CHINA TOUYUN TECH GROUP LIMITED
中國透雲科技集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 1332

2017 Annual Report

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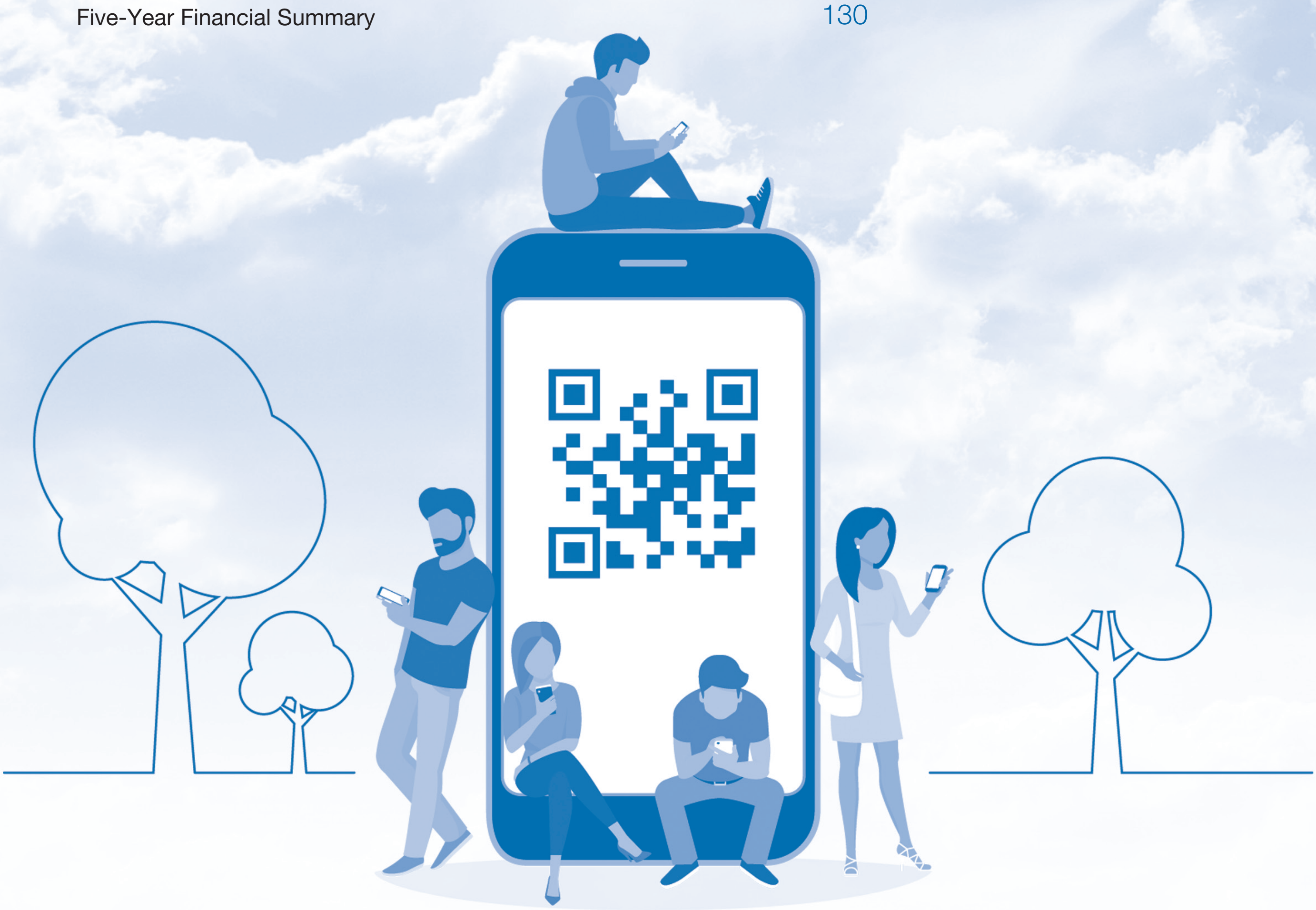


CORPORATE INFORMATION

DIRECTORS

Executive directors

Mr. Wang Liang *(Chairman)*
Mr. Du Dong
Mr. Lo Yuen Wa Peter

Non-executive director

Mr. Chen Hui

Independent non-executive directors

Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene
Mr. To Shing Chuen

AUDIT COMMITTEE

Mr. Ha Kee Choy Eugene *(Chairman)*
Mr. Cheung Wing Ping
Mr. To Shing Chuen

NOMINATION COMMITTEE

Mr. Wang Liang *(Chairman)*
Mr. Du Dong
Mr. Chen Hui
Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene
Mr. To Shing Chuen

REMUNERATION COMMITTEE

Mr. To Shing Chuen *(Chairman)*
Mr. Wang Liang
Mr. Du Dong
Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene

AUTHORISED REPRESENTATIVES

Mr. Du Dong
Mr. Lo Yuen Wa Peter

COMPANY SECRETARY

Ms. Cheng Pui Yee

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

12/F, Kwan Chart Tower
6 Tonnochy Road
Wanchai, Hong Kong

INDEPENDENT AUDITORS

Moore Stephens CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

Hong Kong branch share registrar and transfer office

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

WEBSITE

www.chinatouyun.com.hk

STOCK CODE

1332

CHAIRMAN'S STATEMENT

To our shareholders,

On behalf of the board of directors of China Touyun Tech Group Limited and its subsidiaries (collectively the "Group"), I am pleased to present the annual results of the Group for the year ended 31 December 2017.

BUSINESS REVIEW

For the year ended 31 December 2017, the Group recorded revenue of approximately HK$397.9 million (2016: HK$324.3 million), representing an increase of approximately 22.7% as compared to the last year. The increase in turnover was primarily attributable to the QR code business that the Group acquired in August 2016.

During the year under review, the Group recorded the loss attributable to the owners of the Company of HK$245.2 million as compared to the loss attributable to the shareholders of HK$1,150.8 million for the financial year 2016. The reduced loss was largely attributable to the decrease in fair value loss on financial assets at fair value through profit or loss; impairment loss on available-for-sale investment and impairment loss in goodwill.

In 2017, the Group expanded its QR codes business and business intelligence information technology solutions based on "one product, one QR code" and develop the Touyun Retailers Management System in 12 cities of PRC covering 9,000 ministores and retailers.

PROSPECTS

In 2017, the Group has strategically changed its focus on the business of QR codes on product packaging and solutions with research and development intensity and also the Touyun Retailers Management System. The Group is optimistic that this technology will create a significant platform expansion to widen revenue stream and generate earnings growth. The Group will further explore opportunities to amalgamate the business so as to provide a wide range of integrated services to meet the increasing needs of the customers.

APPRECIATION

I would like to express, on behalf of the board of directors of the Company, my sincere appreciation to the management and all staff for their dedication and valuable contributions. I also wish to thank all of our fellow directors for their valuable contribution and shareholders and valued partners for their generous support. We are looking forward to overcoming the challenges with their combined efforts and achieving the Group's success in the future.

Wang Liang
Chairman

Hong Kong, 26 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2017, the Group recorded revenue of approximately HK$397.9 million (2016: HK$324.3 million), representing an increase of approximately 22.7% as compared to the last year. The increase in turnover was primarily attributable to the QR code business that the Group acquired in August 2016.

The loss attributable to shareholders of the Company for the year ended 31 December 2017 was HK$245.2 million as compared to the loss of HK$1,150.8 million for the financial year 2016. The reduced loss was significantly due to the decrease in fair value loss on financial assets at fair value through profit or loss; impairment loss on available-for-sale investments and impairment loss in goodwill.

The Group diversified its business portfolio by acquiring QR code business in August 2016. Revenue from QR code business was HK$78.8 million and its segment loss was HK$157.7 million during the year ended 31 December 2017 (2016: from acquisition date to 31 December 2016: revenue of HK$23.1 million and segment loss of HK$268.5 million). The segment loss of QR code business for the year ended 31 December 2017 was also decreased by 41.3% when compared with last year, it was primarily attributable to the decrease in impairment loss on goodwill.

The packaging products business reported in a revenue of HK$318.7 million for the year ended 31 December 2017 (2016: HK$294.7 million), representing an increase of 8.1% as compared with last year. A segment profit of HK$25.9 million was recorded during the year ended 31 December 2017 (2016: HK$16.5 million), representing an increase of 56.9% as compared with last year.

During the year, the Group recorded fair value loss of HK$80.2 million on financial assets at fair value through profit or loss, representing a decrease of 77.8% as compared to the last year amounted to HK$361.9 million. Such decrease were mainly attributable to significant amount of investments was disposed of during 2016. An impairment loss of HK$72.2 million on available-for-sale investments was recognized during the year ended 31 December 2017 (2016: HK$453.8 million), representing a decrease of 84.1% when compared with last year, it is largely due to the asset value of the Group's available-for-sale investments maintained stable during the year 2017.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's financial position was prudently monitored and precisely managed throughout the year. As at 31 December 2017, the Group had outstanding HK$298.6 million secured convertible bond, bears interests of 7% per annum and repayable in 2019. As at 31 December 2017, the Group had nil short term borrowings (2016: HK$12.0 million with an effective interest rate of 8% per annum) and had cash balances amounting to HK$348.7 million (2016: HK$206.1 million). The gearing ratio (net borrowings to shareholders' equity) was zero (2016: zero).

CONVERTIBLE BOND

On 3 October 2017, the Company and China Huarong International Holdings Limited (the "Subscriber") entered into the agreement (the "CB Agreement"), pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the convertible bond (the "CB") in the aggregate principal amount of US$40,000,000. The net proceeds from the issue of the CB of approximately US$39,671,000 (equivalent to HK$309,439,000) will be used for development of the business operations of 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co. Ltd.*) ("SHTY"), in particular, Touyun Retailers Management System, and for other general corporate purposes. The CB Agreement was completed on 10 November 2017 (the "Issue Date").

The CB is secured by the share capital or registered capital of certain subsidiaries of the Group and personal guarantee provided by Mr. Wang Liang, a director of the Company. The CB will bear interest from and including the Issue Date at the rate of 7.0% per annum, payable semi-annually. The CB will mature on the date falling on the second anniversary of the Issue Date subject to an automatic extension to the third anniversary of the Issue Date if certain financial covenants are satisfied (the "Maturity Date").

The initial conversion price is HK$0.492 per share, subject to anit-dilutive adjustment. The CB holder has the right to convert the principal amount of the CB into fully-paid ordinary shares of the Company at any time during the period beginning on, and including, the date falling on the 180th day from the Issue Date and ending on, the Maturity Date. Details of the CB as set out in note 29 to the financial statements.

