financial statements.

Rizhou Lanshan

	2017 *HK$'000*	2016 *HK$'000*
Current assets	263,523	228,307
Non-current assets	1,791,782	1,752,722
Current liabilities	(223,484)	(344,672)
Non-current liabilities	(249,247)	(238,905)

The above amounts of assets and liabilities include the following:

	2017 *HK$'000*	2016 *HK$'000*
Cash and cash equivalents	56,557	37,617
Current financial liabilities (excluding trade and other payables and provisions)	(222,404)	(288,004)
Non-current financial liabilities (excluding trade and other payables and provisions)	(195,714)	(185,372)

17. INTEREST IN A JOINT VENTURE (Continued)

Summarised financial information of material joint venture (Continued)

Rizhou Lanshan (Continued)

	2017 *HK$'000*	2016 *HK$'000*
Revenue	**456,969**	475,333
Profit for the year and total comprehensive income for the year	**87,016**	55,091
Dividends received from the joint venture during the year	**–**	–

The above profit for the year includes the following:

	2017 *HK$'000*	2016 *HK$'000*
Depreciation and amortisation	**(76,056)**	(80,885)
Interest income	**54**	163
Interest expense	**(20,531)**	(26,611)
Income tax expense	**(24,946)**	(24,144)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Rizhao Lanshan recognised in the consolidated financial statements is as follows:

	2017 *HK$'000*	2016 *HK$'000*
Net assets	**1,582,574**	1,397,452
Proportion of the Group's ownership interest in Rizhao Lanshan	**50%**	50%
	791,287	698,726
Goodwill	**39,949**	39,949
Carrying amount of the Group's interest in Rizhao Lanshan	**831,236**	738,675

18. AVAILABLE-FOR-SALE INVESTMENTS

	2017 HK$'000	2016 HK$'000
Available-for-sale investments comprise:		
Unlisted investments		
– Equity securities (measured at cost less impairment)	**24,014**	22,334
– Wealth management products (measured at fair value)	**53,082**	–
	77,096	22,334

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities established in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably.

The above unlisted wealth management products represent wealth management products launched by financial institutions. They are measured at fair value in the manner described in note 34.

In the opinion of the directors of the Company, non-current available-for-sale financial assets are not expected to be realised within one year from the end of the year.

19. FINANCE LEASE RECEIVABLES/DEPOSITS RECEIVED FROM CUSTOMERS

	2017 HK$'000	2016 HK$'000
Current finance lease receivables	**478,037**	359,736
Non-current finance lease receivables	**602,643**	142,523
	1,080,680	502,259

Leasing arrangements

Certain of the Group's machinery and equipment are leased out under finance leases. All leases are denominated in RMB. The average term of finance leases entered into is 3.5 years (2016: 4 years).

19. FINANCE LEASE RECEIVABLES/DEPOSITS RECEIVED FROM CUSTOMERS (Continued)

Amounts receivable under finance leases

	Minimum lease payments		Present value of lease payments	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Not later than one year	**518,710**	369,935	**478,037**	359,736
Later than one year and not later than two years	**333,528**	52,035	**309,093**	46,768
Later than two years and not later than five years	**305,398**	100,945	**293,550**	95,755
	1,157,636	522,915	**1,080,680**	502,259
Less: unearned finance income	**(76,956)**	(20,656)	**N/A**	N/A
Present value of minimum lease payments receivable	**1,080,680**	502,259	**1,080,680**	502,259

The Group's finance lease receivables are denominated in RMB. The effective interest rates of the finance leases as at 31 December 2017 range from 4.28% to 6.30% (2016: 4.28% to 7.05%) per annum.

As at 31 December 2017, finance lease receivables amounting to HK$866,925,000 (2016: HK$243,310,000) were guaranteed by related parties of customers and secured by the leased assets and customers' deposits.

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements that needed to be recorded as at the end of the reporting period.

As at 31 December 2017, the finance lease receivables with carrying amounts of HK$656,169,000 (2016: HK$277,869,000) were pledged as security for the Group's borrowings (note 25).

19. FINANCE LEASE RECEIVABLES/DEPOSITS RECEIVED FROM CUSTOMERS (Continued)

Amounts receivable under finance leases (Continued)

Estimates of fair value of collateral are made during the credit approval process. These estimates of valuations are made at the inception of finance lease, and generally not updated except when the receivable is individually impaired. When a finance lease receivable is identified as impaired, the corresponding fair value of collateral of that receivable is updated by reference to market value such as recent transaction price of the assets.

At the end of the reporting period, with the consent from the relevant lessees, certain of these assets have been repledged to secure borrowings of the Group as set out in note 25.

The finance lease receivables at the end of the reporting period are neither past due nor impaired.

Security deposits received from customers at the end of the reporting period represent finance lease deposits received from customers which are repayable by end of the lease period of the respective finance leases.

Deposits of HK$61,006,000 (2016: HK$93,380,000) have been received by the Group to secure certain finance lease receivables and classified into current or non-current liabilities based on the final lease instalment due date stipulated in the finance lease agreements. The deposits are non-interest bearing, carried effective interest rate at 4.75% (2016: 4.75%) per annum. In addition, the finance lease receivables are secured over the leased assets, mainly plant and machinery leased, at the end of the reporting period. The Group is not permitted to sell, or repledge the collateral of the finance lease receivables without consent from the lessee in the absence of default by the lessee.