CAPITAL COMMITMENTS

The Group has the following capital commitments at the end of the reporting period:

	31 December 2017 HK$'000	31 December 2016 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for	13,871	1,697

PLEDGE OF ASSETS

As at 31 December 2017, the Group's equity interest in Apex Capital Business Limited and its subsidiaries were pledged to secure the HK$298.6 million convertible bond. As at 31 December 2016, the Group's margin loan of HK$12.0 million was secured by the Group's listed equity investment with carrying value of approximately HK$97.5 million.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any contingent liabilities (2016: Nil).

FINANCE LEASE OBLIGATIONS

As at 31 December 2017, the Group has outstanding obligations under finance lease of HK$2.3 million (2016: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

ACQUISITION OF A SUBSIDIARY

On 27 March 2017, the Group acquired entire interest of 信碼互通(北京)科技有限公司 (Sigmatrix Technology Co., Ltd*) ("Sigmatrix") at a cash consideration of RMB55,000,000 (equivalent to approximately HK$62,210,500). Sigmatrix is principally engaged in the technological development, marketing, research and development of the QR codes packaging business in the PRC.

FOREIGN EXCHANGE RISK

The Group's revenues were mainly denominated in US dollars and Hong Kong dollars with little use of Renminbi while expenses were mainly conducted in Hong Kong dollars and Renminbi. In view of the prevailing financial market situation, the Group did not engage in any foreign exchange hedging products for the exposure of currency risk of Renminbi during the period. However, the Group will still closely monitor fluctuations in exchange rates and actively manage the currency risk involved.

EMPLOYEES

As at 31 December 2017, the Group employed approximately 972 employees in Hong Kong and Mainland China (2016: 1,041). The Group's remuneration policy is commensurate with merit, qualification and competence of employees. In addition to salary and year-end bonus, the remuneration packages also comprised of share options scheme, provident fund contribution, medical and life insurance.

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The address of the principal place of business of the Company in Hong Kong has been changed to 12/F, Kwan Chart Tower, 6 Tonnochy Road, Wan Chai, Hong Kong with effect from 2 June 2017.

UPDATE ON USE OF PROCEED IN RELATION TO FUND RAISING ACTIVITIES

The Company would like to provide the update in respect of the use of the net proceeds in relation to the past fund raising activities during the financial year 2017 as at 31 December 2017:

Reference is made to the announcements of the China Touyun Tech Group Limited (the "Company") dated 10 August 2016, 9 November 2016, 18 November 2016, 24 January 2017, 21 February 2017 and 3 October 2017, in relation to placing of shares and issue of convertible bond (collectively refer as to "Announcements"). Unless otherwise stated, capitalised terms used herein shall bear the same meanings as defined in the Announcements.

	Intended use of proceeds	Actual use of proceeds
(1)	The Company raised HK$406.1 million net proceeds from the placing of shares in November 2016 and the net proceeds were intended to use as follow:	
	(a) An amount of HK$263.4 million was used for the redemption of the Promissory Note	An amount of HK$263.4 million was utilised for the full redemption of the Promissory Note in the principal amount of HK$258 million and payment of accrued interest.

* For identification purposes only

Intended use of proceeds	Actual use of proceeds
(b) An amount of HK$142.7 million is for the expansion and development of its QR codes packaging business as to:	
(i) an amount of RMB55 million (equivalent to approximately HK$63 million) towards an acquisition (the "Acquisition") of 信碼互通(北京)科技有限公司 (Sigmatrix Technology Co., Ltd.*) in the People's Republic of China (the "PRC") by 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co., Ltd.*), an indirect wholly-owned subsidiary of the Company, under the relevant acquisition agreement dated 24 January 2017 which was completed in March 2017;	(i) The Acquisition was completed in March 2017 and an amount of HK$63 million were fully used towards the Acquisition.
(ii) approximately HK$14.4 million for the acquisition of plant and equipment (the "Plant and Equipment Acquisition");	(ii) An amount of HK$14.4 million was fully used towards the Plant and Equipment Acquisition.
(iii) approximately HK$58.7 million for research and development, recruitment of technical staff and other personnel and other working capital needs for QR codes packaging business (the "Research & Development"); and	(iii) An amount of HK$58.7 million were fully utilised in the Research & Development.
(iv) approximately HK$6.6 million for the purchase of transportation and office supplies to support the "Finding the origins of the edible goods program" in different provinces in the PRC (the "Purchase of Transportation and Supplies").	(iv) An amount of HK$3.2 million were utilised in the Purchase of Transportation and Supplies and HK$3.4 million has not yet been utilised.

(2) An amount of net proceeds of US$39.6 million (equivalent to HK$309.4 million) was raised from issue of US$40 million 7% interest convertible bond in November 2017 and the net proceeds were intended to use as follows:

Intended use of proceeds	Actual use of proceeds
(a) An amount of HK$278.5 million were used for expansion and development of QR codes business;	An amount of HK$18.1 million was utilised for the expansion and development of QR code business and HK$260.4 million has not been utilised.
(b) An amount of HK$30.9 million were used for general working capital of corporate office.	An amount of HK$4 million was utilised for general working capital of corporate office and HK$26.9 million has not been utilised.

SIGNIFICANT INVESTMENT HELD

As at 31 December 2017, the Group held listed and unlisted investments of approximately HK$14.3 million and HK$552.8 million respectively, details of which were set out as follows:

Nature of investments	Number of shares held as at 31 December 2017	Percentage of shareholding as at 31 December 2017 %	Impairment loss for year ended 31 December 2017 HK$'000	Fair value/carrying amount as at 31 December 2017 HK$'000	Fair value/carrying amount as at 31 December 2016 HK$'000	Percentage to the Group's net assets as at 31 December 2017 %	Investment cost HK$'000
Available-for-sale investments							
Unlisted Investments							
Freewill Holdings Limited ("Freewill")	14,550,000	2.95	34,834	11,329	46,163	1.18	80,025
Co-Lead Holdings Limited ("Co-Lead")	225	2.69	–	67,397	67,397	7.03	90,000
Win Wind Capital Limited ("Win Wind")	13,600,000	11.78	37,334	279,297	316,631	29.15	714,000
Satinu Resources Group Limited ("Satinu")	9,108,328	0.75	–	53,217	–	5.56	53,217
			72,168	411,240	430,191	42.92	937,242

Nature of investments	Number of shares held as at 31 December 2017	Percentage of shareholding as at 31 December 2017 %	Share of profit of a joint venture for year ended 31 December 2017 HK$'000	Carrying amount as at 31 December 2017 HK$'000	Carrying amount as at 31 December 2016 HK$'000	Percentage to the Group's net assets as at 31 December 2017 %	Investment cost HK$'000
Investment in a joint venture							
Unlisted Investments							
FreeOpt Holdings Limited ("FreeOpt")	1,500,000	31.38	2,990	141,549	136,026	14.78	150,000

Nature of investments	Number of shares held as at 31 December 2017	Percentage of shareholding as at 31 December 2017 %	Unrealised loss on fair value change for year ended 31 December 2017 HK$'000	Dividends received for year ended 31 December 2017 HK$'000	Fair value/carrying amount as at 31 December 2017 HK$'000	Fair value/carrying amount as at 31 December 2016 HK$'000	Percentage to the Group's net assets as at 31 December 2017 %	Investment cost HK$'000
Financial assets at fair value through profit or loss								
Listed Investments								
Enerchina Holdings Limited (622) ("Enerchina")	25,000,000	0.86	22,127	500	14,250	–	1.49	36,377

Freewill is principally engaged in the businesses of property investment, investment advisory and financial services, investment in securities trading, and money lending.

Co-Lead is principally engaged in securities trading and investment holding businesses. Its investment portfolio consists of listed and unlisted securities.

Win Wind is principally engaged in the financial services and money lending activities.

Satinu is principally engaged in integrated financial services, securities brokerage services, money lending, securities and other direct investments.

FreeOpt is principally engaged in the provision of finance and money lending businesses.

Enerchina is principally engaged in the financial services sector, including the provision of securities brokerage services, placing and underwriting services, the provision of corporate finance advisory services, trading and investment of securities, provision of margin financing, money lending services, investment advisory and asset management services as well as investment holdings.

CHANGE OF DIRECTORS' AND CHIEF EXECUTIVE'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the directors and chief executives of the Company after 27 March 2017, the date of the Company's 2016 annual report to the date of this annual report are set out below:

(a) On 18 April 2017, Ms. Yu Miu Cheung tendered her resignation as the company secretary of the Company.

(b) From 18 April 2017, Ms. Cheng Pui Yee has been appointed as the company secretary of the Company.

* *For identification purpose only*

DIRECTORS' PROFILE

EXECUTIVE DIRECTORS

Mr. WANG Liang, aged 32, has been appointed as an Executive Director of the Company since 1 September 2016 and the Chairman of the Board since 23 January 2017. He is the Chairman of the Nomination Committee and a member of the Executive Committee and the Remuneration Committee. He also serves as a Director of several subsidiaries of the Company. As Chairman, Mr. Wang is mainly responsible for leading the Board and managing its work to ensure that the Board effectively operates and fully discharges its responsibilities. In addition, he is also in charge of the business of provision of QR codes on product packaging and related business intelligence IT solutions. Mr. Wang holds a bachelor's degree in physics from Imperial College of Science, Technology and Medicine, University of London and a master's degree in international finance from The University of Westminster. He has extensive experience in the international finance and project management. He had been working in international investment banks and responsible for clients' project management, projects merger and acquisition and various initial public offerings. Mr. Wang was formerly an Executive Director (from January 2014 to February 2016), a Chairman (from August 2014 to February 2016), a Non-executive Director (from February 2016 to August 2016) and a Vice-chairman (from February 2016 to August 2016) of Life Healthcare Group Limited (formerly known as Tack Fiori International Group Limited) (stock code: 928). He was also an Executive Director of China Ever Grand Financial Leasing Group Co., Ltd. (formerly known as PME Group Limited) (stock code: 379) from December 2012 to December 2014. The shares of the above companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. DU Dong, aged 32, has been appointed as an Executive Director of the Company since 15 December 2016 .He is a member of the Executive Committee, the Nomination Committee and the Remuneration Committee. He also serves as a Director of several subsidiaries of the Company. Mr. Du is responsible for the daily management of the Group, recommending strategies to the Board, and determining and implementing operational decision. He holds a bachelor's degree of Science (Honors) in Computing Studies (Information Systems) from Hong Kong Baptist University. Mr. Du has extensive experience in investment, capital market, financing, merger and acquisitions of different projects with various investment banks and professional parties. He had been working in listed companies and responsible for investment, financing, projects merger and acquisition, covering coal mining, iron mining and gold mining, terminal and logistic services industry, education industry, financing lease industry and internet industry, etc. Mr. Du has a strong network in the capital market of Hong Kong and the PRC. He has been serving as a Vice President of China Ever Grand Financial Leasing Group Co., Ltd (formerly known as PME Group Limited) (stock code: 379) since November 2013. He was an Assistant to CEO of Theme International Holdings Limited (stock code: 990) from July 2010 to November 2013. The shares of these companies are listed on the Stock Exchange.