20. LOAN RECEIVABLES

	2017 HK$'000	2016 HK$'000
Carrying amount receivable based on maturity set out in the loan agreements		
Within one year	101,022	35,584
More than one year but less than two years	24,014	33,501
	125,036	69,085

As at 31 December 2017, the Group's subsidiary, 北京恒嘉國際融資租賃有限公司 (Beijing Ever Grand International Finance Lease Co., Ltd., "BJ Ever Grand"), invested in loan receivables of RMB50,000,000 (equivalent to approximately HK$60,035,000) (2016: RMB35,000,000, equivalent to approximately HK$39,085,000) through trust products issued by financial institutions in the PRC. Such loan receivables carried fixed interest rate ranging from 7.0% to 7.4% (2016: 7.0% to 10.0%) per annum with maturities in August 2018 to September 2019 (2016: November 2017 to January 2019).

During the year ended 31 December 2016, the Group entered into a loan agreement with an individual borrower (the "Borrower") who is an independent third party. The loan of HK$30,000,000 is unsecured, interest bearing at a fixed interest rate of 10% per annum, repayable on 3 February 2017 and guaranteed by another individual guarantor (the "Guarantor"). The Borrower and the Guarantor are the directors and substantial shareholders of a listed company in Hong Kong. On 7 February 2017, the Group entered into a loan extension agreement with the Borrower and the Guarantor, pursuant to which half of the loan receivable was repayable on 5 July 2017 and the other half was repayable on 29 December 2017. As at 31 December 2017, the total principal of the loan of HK$30,000,000, together with any accrued interest, have been past due but not impaired.

During the year ended 31 December 2017, the Group entered into a loan agreement with another individual borrower who is an independent third party. The loan of HK$35,000,000 is unsecured, interest bearing at a fixed interest rate of 10% per annum and repayable on 5 June 2018.

During the year ended 31 December 2017, the Group received interest income of HK$9,647,000 (2016: HK$4,544,000) and recognised as other income.

21. SERVICE INCOME RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The normal credit period given on service income is 0 – 5 days. The credit period relating to service income receivables provided to customers can be longer based on a number of factors including the customer's credit profile and relationship with the customers.

The following is an aged analysis of service income receivables, net of allowance for bad and doubtful debts, presented based on the date of recognition of revenue for service income at the end of the reporting period, which approximated the revenue recognition dates:

	2017	2016
	HK$'000	*HK$'000*
Service income receivables		
0–30 days	**33,520**	–
31–60 days	**–**	3,853
61–90 days	**–**	–
91–180 days	**–**	2,983
181–365 days	**–**	7,767
Over 365 days	**12,266**	10,782
Service income receivables	**45,786**	25,385
Less: Amount not receivable within one year shown under non-current assets	**–**	(10,782)
	45,786	14,603
Other receivables, deposits and prepayments	**23,758**	6,863
Less: Amount not receivable within one year shown under non-current assets	**(12,693)**	–
	56,851	21,466

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. The Group has policy for allowance of bad and doubtful debts which is based on an evaluation of the collectability and aged analysis of accounts on every individual trade debtor basis and on management's judgment including creditworthiness and the past collection history of each customer.

21. SERVICE INCOME RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

At the end of the reporting period, the Group's service income receivables are neither past due nor impaired. The Group did not hold any collateral over these balances.

Movement in the allowance for bad and doubtful debts

	2017 *HK$'000*	2016 *HK$'000*
Balance at beginning of the year	–	1,133
Written off	–	(1,133)
Balance at end of the year	–	–

The following is the breakdown of other receivables, deposits and prepayments:

	2017 *HK$'000*	2016 *HK$'000*
Prepayments	1,553	1,549
Deposits	13,339	839
Deposits for property, plant and equipment	686	–
Other receivables	8,180	4,475
	23,758	6,863

Other receivables are unsecured, interest-free and will be settled within twelve months after the end of reporting period. Deposits mainly represented an amount of approximately HK$12,007,000 (2016: nil) paid to a non-bank financial institution which was backed by a deposit of the same amount received from a customer for the underlying finance lease arrangements pursuant to the requirement from the non-bank financial institution. Such deposit has been classified as a non-current asset as the underlying finance lease has a term of over 1 year from the end of the reporting period. The remaining amounts of deposits represented deposits paid to third parties in the ordinary course of business.

22. HELD FOR TRADING INVESTMENTS

	2017 HK$'000	2016 HK$'000
Listed equity securities:		
– in Hong Kong	37,979	102,971
– in PRC	2,649	9,993
	40,628	112,964

23. DEPOSITS PLACED WITH NON-BANK FINANCIAL INSTITUTIONS, RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

	2017 HK$'000	2016 HK$'000
Deposits placed with non-bank financial institutions	143,288	17,763
Restricted bank deposits		
– current portion	40,167	52,219
– non-current portion	21,505	53,393
Bank balances and cash	56,879	81,236

Deposits placed with non-bank financial institutions are for trading in securities and interest bearing at prevailing market rates ranging from 0.01% to 0.35% (2016: 0.01% to 0.05%) per annum.

Restricted bank deposits were pledged to banks to secure bank borrowings granted to the Group as set out in note 25 and interest bearing at a prevailing market rates ranging from 2.75% to 4.22% (2016: 2.0% to 4.4%) per annum.

Bank balances carry interest at prevailing market rates which range from 0.01% to 1.30% (2016: 0.01% to 1.29%) per annum.

Included in deposits placed with non-bank financial institutions, restricted bank deposits and bank balances and cash are the following amounts denominated in currencies other than the functional currency of the relevant group entity to which they relate:

	2017 HK$'000	2016 HK$'000
RMB	3	417
United States Dollars ("US$")	–	1

24. SERVICE COST PAYABLES, OTHER PAYABLES AND ACCRUALS

	2017	2016
	HK$'000	*HK$'000*
Service cost payables	**42,351**	28,383
Accruals	**13,180**	26,259
Value-added tax payables	**3,377**	45
Other payables	**5,278**	12,281
	64,186	66,968
Less: Amount not payable within one year shown under non-current liabilities	**–**	(8,800)
	64,186	58,168

Service cost payables, other payables and accruals principally comprise amounts outstanding for service costs and ongoing costs.