Mr. LO Yuen Wa Peter, aged 56, has been appointed as an Executive Director of the Company since 27 May 2015. He is a member of the Executive Committee and also serves as a Director of several subsidiaries of the Company. He is responsible for overseeing the corporate finance and management of the Group. Mr. Lo graduated from the University of Liverpool and obtained his professional qualification in Accountancy in the United Kingdom. He is a member of the Institute of Chartered Accountants in England and Wales and of the Hong Kong Institute of Certified Public Accountants. He has 30 years of experience in auditing, accounting, investment, financial and corporate management. Mr. Lo was an Executive Director of HengTen Networks Group Limited (formerly known as Mascotte Holdings Limited) (stock code: 136) from July 2008 to March 2014 and an Executive Director, Managing Director and Acting Chairman of Rentian Technology Holdings Limited (formerly known as Forefront Group Limited) (stock code: 885) from April 2014 to April 2015. The shares of these companies are listed on the Stock Exchange.

NON-EXECUTIVE DIRECTOR

Mr. CHEN Hui, aged 54, has been appointed as a Non-executive Director of the Company since 15 December 2016. He is also a member of the Nomination Committee. Mr. Chen has over 16 years solid experience in information technology. He is an expert in software and hardware engineering, automation and control, and possesses extensive knowledge in Internet of Thing and various sensors. He has been involved in development and application of nearly 40 patents. Mr. Chen has been appointed as a President of 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co. Ltd.*) (formerly known as 上海質尊物聯網科技有限公司), an indirect wholly-owned subsidiary of the Company, since 2011. He was a General Manager of 質尊溯源電子科技有限公司 from 2009 to 2011, a General Manager of 上海質尊電子科技有限公司 from 2004 to 2009, and a Legal Representative of 上海華暉自控設備有限公司 from 2000 to 2004.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHEUNG Wing Ping, aged 51, has been appointed as an Independent Non-executive Director of the Company since 11 August 2015. He is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. He holds a bachelor's degree in accountancy with honours from City University of Hong Kong. He is a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung has over 20 years of experience in auditing and accounting fields. He was formerly an Executive Director of Eagle Ride Investment Holdings Limited (formerly known as Radford Capital Investment Limited) (stock code: 901) from June 2011 to November 2013, an Independent Non-executive Director of Mason Financial Holdings Limited ("Mason", formerly known as Willie International Holdings Limited) (stock code: 273) from October 2009 to June 2013 and re-designated as an Executive Director of Mason from July 2013 to September 2016. He is currently an Independent Non-executive Director of Freeman Fintech Corporation Limited (stock code: 279), Enerchina Holdings Limited (stock code: 622) and China Shandong Hi-Speed Financial Group Limited (formerly known as China Innovative Finance Group Limited) (stock code: 412). The shares of these companies are listed on the Stock Exchange.

Mr. HA Kee Choy Eugene, aged 61, has been appointed as an Independent Non-executive Director of the Company since 26 November 2014. He is also the Chairman of the Audit Committee, a member of the Nomination Committee and the Remuneration Committee. Mr. Ha holds a master's degree in business administration and is a fellow of the Association of Chartered Certified Accountants. He has over 20 years of experience in the finance and banking industry and acts or/and acted as director of a number of private and listed companies in Hong Kong. He is the director of a certified public accountant corporate office in Hong Kong. He is currently an Independent Non-executive Director of Daqing Dairy Holdings Limited (stock code: 1007) and International Entertainment Corporation (stock code:1009). Mr. Ha was an Independent Non-executive Director of Heritage International Holdings Limited (now known as China Shandong Hi-Speed Financial Group Limited) (stock code: 412) from October 2005 to April 2015. The shares of these companies are listed on the Stock Exchange.

Mr. TO Shing Chuen, aged 67, has been appointed as an Independent Non-executive Director of the Company since 26 November 2014. He is also the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee. Mr. To holds a bachelor's degree in arts and has over 20 years of experience in trading, garment and leather field. He enjoys excellent relationship with Mainland China companies. He is currently an Independent Non-executive Director of China Innovative Finance Group Limited (formerly known as Heritage International Holdings Limited) (stock code: 412).

* *For identification purpose only*

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of corporate management services. The Group is principally engaged in the (i) provision of QR codes on product packaging and solutions and online advertising display services; (ii) the manufacturing and sale of packaging products; (iii) investment and trading in securities and money lending. Details of the principal activities of the Company's subsidiaries are set out in note 47 to the financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Chairman's Statement and the Management Discussion and Analysis of this annual report. Description of possible risks and uncertainties that the Group may be facing can be found in the Corporate Governance Report. Also, the financial risk management objectives and policies of the Group can be found in note 44 to the financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2017 are provided in note 46 to the financial statements. In addition, discussions on the Group's environmental policies, compliance with relevant laws and regulations and relationship with its key stakeholders which have a significant impact on the Group are also contained in the Corporate Governance Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 and the state of affairs of the Company and of the Group as at 31 December 2017 are set out in the financial statements on pages 45 to 129.

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

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 130. The summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 33 to the financial statements.

CONVERTIBLE BOND

During the year, the Company issued 7% convertible bond with an aggregate principal amount of US$40 million (equivalent to HK$312 million). Details of the convertible bond during the year are set out note 29 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no pre-emptive rights provision in the Companies Act 1981 of Bermuda (as amended from time to time) or in the Company's Bye-laws.

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

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

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company had no reserve available for distribution to shareholders as calculated in accordance with the Companies Act 1981 of Bermuda (as amended from time to time). The Company's share premium account in the amount of HK$1,769,428,000 may be distributed in the form of fully paid bonus share.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted in the aggregate for 52.6% of the total revenue for the year and sales to the largest customer included therein amounted to 24.3%. Purchases from the Group's five largest suppliers accounted in the aggregate for 58.7% of the total purchases for the year and purchases from the largest supplier included therein amounted to 25.3%.

None of the directors, their close associates or shareholders, who to the knowledge of the directors own more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers or suppliers.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors:
Mr. Wang Liang *(Chairman)*
(appointed as Chairman on 23 January 2017)
Mr. Du Dong
Mr. Lo Yuen Wa Peter

Non-executive Directors:
Dr. Lam How Mun Peter *(resigned as non-executive director and Chairman on 23 January 2017)*
Mr. Chen Hui

Independent Non-executive Directors:
Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene
Mr. To Shing Chuen

In accordance with Bye-law 84(1) of the Company's Bye-laws, Mr. Lo Yuen Wa Peter and Mr. Cheung Wing Ping will retire by rotation and, being eligible, will offer themselves for re-election at the AGM.

The Company has received from each of the Independent Non-executive Directors, Mr. Cheung Wing Ping, Mr. Ha Kee Choy Eugene and Mr. To Shing Chuen, the written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Board has reviewed their independence based on such confirmations and considers all of them to remain independent during their term of office.

DIRECTORS' BIOGRAPHIES

Biographical details of the existing directors of the Company are set out under the section headed "Directors' Profile".

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the AGM has a service contract with any company in the Group which is not terminable by such company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Except for those disclosed in section headed Continuing Connected Transactions, no transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REMUNERATION DETAILS

Details of the directors' remuneration and the five highest paid employees in the Group are set out in notes 9 and 10 to the financial statements respectively.

REMUNERATION POLICY

The remuneration policy for employees of the Group is formulated based on the merit, qualifications and competence of individual employee which are reviewed regularly in order to provide compensation packages at market rates sufficient to reward successful performance and attract, retain and motivate employees. The Company has adopted a share option scheme as a long-term incentive to eligible employees and directors, details of which are set out in note 35 to the financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 31 December 2017, details of the interests and short positions of each of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in shares of the Company (long positions)

Name of directors	Capacity in which interests are held	Number of shares held	Approximate percentage (Note)
Mr. Wang Liang (Note)	Beneficial owner	2,240,000,000	22.86

Note: Ms. Qiao Yanfeng ("Ms. Qiao", a substantial shareholder of the Company and Mr. Wang Liang's mother) is deemed to be interested in 600,000,000 shares through TY Technology Group Limited which is in turn owned as to 90% by Wise Tech Enterprises Incorporated (wholly-owned by Ms. Qiao) and 10% by Truthful Bright International Holding Limited (wholly-owned by Ms. Qiao). Mr. Wang Liang together with Ms. Qiao were interested in the aggregate of 2,840,000,000 shares, representing approximately 28.99% of the issued shares of the Company.

Save as disclosed above, as at 31 December 2017, the Company had not been notified of any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The Company adopted a share option scheme (the "Scheme") on 18 May 2012, details of which were disclosed in the note 35 to the financial statements.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 December 2017, details of the interests and short positions of every person, other than directors or the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity in which interests are held	Number of shares held (long position)	Approximate percentage
Mr. Wang Liang	Beneficial owner	2,240,000,000	22.86
Ms. Qiao Yanfeng (Note 1)	Interest in controlled corporations	600,000,000	6.12
Mr. Qin Fen	Beneficial owner	789,880,000	8.06
China Huarong International Holdings Limited	Beneficial owner	630,487,804 (Note 2)	6.05

Notes:

1. Ms. Qiao Yanfeng ("Ms. Qiao") is deemed to be interested in 600,000,000 shares through TY Technology Group Limited which is in turn owned as to 90% by Wise Tech Enterprises Incorporated (wholly-owned by Ms. Qiao) and 10% by Truthful Bright International Holding Limited (wholly-owned by Ms. Qiao).

2. The 630,487,804 shares represented the new shares to be issued as if the US$40 million convertible bond were fully converted.

Save as disclosed above, as at 31 December 2017, the Company had not been notified of any interests or short positions of any other person, other than directors or the chief executive of the Company, in the shares or underlying shares of the Company required to be recorded in the register kept by the Company under Section 336 of the SFO.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, subject to the statues, every director of the Company shall be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may sustain or incur in the execution of his/her office or otherwise in relation thereto. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of the Group.

CONTINUING CONNECTED TRANSACTIONS

On 22 December 2017, 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co., Ltd.*)("SHTY"), a company established in the PRC with limited liability and is indirectly wholly-owned by the Company, entered into an agreement (the "Beverage Agreement") with 上海立足生物科技有限公司 (Shanghai Lizu Biotechnology Company Co., Ltd.*) (the "Supplier"), a company established in the PRC with limited liability in relation to the purchase of the health drink under the brand name of 天酶易暢, which is a dietary fibre drink targetted at improving the digestive systems of humans. The cap amount for the transaction from 22 December 2017 to 31 March 2018 was RMB10 million (equivalent to HK$12 million). During the year, SHTY purchased health drink products from the Supplier amounted to RMB1.14 million (equivalent to HK$1.3 million).