The normal credit period of service cost is 0 – 5 days.

An aged analysis of the Group's service cost payables at the end of the reporting period presented based on the invoice dates is as follows:

	2017	2016
	HK$'000	*HK$'000*
0–30 days	**32,440**	4,365
31–60 days	**–**	11,597
91–180 days	**450**	2,190
181–365 days	**–**	1,431
Over 365 days	**9,461**	8,800
	42,351	28,383

25. BORROWINGS

	2017	2016
	HK$'000	*HK$'000*
Secured:		
Bank borrowings *(Note)*	**207,992**	68,264
Other borrowings *(Note)*	**862,269**	209,605
	1,070,261	277,869

25. BORROWINGS (Continued)

The borrowings are repayable as follows:*

	2017 HK$'000	2016 HK$'000
Within one year	**472,795**	135,346
Within a period of more than one year but not exceeding two years	**304,457**	46,767
Within a period of more than two years but not exceeding five years	**293,009**	95,756
	1,070,261	277,869
Less: Amounts due within one year shown under current liabilities	**(472,795)**	(135,346)
Amounts shown under non-current liabilities	**597,466**	142,523

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

Note:

The bank and other borrowings at 31 December 2017 are interest bearing at floating rates ranged from 4.28% to 5.50% (2016: 4.28% to 5.25%) per annum, secured by the machinery and equipment leased to customers under finance lease, restricted bank deposits and/or finance lease receivables of the Group. Approximately HK$856,507,000 (2016: HK$243,310,000) of the borrowings were also guaranteed by a finance lease customer or shareholders of certain finance lease customers.

26. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2016, 31 December 2016 and 31 December 2017	40,000,000	400,000
Issued and fully paid:		
At 1 January 2016, 31 December 2016 and 31 December 2017	11,919,198	119,192

27. DEFERRED TAX

The following are the major deferred tax liabilities recognised by the Group and the movement thereon, during the current and prior years.

	Imputed interest on deposits received from customers	Undistributed profits of subsidiaries	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2016	–	14,773	14,773
Acquisition of subsidiaries *(note 32)*	1,615	–	1,615
Exchange differences	(18)	–	(18)
(Credit) charge to profit or loss	(1,013)	2,141	1,128
Transfer to liabilities associated with assets classified as held for sale	–	(304)	(304)
At 31 December 2016	584	16,610	17,194
Exchange differences	100	–	100
Charge (credit) to profit or loss *(note 9)*	1,463	(1,084)	379
At 31 December 2017	**2,147**	**15,526**	**17,673**

At 31 December 2017, other than the deferred tax liabilities mentioned above, subsidiaries of the Group had unused tax losses of approximately HK$74,640,000 (2016: HK$35,926,000) available for offset against future profit. No deferred tax asset has been recognised due to the unpredictability of future profit streams of those subsidiaries. The unused tax losses may be carried forward indefinitely.

As at 31 December 2017, the Group had deductible temporary differences of approximately HK$5,532,000 (2016: HK$12,360,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible differences can be utilised.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Withholding tax has been fully provided at 5% (2016: 5%) on the distributable profits of the Group's PRC subsidiaries and joint ventures and included in deferred taxation.

28. SHARE-BASED PAYMENT TRANSACTIONS

The Company's new share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 29 July 2016 for the primary purpose of providing incentives to directors and eligible employees (the "Grantees"). Under the Scheme, the directors of the Company may grant options to eligible employees, including directors of the Company, to subscribe for shares in the Company.

At 31 December 2017, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 102,000,000 (2016: 145,500,000), representing 0.86% (2016: 1.2%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option. Options are divided into 3 tranches, namely Tranch 1, Tranch 2 and Tranch 3, and are exercisable, subject to the fulfilment of vesting conditions which, among others, includes the achieving of specific annual financial performance target of a subsidiary of the Company for each of the year ended 31 December 2016, 2017 and 2018 for Tranch 1, Tranch 2 and Tranch 3 respectively, that whether achieved or not would be confirmed around the time in the first quarter of the following year then vest, to the fifth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

28. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following table discloses the movements of the Company's share options during the year ended 31 December 2017:

Name of participant	Date of grant	Exercisable period	Exercise price	Number of share options outstanding at 1 January				Lapsed during the year				Number of share options outstanding at 31 December			
				Tranch 1	Tranch 2	Tranch 3	Total	Tranch 1	Tranch 2	Tranch 3	Total	Tranch 1	Tranch 2	Tranch 3	Total
Executive Directors															
Qiao Weibing	8.12.2016	Upon vesting of options to 28.7.2021	0.12	3,333,333	3,333,333	3,333,334	10,000,000	–	–	–	–	3,333,333	3,333,333	3,333,334	10,000,000
Lai kai Fai[2]	8.12.2016	Upon vesting of options to 28.7.2021	0.12	1,333,333	1,333,333	1,333,334	4,000,000	–	–	–	–	1,333,333	1,333,333	1,333,334	4,000,000
Tao Ke	8.12.2016	Upon vesting of options to 28.7.2021	0.12	1,000,000	1,000,000	1,000,000	3,000,000	–	–	–	–	1,000,000	1,000,000	1,000,000	3,000,000
Independent non-executive Directors															
Goh Choo Hwee	8.12.2016	Upon vesting of options to 28.7.2021	0.12	666,667	666,667	666,666	2,000,000	–	–	–	–	666,667	666,667	666,666	2,000,000
Ho Hin Yip	8.12.2016	Upon vesting of options to 28.7.2021	0.12	666,667	666,667	666,666	2,000,000	–	–	–	–	666,667	666,667	666,666	2,000,000
U Keng Tin	8.12.2016	Upon vesting of options to 28.7.2021	0.12	666,667	666,667	666,666	2,000,000	–	–	–	–	666,667	666,667	666,666	2,000,000
Chief executive															
Liu Bing[1]	8.12.2016	Upon vesting of options to 28.7.2021	0.12	3,333,333	3,333,333	3,333,334	10,000,000	(3,333,333)	(3,333,333)	(3,333,334)	(10,000,000)	–	–	–	–
Employees															
Wang Liang	8.12.2016	Upon vesting of options to 28.7.2021	0.12	3,333,333	3,333,333	3,333,334	10,000,000	–	–	–	–	3,333,333	3,333,333	3,333,334	10,000,000
Other participants	8.12.2016	Upon vesting of options to 28.7.2021	0.12	34,166,667	34,166,667	34,166,666	102,500,000	(11,166,668)	(11,166,668)	(11,166,664)	(33,500,000)	22,999,999	22,999,999	23,000,002	69,000,000
				48,500,000	48,500,000	48,500,000	145,500,000	(14,500,001)	(14,500,001)	(14,499,998)	(43,500,000)	33,999,999	33,999,999	34,000,002	102,000,000
Exercisable at the end of the reporting period												33,999,999	–	–	33,999,999