The Supplier is a company which is 75% beneficially owned by Mr. Wang Liang, who is a Director and a substantial shareholder of the Company. Hence, Mr. Wang Liang is a connected person of the Company. Therefore, the Beverage Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The aforesaid continuing connected transactions have been reviewed by the Independent Non-executive Directors of the Company. The Independent Non-executive Directors have confirmed that the aforesaid continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the auditor of the Company to report on the aforesaid continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has confirmed in writing to the Board that:

(a) nothing has come to its attention that causes it to believe that the aforesaid continuing connected transactions have not been approved by the Company's Board;

(b) nothing has come to its attention that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(c) with respect to the aggregate amount of each of the aforesaid continuing connected transactions, nothing has come to its attention that causes it to believe that the aforesaid continuing connected transactions have exceeded the cap as set by the Company.

MANAGEMENT CONTRACT

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

EVENTS AFTER THE REPORTING PERIOD

Details of significant events which took place subsequent to the reporting period are set out in note 46 to the financial statements.

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2017 and up to the date of this report as required under the Listing Rules.

INDEPENDENT AUDITORS

During the year 2016, Ernst & Young resigned as auditors of the Company and Moore Stephens CPA Limited were appointed as auditors to fill the casual vacancy so arising. A resolution for the reappointment of Moore Stephens CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Wang Liang
Chairman

Hong Kong, 26 March 2018

The Company is committed to maintaining a high standard of corporate governance. The board of directors of the Company (the "Board") considers that sound corporate management and governance practices are essential to the Company's healthy growth under all business environments.

CORPORATE GOVERNANCE PRACTICES

During the year, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the following deviations:

(i) Code provision E.1.2 of the CG Code provides interpretation that the chairman of the board of directors should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. Mr. Wang Liang, the chairman of the Board, one non-executive Director and one independent non-executive Director at that time did not attend the annual general meeting of the Company held on 27 May 2017 (the "2017 AGM") as they had another business engagement. Other members of the Board including the chairman of the Audit Committee attended the 2017 AGM. The Company considers that the members of the Board who attended the 2017 AGM were able to sufficiently answering questions from shareholders at the 2017 AGM.

(ii) Code provision A.2.7 which requires the chairman to hold meetings with the non-executive directors (including independent non-executive directors) ("NEDs") without the executive directors present at least annually. However, the Company considers it is more effective for the Non-executive Directors to voice their views by individual communication with the Chairman of the Board.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors. In response to a specific enquiry by the Company, all directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year.

BOARD OF DIRECTORS

During the year under review, the Board was chaired by Mr. Wang Liang. It consisted of 3 executive directors, one non-executive director and three independent non-executive directors. Names and other biographical details of the existing members of the Board are set out under the heading of "Directors' Profile". The Board assumes responsibility for the leadership and control of the Company and its members are collectively responsible for promoting the business of the Company by formulating the Group's overall strategies and policies, approving the business plans, evaluating the performance of the Group in pursuit of the Group's overall strategies and overseeing the management of the Group. The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. The management of the Group is responsible for the day-to-day operations of the Group, and implementing the business strategies and plans formulated and approved by the Board.

All Directors have acted in good faith for the best interests of the Company and the stakeholders of the Company. Other than the statutory duties imposed on each of them, all of the Directors have exercised due care in monitoring the corporate matters of the Company and have provided grave concern, sufficient time and attention to all the significant issues and affairs of the Group.

Each of the independent non-executive Directors has made an annual confirmation to the Company concerning his or her independence pursuant to the Listing Rules. The Company considers that all the independent non-executive Directors meet the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules and are considered to be independent.

Set out below are details of directors' attendance of board meetings and general meeting in 2017:

Name of directors	Board meeting	General meeting
Executive Directors		
Wang Liang *(Chairman)*	4/5	0/1
Du Dong	5/5	1/1
Lo Yuen Wa Peter	5/5	1/1
Non-executive Directors		
Lam How Mun Peter [1]	0/5	0/1
Chen Hui	3/5	0/1
Independent Non-executive Directors		
Cheung Wing Ping	5/5	1/1
Ha Kee Choy Eugene	4/5	1/1
To Shing Chuen	4/5	0/1

Notes:

1 resigned on 23 January 2017

Save for regular Board meetings held during the year ended 31 December 2017, meetings of the Directors were held to discuss and transact other special businesses. The Board members are provided with appropriate and sufficient information in a timely manner to keep abreast of the Group's latest developments. All businesses transacted at the Board meetings are properly documented and recorded.

The Company provides directors with regular updates on changes to and developments of the Group's business, and on the latest developments in the laws, rules and regulations relating to directors' duties and responsibilities to help them make informed decisions and discharge their duties and responsibilities as directors of the Company.

Mr. Wang Liang is the son of Ms. Qiao Yanfeng, the substantial shareholder of the Company. Ms. Qiao is deemed to be interested in 600,000,000 shares of the Company. Save as disclosed herein, there is no relationship (including financial, business, family or other material/relevant relationships) among members of the Board.

During the year under review, all directors have participated in continuous professional development to develop and refresh their knowledge and skills as listed company directors. All directors have provided the Company with their records of the training they received for the year. A summary of the records of their training is as follows:

Name of directors	Type of continuous professional development programmes
Executive Directors	
Wang Liang *(Chairman)*	B
Du Dong	B
Lo Yuen Wa Peter	A and B
Non-executive Directors	
Chen Hui [2]	B
Independent Non-executive Directors	
Cheung Wing Ping	A and B
Ha Kee Choy Eugene	A and B
To Shing Chuen	A and B

Notes:

A attending face-to-face courses, seminars or conferences

B reading materials regarding updates on the Group's business and operation, finance, corporate governance or ethics and code of conduct

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer are separate and not performed by the same individual to avoid power being concentrated with any one individual. The main responsibility of Chairman is to lead the Board and manage its work to ensure that it effectively operates and fully discharges its responsibilities. The role of Chief Executive Officer has been performed collectively by all executive directors. The Board considers this arrangement allows contributions from all executive directors with different expertise and is beneficial to the continuity of the Company's policies and strategies and the interest of the Shareholders of the Company as a whole.

NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board has reviewed their independence based on such confirmation and considers all of them remaining independent.

All non-executive directors are appointed for a specific term of not more than three years and are subject to retirement by rotation and re-election at the annual general meeting at least once every three years pursuant to the Company's Bye-laws.

BOARD COMMITTEES

The Board has set up the Executive Committee which comprises all executive directors on the Board. Under its terms of reference, the Executive Committee is responsible for overseeing the management and daily operations of the Group and any other matters delegated by the Board. In addition to the Executive Committee, the Board has set up the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board does not have a Corporate Governance Committee and its functions would be carried out by the Board as a whole.

All committees of the Board have specific terms of reference clearly defining their respective powers and responsibilities. All committees are required by their terms of reference to report to the Board in relation to their decisions or recommendations. Through participating in the Company's board meetings and committees meetings, attending general meetings, and participating in continuous professional development, all directors are able to make contribution required from them to the Board and to the development of the Company.

AUDIT COMMITTEE

The Audit Committee currently comprised three independent non-executive directors, Mr. Cheung Wing Ping, Mr. Ha Kee Choy Eugene and Mr. To Shing Chuen and two of whom has the appropriate professional qualifications, or accounting or related financial management expertise. It is chaired by Mr. Ha Kee Choy Eugene. The principal responsibilities of the Audit Committee are to review the relationship with the auditors of the Company; review the financial information of the Group and oversee the Group's financial reporting system, internal control procedures and risk management system. The major roles and functions of the Audit Committee are set out in the terms of reference which include duties specified in the CG Code and are posted on the Company's website and on the Stock Exchange's website.

The Audit Committee held 2 meetings during the year ended 31 December 2017. Details of the attendance of the committee members are as follows:

Committee Members	Attendance
Mr. Ha Kee Choy Eugene	2/2
Mr. Cheung Wing Ping	2/2
Mr. To Shing Chuen	1/2

The major work performed by the Audit Committee during the year ended 31 December 2017 included, amongst other things, the following:

- reviewing the annual results of the Group for the financial year ended 31 December 2017 with the conclusion that the preparations of such results have been complied with the applicable accounting standards;
- reviewing the interim results of the Group for the six months ended 30 June 2017; and
- reviewing the effectiveness of the Group's internal control systems and procedures and risk management system.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprised two executive directors, Mr. Wang Liang and Mr. Du Dong, and three independent non-executive directors, Mr. Cheung Wing Ping, Mr. Ha Kee Choy Eugene and Mr. To Shing Chuen. It is chaired by Mr. To Shing Chuen. Dr. Lam How Mun Peter resigned and ceased to be the member of Remuneration Committee on 23 January 2017. The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and members of the senior management of the Company and to determine the specific remuneration packages of all executive Directors and members of the senior management of the Company. The major roles and functions of the Remuneration Committee are set out in the terms of reference which include duties specified in the CG Code and are published on the Company's website and on the Stock Exchange's website.

The Remuneration Policy for executive directors of the Company is determined with reference to the Group's operating results, duties and level of responsibility of the executive directors and the prevailing market conditions which are reviewed annually in order to provide remuneration and compensation packages competitive to attract, retain and motivate high quality executives to serve the Group. The fee for non-executive directors is determined with reference to each of their duties and level of responsibility with the Company and is reviewed on an annual basis.

During 2017, the Remuneration Committee has assessed the performance of the executive directors, reviewed and discussed, among other matters, the remuneration packages of existing directors, the remuneration of the non-executive directors, the existing share option scheme and the retirement benefit scheme. It has also reviewed the Remuneration Policy and its implementation. Being given the delegated responsibility, the Remuneration Committee has also determined the remuneration packages of the executive directors of the Company.

The Remuneration Committee held 1 meeting during the year ended 31 December 2017. Details of the attendance of the committee members are as follows:

Committee Members	Attendance
Mr. Wang Liang	1/1
Mr. Du Dong	1/1
Mr. Ha Kee Choy Eugene	1/1
Mr. Cheung Wing Ping	1/1
Mr. To Shing Chuen	1/1

The remuneration of the Directors, being the senior management of the Company, by band for the year ended 31 December 2017 is set out below:

Remuneration band	Number of persons
Not more than HK$1,000,000	4
HK$1,000,001–HK$2,000,000	3

Particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 9 and 10 to the financial statements in this annual report, respectively.

NOMINATION COMMITTEE

The Nomination Committee currently comprised two executive directors, Mr. Wang Liang and Mr. Du Dong, a non-executive director, Mr. Chen Hui, and three independent non-executive directors, Mr. Cheung Wing Ping, Mr. Ha Kee Choy Eugene and Mr. To Shing Chuen. It is chaired by Mr. Wang Liang. Dr. Lam How Mun Peter resigned and ceased to be the Chairman of Nomination Committee on 23 January 2017. The major roles and functions of the Nomination Committee are set out in the terms of reference which include duties specified in the CG Code and are posted on the Company's website and on the Stock Exchange's website.

The Nomination Policy for directors is formulated with reference to the skills and experience of the Board appropriate for the requirements of the Group's business. The Nomination Committee will review the Board's structure, size and composition (including the skills, knowledge and experience) and diversity. It will assess the independence of independent non-executive directors. It will also make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, and make recommendations on the appointment or re-appointment of directors and succession planning for directors, including the Chairman as appropriate. It is responsible for identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.

The Nomination Committee held 1 meeting during the year ended 31 December 2017. Details of the attendance of the committee members are as follows:

Committee Members	**Attendance**
Mr. Wang Liang	1/1
Mr. Du Dong	1/1
Mr. Chen Hui	1/1
Mr. Ha Kee Choy Eugene	1/1
Mr. Cheung Wing Ping	1/1
Mr. To Shing Chuen	0/1

The Company has adopted a Board Diversity Policy setting out the approach to achieve a diverse Board. Taking into account factors including the size of the Board, its composition of executive and non-executive directors, and the Company's principal activities and needs, selection of candidates shall be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

CORPORATE GOVERNANCE FUNCTION

The Board does not have a Corporate Governance Committee. The functions that would be carried out by a Corporate Governance Committee are performed by the Board as a whole and are as follows:

1. to develop and review the Company's policies and practices on corporate governance;

2. to review and monitor the training and continuous professional development of directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

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

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Corporate Governance Policy is formulated with an emphasis on the Board's quality, effective internal control, stringent disclosure practices and transparency and accountability to all shareholders of the Company. The Board strives to comply with the code provisions and reviews its Corporate Governance Policy regularly in order to maintain high standards of business ethics and corporate governance, and to ensure the full compliance of our operations with applicable laws and regulations.

During the year, members of the Board have reviewed and discussed, among other things, the Company's policies and practices on corporate governance at board meetings. They have also reviewed and monitored the training and continuous professional development of directors, and the Company's policies and practices on compliance with legal and regulatory requirements as well as its disclosure in the Corporate Governance Report. The Board has reviewed the code of conduct applicable to employees and directors setting out the standards of behaviour that the Company expects from them and the guidelines on how they should handle different situations in business dealings with the Group.

INDEPENDENT AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's independent auditors, Moore Stephens CPA Limited amounted to a total of HK$1,445,000, of which HK$1,200,000 was for audit services and HK$245,000 was for non-audit services including tax and consultancy services.

Furthermore, the remuneration paid/payable to the independent auditors of subsidiaries of the Company amounted to HK$62,100 for non-audit services including tax services.

COMPANY SECRETARY

The Company has changed it's Company Secretary on 18 April 2017 and she have undertaken not less than 15 hours of relevant professional training during 2017.

SHAREHOLDERS' RIGHTS

The following is a brief summary of certain rights of shareholders, which are subject to applicable laws and regulations, including without limitation, the Companies Act 1981 of Bermuda (as amended from time to time), the Listing Rules and the Company's Bye-laws.

1. Convening special general meeting

Members of the Company may, by a written requisition, require the directors of the Company to convene a special general meeting ("SGM") for the transaction of any business specified in such requisition. A valid requisition may be made by a member or members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company which at that date carries the voting rights at general meetings of the Company. The requisition must state the purpose(s) of the requisitioned SGM, and must be signed by the requisitionist(s). The requisition may consist of several documents in like form each signed by one or more requisitionists, which must be deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. To ensure that it is received by the Company at the earliest opportunity, a copy of the signed requisition may also be deposited at the Company's principal place of business in Hong Kong at 12/F, Kwan Chart Tower, 6 Tonnochy Road, Wan Chai, Hong Kong, for the attention of the Board or the Company Secretary.

If the directors fail to proceed to convene an SGM within 21 days from the date of deposit of the requisition, the requisitionist(s) (or any of them representing more than one-half of their total voting rights) may himself/themselves convene an SGM, which must be held within 3 months of the date of deposit of the requisition. The SGM must be convened by the requisitionist(s) in the same manner as nearly as possible as that in which the SGM is to be convened by the directors. The requisitionist(s) is/are entitled to be repaid any reasonable expenses he/they incur(s) as a result of the failure of the directors duly to convene an SGM. These expenses will be payable by the Company and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration to such defaulting directors in respect of their services.

2. Putting forward proposals at shareholders' meetings

Members of the Company may by a written requisition and at their expense (unless the Company otherwise resolves) require the Company to:

(a) give to members of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting of the Company; and/or

(b) circulate to members of the Company entitled to receive notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that general meeting.

A valid requisition may be made by either:

(a) any number of members of the Company representing not less than one-twentieth of the total voting rights of all the members having at the date of the requisition the right to vote at the meeting to which the requisition relates; or

(b) not less than 100 members of the Company.

The requisition signed by the requisitionists (or two or more copies which between them bear the signatures of all the requisitionists) must be deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. To ensure that it is received by the Company at the earliest opportunity, a copy of the signed requisition may also be deposited at the Company's principal place of business in Hong Kong at 12/F, Kwan Chart Tower, 6 Tonnochy Road, Wanchai, Hong Kong, for the attention of the Board or the Company Secretary and,

(a) in the case of a requisition requiring notice of a resolution to be moved at an annual general meeting, not less than 6 weeks before the annual general meeting; and

(b) in the case of any other requisition, not less than one week before the general meeting.

The requisitionists must deposit or tender with the requisition a sum which is reasonably sufficient to meet the Company's expenses in giving effect to the requisition.

3. Proposing a person for election as director

Shareholders may propose a person for election as director, the procedures for which are available on the Company's website in the section of "Corporate Governance" under the column of "Investor Relationship".

4. Sending enquiries to the Board

Shareholders may send any enquiries to the Board by mail, email or telephone to the Company Secretary, whose contact details are as follows:

Address:	12/F, Kwan Chart Tower, 6 Tonnochy Road, Wanchai, Hong Kong
Email:	chinatouyun@chinatouyun.com.hk
Telephone:	+852 2270 7202

INVESTOR RELATIONS

The Company has adopted a Shareholders Communication Policy. The use and effectiveness of such policy are monitored and reviewed regularly by the Board. The Company recognises the importance of shareholders' privacy and therefore will not disclose shareholders' information without their consent, unless required by law to do so. To achieve equal access to information on the Company's latest major developments, measures have been taken to ensure all necessary information and appropriate updates are made available to investors in a timely manner through the Company's website in the section of "Corporate Governance" under the column of "Investor Relationship". In addition to financial reports, all announcements and circulars of the Company including results announcements, notices of general meetings and associated explanatory documents released by the Company to the Stock Exchange are posted on the Company's website. Shareholders should direct their questions about their shareholdings to the Company's share registrars. For enquiries about the information of the Company, shareholders may contact the Company Secretary, whose contact details are set out under the heading of "Sending enquiries to the Board" above. Shareholders are encouraged to participate in the Company's general meetings where members of the Board will be available to answer their questions.

The Company's constitutional documents are made available on the Company's website in the section of "Corporate Governance" under the column of "Investor Relationship" and on the Stock Exchange's website. There was no significant change in them during the year under review.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives and maintaining appropriate and effective risk management and internal control systems. The Company has maintained an internal audit function which forms part of the permanent establishment of the Group and is internally resourced and staffed by qualified accounting personnel with suitable experience.

The internal audit function monitors the adequacy and effectiveness of the risk management and internal control systems established within the Company and its subsidiaries for safeguarding assets against unauthorized use, for maintaining proper accounting records, and for ensuring the reliability of financial information. Functional reporting and financial reporting procedures appropriate to the business of the Company's subsidiaries are established for application within the Group. These procedures are designed to enable timely and reliable functional and financial reporting by subsidiaries of the Group and to provide reasonable assurance against material misstatement, errors, losses or fraud. The work of the internal audit function is generally focused on identifying, monitoring and reporting on major risks faced by the Group, including those related to business operations, compliance with laws and regulations and financial reporting. The review of risk management and internal control systems is conducted on an ongoing basis by the internal audit function. The Board is responsible for ensuring that recommendations made by the internal audit function are properly implemented.

The Board recognizes that the Group's internal control system plays a key role in both the management of risks and the assurance of continued compliance with laws and regulations by the Group. The Audit Committee has kept under review the Group's risk management and internal control systems. During the year, the Company has also engaged a professional party to conduct a review of internal controls of business cycles of its QR code business. The review covers material controls, including financial, operational and compliance controls and risk management functions of the Group. No material internal control defect was noted in the review. Based on its review, the Audit Committee will advise the Board on the adequacy of the Group's risk management and internal control systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Board considers that the Group has complied with the provisions on risk management and internal controls as stipulated in the CG Code. The Board is satisfied that the Group's risk management and internal control systems including financial, operational and compliance controls and risk management functions as appropriate to the Group have been put in place.

RISKS AND UNCERTAINTIES

The Group is generally operating in an ever-changing business and economic environment. Both QR codes business and packaging products manufacturing business are affected by consumer markets which are volatile and fragile combined with rising labour costs in Mainland China. Volatility in the securities market may also affect the Company's shares investments, resulting in unrealised and realised loss. Market risk for changes in interest rates will affect loans receivable and interest-bearing borrowing. In addition to market risks, the Company is also subject to foreign currency risk, credit risk, liquidity risk and capital risk in the normal course of the Group's business. Particulars of financial risk management of the Company are set out in note 44 to the financial statements.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group continues to commit to comply with the relevant laws and regulations such as the Companies Act 1981 of Bermuda, Hong Kong Companies Ordinance Cap 622, Listing Rules, and laws and regulations implemented by relevant jurisdictions. The Company believes the existing laws and regulations do not have any significant effect on the Group's activities during the year ended 31 December 2017.

ENVIRONMENTAL POLICIES

The Group has developed environmental policies for operating safely and reducing our environmental footprint. Ongoing focus on the health, safety and wellbeing of its employees is the Group's commitment to sustainable future. The Group has fully supported employees who observe the environmental policies and take care of environment.

The Group constantly improves the awareness of employees with respect of energy saving, and reducing resources consumption and recycling of scrap materials. To reduce electricity consumption, lighting equipment are switched off and replaced with energy efficient ones. Staff is reminded that documents are not printed unless it is necessary, printed papers are reused and two-sided printing is encouraged. Scrap materials are undertaken to recycle in use of production. Sewage collection and treatment has been established in the factory to control water pollution.

RELATIONSHIP WITH KEY STAKEHOLDERS

The Group recognizes that our employees, customers and business associates are key elements for our commitment to a resilient and sustainable business. The Group endeavours to provide a safe workplace, where employees are treated with respect and have the potential to grow in their careers. The Group also endeavours to provide consistently high quality and large range of products and services to customers delivered in quick response. With the building of partnership atmosphere, the Group has developed a long- term relationship of loyalty and trust with suppliers and professional bodies, leading to improved products and work together to share best practices.