1 Mr. Liu Bing ceased to be a chief executive officer with effect on 6 November 2017 and resigned as an employee with effect on 10 November 2017.

2 Mr. Lai Ka Fai has been appointed as chief executive officer with effect on 6 November 2017.

28. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following table discloses the movements of the Company's share options granted during the year ended 31 December 2016:

Name of participant	Date of grant	Exercisable period	Exercise price	Number of share options outstanding at 1 January				Granted during the year				Number of share options outstanding at 31 December			
				Tranch 1	Tranch 2	Tranch 3	Total	Tranch 1	Tranch 2	Tranch 3	Total	Tranch 1	Tranch 2	Tranch 3	Total
Executive Directors															
Qiao Weibing	8.12.2016	Upon vesting of options to 28.7.2021	0.12	–	–	–	–	3,333,333	3,333,333	3,333,334	10,000,000	3,333,333	3,333,333	3,333,334	10,000,000
Lai Ka Fai	8.12.2016	Upon vesting of options to 28.7.2021	0.12	–	–	–	–	1,333,333	1,333,333	1,333,334	4,000,000	1,333,333	1,333,333	1,333,334	4,000,000
Tao Ke	8.12.2016	Upon vesting of options to 28.7.2021	0.12	–	–	–	–	1,000,000	1,000,000	1,000,000	3,000,000	1,000,000	1,000,000	1,000,000	3,000,000
Independent non-executive Directors															
Goh Choo Hwee	8.12.2016	Upon vesting of options to 28.7.2021	0.12	–	–	–	–	666,667	666,667	666,666	2,000,000	666,667	666,667	666,666	2,000,000
Ho Hin Yip	8.12.2016	Upon vesting of options to 28.7.2021	0.12	–	–	–	–	666,667	666,667	666,666	2,000,000	666,667	666,667	666,666	2,000,000
U Keng Tin	8.12.2016	Upon vesting of options to 28.7.2021	0.12	–	–	–	–	666,667	666,667	666,666	2,000,000	666,667	666,667	666,666	2,000,000
Chief executive															
Liu Bing	8.12.2016	Upon vesting of options to 28.7.2021	0.12	–	–	–	–	3,333,333	3,333,333	3,333,334	10,000,000	3,333,333	3,333,333	3,333,334	10,000,000
Employees															
Wang Liang	8.12.2016	Upon vesting of options to 28.7.2021	0.12	–	–	–	–	3,333,333	3,333,333	3,333,334	10,000,000	3,333,333	3,333,333	3,333,334	10,000,000
Other participants	8.12.2016	Upon vesting of options to 28.7.2021	0.12	–	–	–	–	34,166,667	34,166,667	34,166,666	102,500,000	34,166,667	34,166,667	34,166,666	102,500,000
				–	–	–	–	48,500,000	48,500,000	48,500,000	145,500,000	48,500,000	48,500,000	48,500,000	145,500,000
Exercisable at the end of the reporting period												–	–	–	–

During the year ended 31 December 2016, options were granted on 8 December 2016. The estimated fair value of the options granted is HK$5,270,000.

28. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

Share price on 8 December 2016	0.10
Exercise price	0.12
Expected volatility	63.64%
Expected life	4.6 years
Risk-free rate	1.18%
Expected dividend yield	0.00%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of HK$1,982,000 for the year ended 31 December 2016 in relation to share options granted by the Company.

The Binomial model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options were based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

29. OPERATING LEASE ARRANGEMENT

The Group as lessor

At 31 December 2016, the Group had contracted with tenants for future minimum lease payments of HK$844,000 within one year.

The Group as lessee

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

	2017	2016
	HK$'000	*HK$'000*
Within one year	**145**	2,566
In the second to fifth year inclusive	**–**	5,014
	145	7,580

Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

30. CAPITAL COMMITMENTS

	2017 HK$'000	2016 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	2,016	–

31. RETIREMENT BENEFITS SCHEMES

The operating subsidiaries in Hong Kong joined the mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Scheme Ordinance. The assets of the scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions at 5% of the relevant payroll of the employees to the MPF Scheme, capped at HK$1,500 per employee per month. The obligation of the Group with respect of MPF Scheme is to make the required contribution under the MPF Scheme. The retirement benefits cost charged to the consolidated statement of profit or loss represent contributions paid and payable to the MPF Scheme by the Group.

The PRC employees of the subsidiary in the PRC are members of the pension scheme operated by the PRC local government. The subsidiary is required to contribute 19% – 20% (2016: 20% – 22%) of the relevant payroll of these employees to the pension scheme to fund the benefits. The only obligation for the Group with respect to the pension scheme is the required contributions under the pension scheme.