INSIDE INFORMATION

The Company has adopted a Disclosure of Inside Information Policy. It sets out a framework for the release and control of inside information to ensure that the Company is able to meet its legal and regulatory obligations and requirements as a listed corporation. The Board is generally responsible for ensuring that the Group complies with its disclosure obligations regarding inside information and has established a disclosure group comprising certain directors and management to assist it in determining whether any particular information is inside information and overseeing and coordinating disclosure of inside information of the Group. Inside information should be disclosed by way of an announcement in accordance with the requirements of the Securities and Futures Ordinance (the "SFO") and the Listing Rules. Before relevant information is fully disclosed to the public, the disclosure group will help the Board to ensure that such information is kept strictly confidential.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Board acknowledges that it is responsible for the preparation of financial statements of the Group and for ensuring that financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of financial statements of the Group. The directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company, Moore Stephens CPA Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 39–44.

ESG MANAGEMENT APPROACH

Enterprises are exerting a growing influence on the environment and the society, and stakeholders are also paying higher attention to sustainable development. In the course of business development, the Group has been committed to fulfilling its corporate social responsibilities. In 2017, the Group actively responded to the challenges for sustainable development, implemented the sustainable development strategy on the basis of complying with laws and regulations, and developed relevant internal policies and encouraged community participation to produce positive impact on the society.

Over the years, the Group has been engaged in traditional packaging business with over 25 years of in-depth experience in the industry, and has developed a diversified customer base comprising owners or brand dealers of clocks, watches, jewelry and glasses of international brands, as well as other customers such as traders of packaging products. The Group has the courage to try new things. In recent years, the Group introduced the new QR code business to provide each fast moving consumer goods with a unique QR code as its identity, indicating the Group's commitment to becoming a premium brand that promotes intelligent solutions for China's fast moving consumer goods industry and leads the innovation in the commercial marketing mode. The Group creates a platform that innovatively integrates the Internet and the traditional industry and also keeps in mind the needs of all the stakeholders, and enhances the transparency and the communication with stakeholders through the disclosure on sustainable development.

The Group has taken a leap forward in business development. The Group obtained international certifications in respect of its production quality during the year, including the ISO9001:2015 certification for quality management system, the ISO27001:2013 certification for information security management system and the CMMI3 certification. In addition, the Group has made great efforts in allocating resources for pollution treatment to mitigate the environmental impact of the business and on human resource management to assist its employees to tap their potential and provide them with a comfortable and safe working environment.

Looking forward, the concept of sustainable development will continue to integrate with the core value of the Group and lead the Group for future development. The Group will make greater efforts to promote sustainable development in 2018, and hopes to win greater support and trust from more employees, customers, investors and stakeholders.

ENVIRONMENTAL PROTECTION

China Touyun is committed to protecting the environment, minimizing the environmental impact caused during operations and business development, implementing the treatment of the three wastes, advocating waste reduction at source, appropriate utilization of resources and green indoor environment, and assuming the responsibilities as a corporate citizen.

The Group is mainly engaged in the manufacture and sales of packaging products, and its plant located in Zhongshan City, the PRC ("Zhongshan Plant"), is responsible for the manufacture and production of the products. As the Group strives to gradually integrate the concept of sustainable development with its development direction, it attaches great importance to environmental protection. We strictly monitor the treatment of air pollutants, sewage and wastes, reduce electricity and water consumption, provide green office environment, and put into practice the concept of sustainable development in the operation of our plants. The Group carries out its business in compliance with laws and regulations, as well as the requirements of the relevant environmental protection laws and regulations in Mainland China. During the year, there was no illegal event that would cause a material impact on the Group for the reason that the Group discharged waste gas or greenhouse gas, or released pollutants to the water or the land, or generated any harmful or harmless waste.

Treatment of Three Wastes

Air Pollution Treatment

Zhongshan Plant is mainly engaged in the production of metal boxes, plastic watch boxes and paper boxes, during which organic wastes including volatile organic compounds, non-methane hydrocarbon, ozone and xylol pollutants are emitted. During the year, the Group continued to focus on reducing the impact of the production activities of the plant on the environment, complied strictly with the requirements of Zhongshan Environmental Protection Bureau of Guangdong Province, obtained the Pollutant Emission License, and discharged waste gas in accordance with the rules and standards set forth in the permit. As for other air pollutants, we implemented solid measures to ensure the treatment of such pollutants. Our plants conducted treatment for various air pollutants generated in the process of production in strict accordance with local standards, including the following air pollutants and the corresponding standards:

Organic waste gas pollutants produced in the box molding and plastic blister processing

- The secondary standard of the second period set forth in the local standard of Guangdong Province, the Emission Limits of Air Pollutants (《大氣污染物排放限值》)

- The secondary standard set forth in the Emission Standards for Odor Pollutants (《惡臭污染物排放標準》)

Dust produced in the polishing process and oil mist and waste gas emitted in the deoiling process

- The secondary standard of the second period set forth in the local standard of Guangdong Province, the Emission Limits of Air Pollutants (《大氣污染物排放限值》)

Pollutants emitted in the gilding, printing and drying processes

- The local standard of Guangdong Province, the Emission Standard of Volatile Organic Compounds for Printing Industry (《印刷行業揮法性有機化合物排放標準》)

Organic waste gas produced in the laminating process

- The secondary emission limits of odor concentration index specified in the Emission Standards for Odor Pollutants (《惡臭污染物排放標準》).

During the year, the Group's business involved the use of vehicles, and the fuel consumed included gasoline and diesel, which emitted 152 kilograms, 1 kilogram and 15 kilograms of NOx, SOx and PM, respectively.

Sewage Treatment

As a holder of the Pollutant Emission License of Guangdong Province , Zhongshan Plant of the Group has formulated the standards for sewage emission, and strictly enforced the requirements of the primary standard of the second period set forth in the Emission Limits of Water Pollutants (《水污染物排放限值》) (DB44/26-2001) by requiring that the sewage produced in the course of business must go through specified treatment process before emission, so as to protect the quality of the water source in adjacent areas and reduce the impact on the environment.

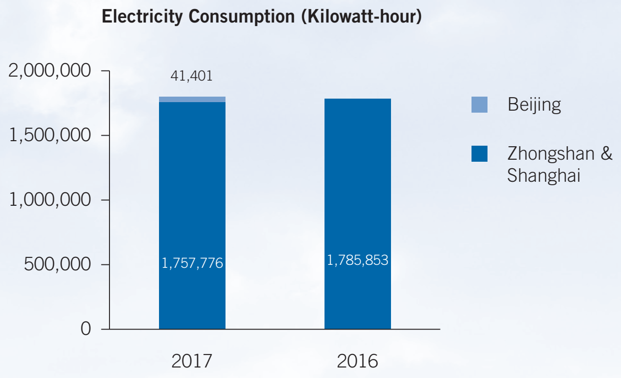
Waste Disposal

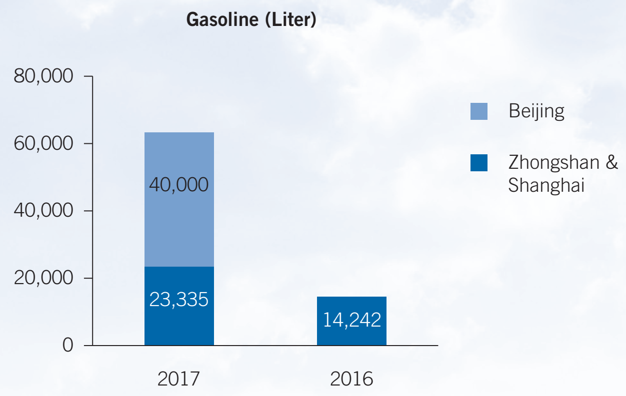
The plant located in Shanghai ("Shanghai Plant") has formulated the Procedures for the Disposal of General Wastes (《一般廢棄物處置程序》), pursuant to which, recyclable wastes are collected by specifically-assigned personnel and non-recyclable wastes are disposed by the property management company. During the year, Shanghai Plant recycled 3.5 tons of general wastes and disposed of 2.3 tons of general wastes. In addition, the industrial wastes produced by Zhongshan Plant, including waste paper, rubber scrap, iron scrap and aluminum scrap, were recycled by the recycling company specifically engaged by the plant. The plant properly places the industrial waste in the designated region. The recyclable waste materials will be carried away by the waste disposal company upon registration for related work of recycling and treatment, and the non-recyclable waste materials will be disposed of and carried away by the waste disposal company on a daily basis. During the year, Zhongshan Plant recycled 436.5 tons of general wastes in total, representing an increase of 19.8 tons as compared with that of 2016.

Resource Consumption

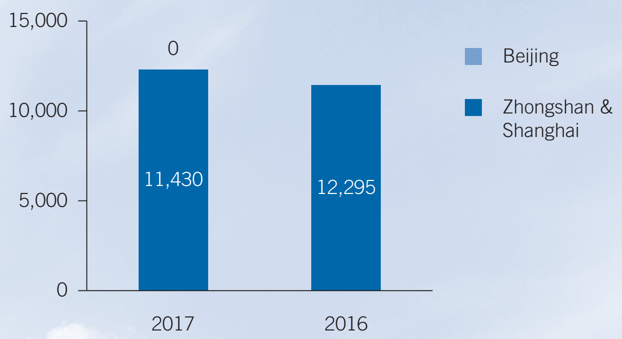
The Group actively advocates resource conservation within the Group, and encourages employees to make their own contributions to the environment and jointly participate in relevant activities. For instance, we remind employees to clean and maintain the workplaces and equipment on a daily basis to extend the service life of the equipment. We also encourage employees to save food and avoid waste when dining in the staff canteen, and remind employees to turn off the unused water supply and power facilities to save water and electricity. In addition, the front of Shanghai office was renovated, and LED lights with high energy efficiency were used wherever possible to reduce electricity consumption.

During the year, our electricity consumption in Zhongshan, Shanghai and Beijing amounted to 1,610,000 kilowatt-hours, 140,000 kilowatt-hours and 40,000 kilowatt-hours, respectively, and our water consumption in Zhongshan and Shanghai amounted to 98,000 tons and 515 tons, respectively. Without taking into account the electricity and water consumed by our business in Beijing, our total electricity consumption and total water consumption during the year decreased as compared with 2016, and the better performance in water and electricity consumption was attributable to the internal dissemination.