During the year, the Group made retirement benefits scheme contributions of approximately HK$2,248,000 (2016: HK$2,729,000).

32. ACQUISITION OF SUBSIDIARIES

On 21 July 2015, the Group entered into an acquisition agreement with Mr. Wong Lik Ping ("Mr. Wong"), the chairman of the Board of Directors, an executive director and a substantial shareholder of the Company, for the acquisition of the entire share capital of Ever Grand Capital, which indirectly held 41.67% equity interest in BJ Ever Grand through its subsidiary, namely Hong Kong Ever Grand Capital Limited ("HK Ever Grand"), together with the settlement of shareholder's loan amounted to HK$89,724,000, at a consideration of RMB170,847,000 (equivalent to approximately HK$203,033,000). On the same date, HK Ever Grand entered into a capital injection agreement with the other shareholder of BJ Ever Grand, pursuant to which HK Ever Grand injected US$6,000,000 (equivalent to approximately HK$46,800,000) to the registered capital of BJ Ever Grand. After the capital injection, the Group effectively held 51.39% of BJ Ever Grand through Ever Grand Capital. The acquisition and capital injection were completed on 7 January 2016. The Group considers that the acquisition and capital injection is a good opportunity for it to diversify its business and develop new revenue streams.

	HK$'000
Consideration and capital injection	
Cash	249,833

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

	HK$'000
Plant and equipment	2,159
Available-for-sale investments	11,230
Finance lease receivables	477,447
Service income receivables	4,155
Loan receivables	23,298
Other receivables, deposits and prepayments	57,824
Held for trading investments	12,482
Restricted bank deposits	152,420
Bank balances and cash	209,446
Service cost payables	(8,527)
Other payables and accruals	(83,644)
Deposits received from customers	(145,122)
Bank borrowings	(408,787)
Tax payable	(18,063)
Deferred tax liabilities	(1,615)
	284,703

32. ACQUISITION OF SUBSIDIARIES (Continued)

The fair value of service income and other receivables, loan receivables and finance lease receivables at the date of the completion of acquisition and capital injection amounted to HK$562,724,000. The gross contractual amounts of those service income and other receivables, loan receivables and finance lease receivables acquired amounted to HK$562,724,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected is none.

	HK$'000
Goodwill arising on acquisition:	
Consideration transferred	249,833
Add: non-controlling interests (48.61% in BJ Ever Grand)	138,243
Less: net assets acquired	(284,703)
Goodwill arising on acquisition	103,373

The non-controlling interests (48.61%) in BJ Ever Grand recognised at the acquisition date was measured by reference to the proportionate share of net assets acquired of the non-controlling interests and amounted to HK$138,243,000.

Goodwill arose in the acquisition of Ever Grand Capital because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development mainly in finance lease consulting services and the assembled workforce of Ever Grand Capital. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising from these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Ever Grand Capital

	HK$'000
Cash consideration paid	249,833
Less: cash and cash equivalent balances acquired	(209,446)
	40,387

Included in the profit for the year ended 31 December 2016 was HK$45,270,000 attributable to the additional business generated by Ever Grand Capital. Revenue for the year ended 31 December 2016 includes HK$221,212,000 generated from Ever Grand Capital.

32. ACQUISITION OF SUBSIDIARIES (Continued)

Net cash outflow on acquisition of Ever Grand Capital (Continued)

Had the acquisition been completed on 1 January 2016, total group revenue for the year ended 31 December 2016 would have been approximately HK$221,212,000, and profit for the year ended 31 December 2016 would have been approximately HK$45,270,000. 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.

33. DISPOSAL OF SUBSIDIARIES

(a) As referred in note 10, the Disposal was completed on 5 January 2017. The aggregate net assets of the subsidiaries at the date of disposal were as follow:

	HK$'000
Consideration received and receivable	
Cash consideration	7,970
Deferred cash consideration	1,680
Total consideration received and receivable	9,650
Loss on disposal of subsidiaries:	
Consideration received and receivable	9,650
Net assets disposed of (note 10)	(9,650)
Cumulative exchange loss in respect of the net assets of subsidiaries reclassified from equity to profit or loss	(114)
Loss on disposal	(114)
Net cash inflow arising on disposal:	
Cash consideration received	7,970
Less: Bank balances and cash disposed of (included in assets classified as held for sale)	(3,998)
	3,972

33. DISPOSAL OF SUBSIDIARIES (Continued)

(b) During the year ended 31 December 2016, the Group entered in sale and purchase agreements with several independent third parties to dispose of the entire share capital of several of its subsidiaries. The aggregate considerations were HK$2,130,000 in cash. The disposals of the subsidiaries were all completed during the year ended 31 December 2016.

The aggregate net liabilities of the subsidiaries at the date of disposal were as follows:

	HK$'000
Held for trading investments	2,117
Deposits placed with non-bank financial institutions	1,787
Bank balances and cash	8
Other payables	(415)
Tax payable	(20,536)
Net liabilities disposed of	(17,039)

Gain on disposal of subsidiaries:

Considerations received	2,130
Net liabilities disposed of	17,039
Non-controlling interests	845
Cumulative exchange gain in respect of the net liabilities of subsidiaries reclassified from equity to profit or loss	818
Cumulative investment revaluation reserve reclassified from equity to profit or loss	(285)
Gain on disposals	20,547

Net cash inflow arising on disposal:

Cash considerations	2,130
Less: Bank balances and cash disposed of	8
	2,122

34. FINANCIAL INSTRUMENTS

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 capital structure of the Group consists of debts, which include the bank and other borrowings and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

Categories of financial instruments

	2017	2016
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,535,546**	806,654
Available-for-sale investments	**77,096**	22,334
FVTPL		
– Held for trading investments	**40,628**	112,964
Financial liabilities		
Amortised cost	**1,192,076**	438,172

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, held for trading investments, loan receivables, service income receivables, other receivables and deposits, finance lease receivables, restricted bank deposits, bank balances and cash, deposits placed with non-bank financial institutions, service cost payables, other payables and accruals, borrowings and deposits received from customers. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

34. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Interest rate risk

As at 31 December 2017 and 2016, the Group's fair value interest rate risk relates primarily to its loan receivables.

As at 31 December 2017 and 2016, the Group is exposed to cash flow interest rate risk in relation to variable-rate borrowings, finance lease receivables, all deposits and balances with non-bank financial institutions and banks.

The Group currently does not have a cash flow interest rate hedging policy. However, the management closely monitors its exposure to future cash flow risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise. A 100 basis points (2016: 100 basis points) change represents management's assessment of the reasonably possible change in interest rates.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of People's Bank of China Rate arising from the Group's variable interest rate bank borrowings and finance lease receivables.

Sensitivity analysis

The management considers that the Group's exposure to future cash flow risk on certain variable-rate deposits and balances with non-bank financial institutions and banks as a result of the change of market interest rate is insignificant and thus those variable-rate deposits and balances with non-bank financial institutions and banks are not included in the sensitivity analysis.

The sensitivity analysis is prepared assuming the relevant financial instruments outstanding at the end of the reporting period were outstanding for the whole year. If the interest rate of borrowings and finance lease receivables had been 100 basis points (2016: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2017 would have decreased/increased by HK$1,166,000 (2016: post-tax profit would have increased/decreased by HK$1,831,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings and finance lease receivables.

Currency risk

As at 31 December 2017 and 2016, there were no significant foreign currency denominated monetary assets and liabilities. Therefore the management considers that the Group was not exposed to significant currency risk.

Other price risk

The Group is exposed to price risk through its investments in listed equity securities and unlisted wealth management products. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's price risk is mainly concentrated on equity instruments listed in The Stock Exchange of Hong Kong Limited, the Shanghai Stock Exchange and Shenzhen Stock Exchange. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

34. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Other price risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. If the prices of the listed equity instruments and unlisted wealth management products had been 30% (2016: 30%) higher/lower with all other variables held constant, post-tax loss for the year ended 31 December 2017 would have decreased/increased by HK$10,108,000 (2016: post-tax profit would have increased/decreased by HK$28,043,000); and other comprehensive income for the year ended 31 December 2017 would have increased/decreased by HK$11,944,000 (2016: nil).

Credit risk

The Group's credit risk is primarily attributable to service income receivables, other receivables and deposits, finance lease receivables, deposits placed with non-bank financial institutions, loan receivables, restricted bank deposits, and bank balances.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2017 and 2016 in relation to each class of recognised financial assets is the carrying amount of those 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 debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. For finance lease receivables, the Group has closely monitored the recoverability and ensured adequate collaterals are received from these customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 31 December 2017, the Group invested in certain loan receivables. Before investing in these loan receivables, the Group assesses the credit quality of the loan borrowers and defines the terms of the loans. As at 31 December 2017, a loan receivable of HK$30,000,000 was past due at the end of the reporting period. The management of the Group has delegated a team specifically responsible for monitoring the procedures to ensure that follow-up action is taken to recover such an overdue loan. The management has been under continuous negotiation with the Borrower and the Guarantor about the settlement plan. Subsequent to the end of the reporting period, the Borrower has repaid an amount of HK$3,300,000 to the Group. In view of the partial repayment received from the Borrower and the monitoring procedures adopted by the management, in the opinion of the directors, the credit risk in respect to the loan receivables could be mitigated.

The Group's bank balances and deposits are deposited with banks and non-bank financial institutions in Hong Kong and the PRC and the Group has limited the exposure to any single financial institution. The credit risk on liquid funds is limited because the counterparties are banks with good credit-rating.

34. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

As at 31 December 2017, the Group had certain concentration of credit risk as 52% and 99% (2016: 75% and 100%) of the aggregate amount of finance lease receivables and service income receivables are due from the Group's largest and the five largest customers respectively, which are mainly state owned enterprises or sizeable private owned enterprises in the PRC. The management exercises due care in granting credit and checking the background of these counterparties on a regular basis and closely monitors the subsequent settlement of the customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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 borrowings and ensures compliance with loan covenants.

The management considers that liquidity risk is limited after considering the future cash flows of the Group in the foreseeable future, including the repayment schedule of bank borrowings as discussed above and the short-term liabilities which are required to be repaid within three months from the end of the reporting period. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

	Weighted average effective interest rate	Within 1 year	1-2 years	3-5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2017						
Other payables and accruals	–	18,458	–	–	18,458	18,458
Service cost payables	–	42,351	–	–	42,351	42,351
Borrowings	4.85	512,663	328,859	304,985	1,146,507	1,070,261
Deposits received from customers	4.75	36,021	557	33,019	69,597	61,006
		609,493	329,416	338,004	1,276,913	1,192,076
As at 31 December 2016						
Trade and other payables and accruals	–	38,540	–	–	38,540	38,540
Service cost payables	–	19,583	8,800	–	28,383	28,383
Borrowings	5.10	157,626	52,035	100,945	310,606	277,869
Deposits received from customers	4.75	62,066	33,501	–	95,567	93,380
		277,815	94,336	100,945	473,096	438,172

34. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments

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

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

Some of the Group's financial assets 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 are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)	Relationship of unobservable input to fair value
	2017 HK$'000	2016 HK$'000				
1. Held for trading investment						
– Trade on stock exchanges	40,628	112,964	Level 1	Quoted bid prices in active market	N/A	N/A
2. Available-for-sale financial assets						
– Wealth management products	53,082	–	Level 3	Based on the net asset values of the wealth management products, determined with reference to third party valuation of underlying investment portfolio and adjustments of related expense	Third party valuation of underlying investment portfolio	The higher the third party valuation, the higher the fair value

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

34. FINANCIAL INSTRUMENTS (Continued)

Reconciliation of Level 3 fair value measurements

	Available-for-sale financial assets (wealth management products) 2017 *HK$'000*
At beginning of the year	–
Purchases	54,014
Loss in other comprehensive expense	(932)
At end of the year	53,082

Included in other comprehensive expense is an amount of HK$932,000 (2016: nil) relating to the wealth management products held at the end of the current reporting period and is reported as changes of "investment revaluation reserve".