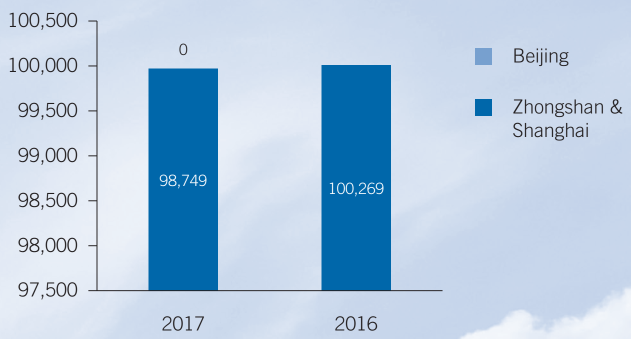




Diesel (Liter)



Municipal Water (Ton)



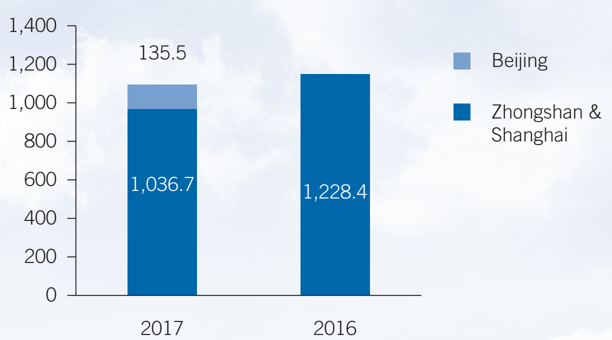
(* The data for 2016 did not take into account the business in Beijing)

In terms of the fuel consumption, Zhongshan Plant consumed 10,053 liters of gasoline and 11,430 liters of diesel respectively during the year, Shanghai Plant consumed 13,282 liters of gasoline, and the office in Beijing consumed 40,000 liters of gasoline. We have adopted a teleconference system for the business in Shanghai to reduce the needs of the employees for business travel and transportation, so as to reduce fuel consumption.

Greenhouse Gases Emissions

The Group emitted 1,172.2 tonnes of carbon dioxide equivalent in the process of energy consumption, including the Scope I (direct emission) and Scope II (indirect emission), of which 198.6 tonnes of carbon dioxide in Scope I were generated from the fuel consumption by automobiles of the Group, higher than that of 2016 for the reason that the relevant data of the business in Beijing was newly included in this year, and 973.6 tonnes of carbon dioxide in Scope II were produced in the power consumption in the operations in Zhongshan, Shanghai and Beijing, lower than that of 2016.

Carbon Dioxide Equivalent (Tonne)



Carbon dioxide equivalent (tonne)	**2017**	2016*
Direct emission (Scope I)	**198.6**	71.2
Indirect emission (Scope II)	**973.6**	1,157.2
Total	**1,172.2**	1,228.4

(* The data for 2016 did not take into account the business in Beijing)

As for the use of packaging materials, Zhongshan Plant used plastic bags and cartons as main packaging materials, with the respective usage quantity reaching 4,300,000 and 760,000 during the year, representing a respective decrease of 200,000 and 40,000 as compared with last year; while Shanghai Plant used approximately 65 tons of plastic bags, representing an increase of 7 tons as compared with last year. In order to reduce the material consumption and in line with the principle of environmental protection, the plastic transit boxes will be reused. In addition, we use various online communication tools such as OA, WeChat and DingTalk for the business in Shanghai to reduce paper consumption.

Green Office

During the year, the Group continued to advocate green indoor environment, and Shanghai office entered into a contract with a professional company, which will provide and take care of the green plants for the office to improve air quality and reduce pollutants, so as to beautify the office and provide the employees with a comfortable working environment.

HUMAN RESOURCE MANAGEMENT

China Touyun is committed to talent cultivation, and strives to provide employees with professional trainings and pave the way for their career development, thus enabling the employees to develop with the business of the Group and create value consistently with joint efforts.

People-oriented

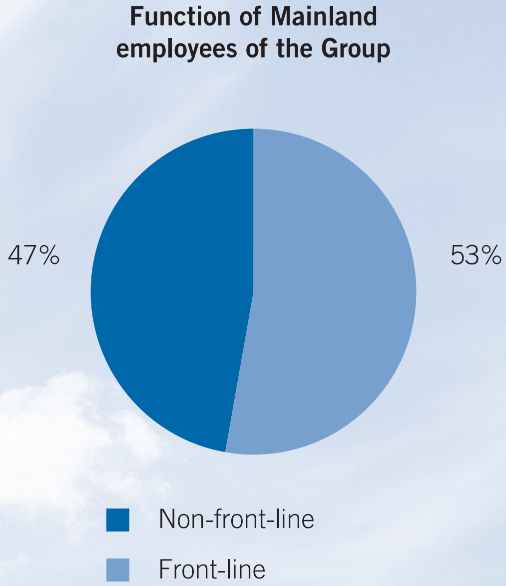
Human resource management is an important part of business development, so the Group values every employee, provides them with a safe and comfortable working environment and strives to promote their personal and professional development. Each subsidiary of the Group has Employees Manual and Letter of Commitment, in order to serve different types of business and regulations, ensure employees' understanding of its internal operation and guarantee the legal compliance in the operation of the Group. Zhongshan Plant also has the Social Responsibility Management Manual, which enables employees to further understand the Company's principles and policies for the performance of social responsibilities.

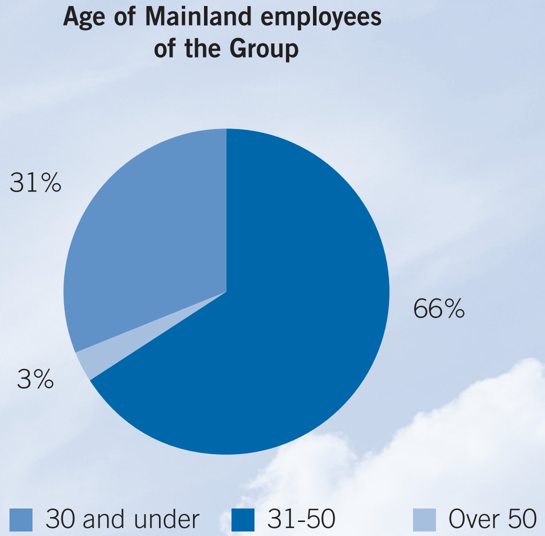
Employee Rights

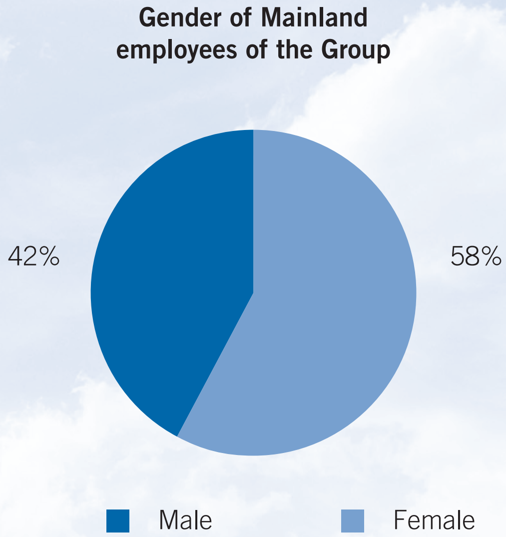
The Group undertakes to comply with the labor-related laws and regulations in the PRC, and respects and abides by the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) (the "Labor Law") and the relevant labor laws of Zhongshan City, Shanghai City and Beijing City, while protecting the legitimate rights and interests of the employees. In addition, the Group abides by the Labor Law and takes cautious action for the employee admission procedures, and will check the identity document of the employees before admission, so as to ensure that it never employs any child laborer under 16 years old. The Group always negotiates with workers' representatives and obtains their consent during the formulation of labor contracts and disciplines and submits the same to the Social Security Bureau for approval and filing. The right of freedom of workers includes the freedom in employment, dismissal, overtime, action, etc., and will not be limited by the Company. During the year, the Group was not aware of any illegal conduct relating to employment and labor practices that caused a material impact on the Group, or any event relating to the use of child laborer or forced labor.

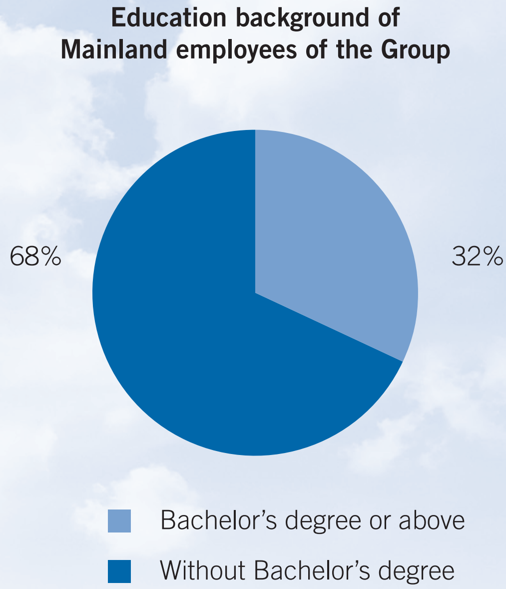
Employee Composition (Mainland China)

In 2017, the Group had a total of 936 employees in the PRC who worked in Zhongshan, Shanghai and Beijing. Among the employees working at the plants in Mainland China, 53% were front-line employees, lower than that of 2016, and 47% were non-front-line employees. In addition, it was the same with previous years that the employees of the Group were mainly at the age of 31 to 50, accounting for 66% of the total number of Mainland employees. 42% of employees were male and approximately 58% were female, which was different from the previous years. 32% of the employees of the Group had the bachelor's degree, representing an increase of 20% as compared with 2016.









Fair Working Environment

The Group attaches importance to the working environment of the employees, and formulates various policies by following the principle of fairness, openness and justice, including recruitment, remuneration, dismissal, internal transfer, working hours, holidays and other benefits and welfare policies, which are all clearly set forth in the Employees Manual. In addition, the Group has established a claim and complaint mechanism for the employees, through which any employees suffering from discrimination or unreasonable treatment can make complaints directly to the workers' representatives and the management of the Group, and we will handle the complaints rigorously.

Human Resource Training

The Group attaches great importance to human resource management, and strives to provide employees with appropriate trainings to help them improve occupational competitiveness and assist them with their personal growth and development. Employees can get an appropriate understanding of the relevant policies and procedures through training procedures and annual training plan. The training resources include tutors, a team of internal training lecturers, external instructors, self-learning courses and practical courses. We have established a training need analysis system and a training evaluation mechanism to establish training objectives and select appropriate training methods, and also conducted training and assessment according to the employees' needs. In addition, the Group will invite third-party professionals to provide assistance in the training for special operators, in order to help them obtain the operation certifications, promote key employees to update their knowledge and improve working capability.

The Group also provides relevant and appropriate courses according to the different posts and needs of the employees. In addition to providing orientation training and pre-job training for new employees to ensure that they can adapt themselves to the work and master relevant working skills, we also offer different on-job trainings to development engineers to help them get to know more auxiliary tools. Moreover, the Group also offers trainings on financial skills and communication skills to the management to enable the management to lead the Company more effectively. During the year, the total training hours received by the employees at Shanghai Plant and Zhongshan Plant were 4,133 hours with a total of 589 employees involved.