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details change 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 flow will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings *(note 25)* *HK$'000*
At 1 January 2017	277,869
Financing cash flows	1,061,419
Repayment of borrowings by lessees *(note 37)*	(289,617)
Foreign exchange translation	20,590
At 31 December 2017	1,070,261

36. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

At 31 December 2017, the Group entered into finance lease receivables transfer agreements (the "Agreements") and transferred certain finance lease receivables (the "Transferred Lease Receivables") to banks and other financial institutions for financing. Under the Agreements, the banks and other financial institutions have recourse right and the Group has the obligation to reimburse the banks and other financial institutions for loss of rental if any lessees have late and default payment. As the Group has not transferred the significant risks relating to these finance lease receivables, it continues to recognise in full the carrying amount of the finance lease receivables and has recognised the cash received on the transfer as secured borrowings. The original carrying value of the finance lease receivables transferred under the Agreements that have not been settled as at 31 December 2017 amounted to HK$1,070,261,000 (2016: HK$277,869,000). Accordingly, the carrying amount of the assets that the Group continued to recognise as at 31 December 2017 amounted to HK$1,070,261,000 (2016: HK$277,869,000) and that of the associated liabilities as at 31 December 2017 amounted to HK$1,070,261,000 (2016: HK$277,869,000) was recorded as borrowings under note 25.

36. TRANSFERS OF FINANCIAL ASSETS (Continued)

Transferred financial assets that are derecognised in their entirety

At 31 December 2017, the Group entered into certain other finance lease receivables transfer agreements (the "Non-recourse Agreements") and transferred certain finance lease receivables (the "Non-recourse Transferred Lease Receivables") to banks and other financial institutions for financing without recourse with an aggregate amount of HK$15,928,448,000 (2016: HK$18,457,161,000). Under the Non-recourse Agreements, the banks and other financial institutions do not have recourse right and the Group does not have the obligation to reimburse the banks and other financial institutions for loss of rental if any lessees have late and default payment. In the opinion of the directors of the Company, the Group has transferred substantially all risks and rewards relating to these Non-recourse Transferred Lease Receivables. Accordingly, it has derecognised the full carrying amounts of the Non-recourse Transferred Lease Receivables and the associated liabilities. During the year ended 31 December 2017 and 2016, the Group has not recognised any loss in relation to the continuing involvement, both during the period or cumulatively.

37. NON-CASH TRANSACTIONS

During the year ended 31 December 2017, repayment of borrowings of HK$289,617,000 (2016: HK$296,365,000) in respect of the Transferred Lease Receivables as set out in note 36 was made by relevant lessees directly to banks and other financial institutions.

On 9 November 2016, the Group converted the certain convertible bonds issued by China Fortune Financial Group Limited ("China Fortune") into 307,692,307 shares of China Fortune. From the shares of China Fortune converted, the Group transferred 153,800,000 shares, at fair value of HK$47,678,000 based on quoted market price of the shares on the date of transfer, to a creditor to settle a loan amounted to HK$32,000,000 pursuant to a deed of settlement signed between the Group and a creditor on the same date, resulting a loss on extinguishment of HK$15,678,000. The loan was derecognised upon completion of the transfer of shares.

38. RELATED PARTY TRANSACTIONS

Same as disclosed elsewhere in the consolidated financial statements, during the year the Group had the following transactions with related parties.

(a) The Group had the following transactions with its joint ventures and the partner of a joint venture during the year:

	2017 *HK$'000*	2016 *HK$'000*
Discontinued operation:		
Joint ventures		
Sales of polishing materials	–	2,699
Purchase of polishing materials	–	140
Continuing operations:		
Fellow subsidiaries of a partner of a joint venture		
Service charges paid	111,974	112,509
Leasing income	134,517	99,813

(b) The remuneration of key management personnel of the Group, represented directors and chief executive, during the year are set out in Note 8. The remuneration of directors and chief executive is determined by the remuneration committee having regard to the performance of individuals and market trend.

(c) During the year ended 31 December 2016, the Group acquired the entire share capital of Ever Grand Capital from Mr. Wong. Details of the acquisition are set out in note 32.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital (note a)	Proportion of nominal value of issued share capital held by the Company		Principal activities
			2017	2016	
Indirectly held by the Company					
Able Winner International Limited	Hong Kong	Ordinary shares HK$1	100%	100%	Investment holding
One Express Group Limited	BVI	Ordinary shares US$1,000	100%	100%	Investment holding
Upmove International Limited	Hong Kong	Ordinary share HK$1	100%	100%	Investment holding
Elegant Basic Investments Limited	BVI	Ordinary shares US$100	100%	100%	Investment
TF Advances Limited	Hong Kong	Ordinary shares HK$1	100%	100%	Treasury investment activities including money lending
Multi Kingdom Investment Limited	BVI	Ordinary shares US$100	100%	100%	Property investment
Amaze Global Limited	BVI	Ordinary shares US$1,000	100%	100%	Office management
BJ Ever Grand^	PRC	US$36,000,000	51.39%	51.39%	Provision of finance lease and related consulting services in the PRC
恒嘉(天津)融資租賃有限公司 Ever Grand (Tianjin) Finance Lease Co., Ltd. ("TJ Ever Grand")*	PRC	RMB200,000,000	51.39%	51.39%	Provision of finance lease and related consulting services in the PRC
遼寧啟康生物科技有限公司 Qikang Biological Technology Limited*	PRC	HK$4,500,000	100%	–	Research & development, manufacturing and sales of food additives in the PRC

* English name for reference only
^ The subsidiary is a sino-foreign equity joint venture

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Notes:

(a) All principal subsidiaries operate principally in Hong Kong except BJ Ever Grand and TJ Ever Grand.

(b) The 5% non-voting deferred shares are not held by the Group and practically carrying no right to dividend or to receive notice of or to attend or vote at any annual general meeting of the companies.

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

None of the subsidiaries had any debt securities subsisting at 31 December 2017 and 2016 or at anytime during the years.

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

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	**2017**	2016	**2017**	2016
				HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
BJ Ever Grand	PRC	**48.61%**	48.61%	**6,851**	22,015	**149,961**	152,695

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.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

BJ Ever Grand and its wholly owned subsidiary

	2017 HK$'000	2016 HK$'000
Current assets	753,557	472,706
Non-current assets	737,951	263,826
Current liabilities	(559,632)	(239,928)
Non-current liabilities	(623,378)	(182,482)
Equity attributable to owners of the Company	158,537	161,427
Non-controlling interests	149,961	152,695
Revenue	198,134	221,212
Expenses	(200,009)	(194,799)
Profit for the year/period	14,094	45,270
Profit attributable to owners of the Company	7,243	23,255
Profit attributable to the non-controlling interests	6,851	22,015
Profit for the year/period	14,094	45,270
Other comprehensive income (expense) attributable to owners of the Company	11,546	(8,033)
Other comprehensive income (expense) attributable to the non-controlling interests	10,923	(7,563)
Other comprehensive income (expense) for the year/period	22,469	(15,596)
Total comprehensive income attributable to owners of the Company	18,789	15,222
Total comprehensive income attributable to the non-controlling interests	17,774	14,452
Total comprehensive income for the year/period	36,563	29,674
Dividends paid to non-controlling interests	20,508	–
Net cash outflow from operating activities	(1,013,227)	(367,194)
Net cash outflow from investing activities	(14,617)	(4,953)
Net cash inflow from financing activities	1,019,229	182,639
Net cash outflow	(8,615)	(189,508)

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2017 *HK$'000*	2016 *HK$'000*
Non-current assets		
Investment in subsidiaries	**145,267**	163,546
Amounts due from subsidiaries	**432,995**	432,686
	578,262	596,232
Current assets		
Other receivables, deposits and prepayments	**1,148**	1,817
Amounts due from subsidiaries	**19,000**	29,000
Bank balances and cash	**163**	2,014
	20,311	32,831
Current liabilities		
Amounts due to subsidiaries	**3,822**	76,354
Other payables and accruals	**15,716**	24,763
	19,538	101,117
Net current liabilities	**773**	(68,286)
Total assets less current liabilities	**579,035**	527,946
Capital and reserves		
Share capital	**119,192**	119,192
Reserves	**459,843**	408,754
Total equity	**579,035**	527,946

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in the Company's reserves

	Share premium *HK$'000*	Share options reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2016	1,520,921	–	(1,184,286)	336,635
Profit and total comprehensive income for the year	–	–	70,137	70,137
Recognition of equity-settled share-based payments	–	1,982	–	1,982
At 31 December 2016	1,520,921	1,982	(1,114,149)	408,754
Profit and total comprehensive income for the year	–	–	51,089	51,089
Share options lapsed	–	(501)	501	–
At 31 December 2017	**1,520,921**	**1,481**	**(1,062,559)**	**459,843**

FINANCIAL SUMMARY

For the year ended 31 December 2017

RESULTS

	Year ended 31 December				
	2013 *HK$'000* (Restated)	2014 *HK$'000* (Restated)	2015 *HK$'000* (Restated)	2016 *HK$'000*	**2017** ***HK$'000***
Continuing operations					
Revenue	–	–	–	221,212	**198,134**
Profit (loss) before taxation	138,249	55,065	6,383	96,844	**(29,630)**
Income tax (expense) credit	(11,322)	(22,918)	3,568	(17,651)	**(6,059)**
Profit (loss) for the year from continuing operations	126,927	32,147	9,951	79,193	**(35,689)**
Discontinued operation					
Loss for the year from discontinued operation	(18,420)	(4,540)	(6,503)	(27,365)	**(114)**
Profit (loss) for the year	108,507	27,607	3,448	51,828	**(35,803)**
Profit (loss) for the year attributable to:					
– Owners of the Company	108,507	27,607	3,448	29,813	**(42,654)**
– Non-controlling interests	–	–	–	22,015	**6,851**
	108,507	27,607	3,448	51,828	**(35,803)**

ASSETS AND LIABILITIES

	As at 31 December				
	2013 *HK$'000*	2014 *HK$'000*	2015 *HK$'000*	2016 *HK$'000*	**2017** ***HK$'000***
Total assets	1,368,516	1,403,565	1,336,047	1,833,875	**2,584,589**
Total liabilities	(143,424)	(149,550)	(127,659)	(493,978)	**(1,230,181)**
	1,225,092	1,254,015	1,208,388	1,339,897	**1,354,408**
Equity attributable to owners of the Company	1,224,247	1,253,170	1,207,543	1,187,202	**1,204,447**
Non-controlling interests	845	845	845	152,695	**149,961**
	1,225,092	1,254,015	1,208,388	1,339,897	**1,354,408**