Health and Safety

It is the Group's responsibility to ensure the health and safety of the employees, so we have always paid great attention to the health and safety of the employees, and commit to sparing no effort to provide the employees with a safe working environment. During the year, we were not aware of any illegal conduct in respect of occupational safety and health that caused a material impact on the Group. The Group arranges the employees to go through pre-job physical examination, annual physical examination, enjoy holidays and vacations and sign the Health Statement (《健康告知聲明書》), in order to guarantee that they have the suitable health conditions for work, so as to lower occupational risk. In addition, we actively provide a platform for the employees to release working pressure and exercise to improve health conditions, and have established a badminton club and a table tennis club.

The Group has formulated strict internal guidance and system to maintain safety and health. During the year, we circulated the notices on occupational safety for the new employees, offered professional trainings on safety skills for particular departments or posts and disseminated the latest information on occupational safety on a regular basis. We also promptly eliminate hidden dangers of accidents, have established a proper accident report and investigation system, and encourage workers to report accidents and unsafe factors, in order to reduce potential hazards. In addition, the Group has appointed safety and health professionals and the safety director (including those in respect of safety, fire control, first aid, medical treatment, etc.) to carry on the safety and health-related work of the Group, formulate and implement safety and health plans as well as check, inspect and evaluate the safety and health situations of the activities regularly, with an aim to maintain a safe and sanitary plant and thereby protect the safety and health of all the employees.

The Group is committed to promoting occupational safety and health education. During the year, the Group provided 1,541 hours of occupational safety and health training for 206 employees in total. The Group provides orientation training, pre-job training and re-designation training for each employee on occupational safety, ensuring that employees can use machinery in a safe manner to reduce the occurrence of accidents. The Group arranges re-training at least once a year to enable the employees to be familiar with relevant safety rules and measures, offers first-aid, firefighting, evacuation and escape drilling on a regular basis and offers first-aider courses in Zhongshan Plant to prevent the occurrence of accidents. During the year, a total of 7 work accidents occurred in Zhongshan Plant, which resulted in a loss of 173.5 working days due to work injury.

OPERATION MANAGEMENT

China Touyun exerts unremitting efforts on the pursuit of improvement, and strives to perfect its operation practices and achieve outstanding operation by obtaining more international certifications and establishing long lasting relationship with the customers.

Customer First

The Group has been sparing no effort to improve the satisfaction of the customers and establish long lasting business relationship with the customers. Through the establishment of the Customer Satisfaction Measurement Procedures and the collection of the Customer Satisfaction Investigation Survey, the Group can analyze the opinions of the customers on the products and services of the Company and get to know the requirements of the customers, on the basis of which, the Group can make improvements accordingly to reduce customer loss and attract potential customers. In addition, the Group makes its products as the self-owned brand media via QR code, and provides all-round O2O marketing via cloud computing and mobile Internet technology to promote the direct relationship between the brand and the consumers.

During the year, with respect to the health and safety, advertisement, labeling and privacy related matters involved by the products and services of the Group and the remedies therefor, the Group was not aware of any illegal event that had caused any material impact on the Group.

Integrity and Impartiality

The incorrupt operation concept and conduct capabilities are the foundations for the success of the Group. In order to maintain incorrupt across the Group, all employees shall sign the Policy for Employees Raising Concerns about Improprieties, Legal Compliance & Employees' Commitment Letter and the labor rules relating to anti-corruption, and be reminded to maintain conscientious. The Group has formulated the Incorrupt Conduct Rules for Employees to strictly standardize the remuneration packages and business expenditures of the Group's employees. In the meanwhile, the Group dispatches the Incorrupt Conduct Rules of Employees to its suppliers to show them our stance in anti-corruption, so that both parties can cooperate with each other to ensure that there is no illegal, immoral or compromising transaction in any commercial activities.

The company in Shanghai has established anti-corruption policies, measures for preventing corruption and related reporting procedures, and the Group will crack down upon any corruption, promptly make investigations, remedies and corrections, and impose proper punishments on illegal employees. During the year, no illegal conduct was reported to the Group that was related to corruption, blackmail, fraud or money laundering and caused a material impact on the Group.

Supplier Management

The Group attaches great importance to the quality and procurement process of raw materials, therefore, the Purchasing Departments of Zhongshan Plant and Shanghai Plant choose suppliers with strict standards, and conduct evaluation and assessment on a regular basis, in order to ensure all the materials are of good quality. During the year, the Group had 190 suppliers, 65 and 119 of which were mainly in Hong Kong and Mainland, accounting for 97% of the total number of suppliers.

Zhongshan Plant has established the Procurement Policies and Procedures (《採購政策和程序》) and the Standards for Selection of Suppliers (《供應商選擇準則》), pursuant to which, all suppliers must pass the qualification evaluation to ensure that they have the relevant operation certificate and comply with relevant EU and US standards in terms of the product material test and packaging safety, before being included in the list. In addition, Zhongshan Plant also conducts evaluations of suppliers on a regular basis, and the suppliers that fail to comply with standards and make improvement will be disqualified.

In addition, Shanghai Plant has also formulated the Supplier and Purchase Control Procedures (《供應商及採購控制程序》), which specifies the standards for the evaluation and selection of suppliers, and stipulates on the procedural requirements of supplier control and management to ensure the quality of raw materials. The plant conducts regular assessment on suppliers based on the supplier inspection and evaluation forms and the supplier performance assessment forms collected, and the relevant departments will examine several aspects such as the production qualification, material quality, ISO system certification, etc., and check the samples provided by suppliers, in order to screen good suppliers.

Pursuit of Excellence in Products

Management of Intangible Assets

The Group recognizes that the protection of intellectual property rights and information is indispensable in product management and thus attaches great importance to the management of intellectual property rights and source codes and actively protects the originality and integrity of the products. In accordance with the relevant provisions of the Patent Law of the People's Republic of China(《中華人民共和國專利法》), the Group has formulated the Intellectual Property Management System (《知識產權管理制度》) and the Source Code Management Regulation (《源代碼管理規定》) to protect the rights and interests of inventions and creations and enhance the market competitiveness and economic benefits of the Group. To guarantee the integrity and non-disclosure of source codes and products, employees will firstly sign the confidentiality agreement upon joining in the Company and go through the Customer Property Management Procedure (《顧客財產管理程序》) to prevent the divulgence of relevant business secrets.

Quality Assurance

To ensure product quality, the Group strives to improve and manage the production process. During the year, Shanghai Plant has obtained several international quality certifications, including the ISO9001:2015 certification for quality management system, the ISO27001:2013 certification for information security management system and the CMMI3 certification, and evaluated the quality of production by various indicators to ensure the product quality reaches a certain level and to improve the customers' confidence in us.

Zhongshan Plant has formulated the Product Test Procedure (《產品檢驗程序》) to inspect the raw materials, semi-finished products and finished products on a regular basis. In addition, upon receipt of the report on abnormal logo and quality, Shanghai Plant will make comprehensive analysis of the reasons for abnormality from the label and equipment and make immediate improvements in accordance with the Non-conforming Product Control Procedure (《不合格品控制程序》) and the Corrective & Preventative Measures Control Procedures (《糾正預防措施控制程序》). During the year, the QR code business of the Group in Shanghai only received one product-related complaint on the abnormal quality of a customer label, after which, the relevant departments replaced the label for the customer free of charge and followed up and made improvements to provide better products and experience for customer.

Participation in Community

Taking the community responsibility as its own duty, the Group actively participates in the public-welfare charity activities, and expresses its sincere gratitude to the society by strengthening the communication and cooperation with the community. During the year, the Group participated in the voluntary work for 16 hours. In addition, the Group donated RMB5,000 to Red Cross of Sanjiao Town, Zhongshan City as the expenditure for Zhongshan Ten Thousand People's Parade for Charity in 2017.

INDEPENDENT AUDITOR'S REPORT

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大華馬施雲
會計師事務所有限公司

Independent Auditor's Report to the Members of China Touyun Tech Group Limited
(Formerly known as China Opto Holdings Limited)
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of China Touyun Tech Group Limited and its subsidiaries ("the Group") set out on pages 45 to 129, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by 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 these requirements and 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 matter	How the matter was addressed in our audit
Purchase price allocation of a business combination	
On 27 March 2017, the Group acquired the entire interest in 信碼互通(北京)科技有限公司 (Sigmatrix Technology Co., Ltd*) ("Sigmatrix") which has been engaged in the provision of QR code on products packaging and solutions in People's Republic of China (the "PRC") for a consideration of HK$62.2 million. HKFRS 3 "Business Combinations" requires an acquirer to recognise identifiable assets and liabilities of an acquiree at the date of acquisition. Other than those assets and liabilities of Sigmatrix as described in note 36, the management of the Company had not identified other assets and liabilities. Goodwill of HK$39.9 million had been recognised at the date of the acquisition. Details of the acquisition are set out in note 36 to the consolidated financial statements.	Our procedures to address the matter included: • Reviewed the relevant sale and purchase agreement to understand the key terms and conditions as part of the process to identify the assets and liabilities of Sigmatrix; • Assessed and challenged the management's identification of assets and liabilities as at the date of acquisition; • Discussed with the independent external valuer engaged by the Group the methodologies and assumptions used in arriving at the fair value of the identifiable assets and liabilities of Sigmatrix at the date of acquisition and assessed the reasonableness of methodologies and assumptions being used; • Checked, on a sample basis, the accuracy and reliance of the input data used; and • Assessed the competency of the independent external valuer taking into account its experience and qualifications.

* The English name of the PRC entity are translation of Chinese name and are included herein for identification only.

Key audit matter	How the matter was addressed in our audit
Impairment assessment of goodwill	
As at 31 December 2017, the Group had goodwill amounting to HK$201.7 million, arising from the acquisition of Sigmatrix as described above and acquisition of Apex Capital Business Limited and its subsidiaries (the "Apex Group") during the year ended 31 December 2016. Goodwill is required to be assessed for impairment in the period in which the acquisition takes place and at least annually in accordance with the applicable accounting standard. The growth of the QR code business of the Apex Group was not as good as expected. An impairment loss of approximately HK$104.7 million was recognised for the year ended 31 December 2017. No impairment was recognised for CGU of Sigmatrix. Impairment assessment is subjective and highly judgemental and has a high degree of estimation uncertainty. We therefore identified the impairment assessment of goodwill as a key audit matter. Details of the impairment assessment of goodwill are set out in note 18 to the consolidated financial statements.	Our procedures to address the matter included: • Obtained the cash flow forecast of each of the cash-generating units ("CGU") approved by the directors of the Company for impairment assessment; • Discussed with the management of the Company and the independent external valuer engaged by the Group and assessed the reasonableness of the valuation methodology; • Discussed with the management of the Company and the independent external valuer and challenged the reasonableness of key assumptions being used based on our knowledge of the business and industry, including the discount rate, sale growth rate, sale quantity and unit selling price; • Checked, on a sample basis, the accuracy and reliance of the input data used; • Assessed the competency of the independent external valuer taking into account its experience and qualifications; and • Compared the recoverable amount with the carrying amount of each CGU to assess whether adequacy of impairment loss has been made by the Group.

Key audit matter	How the matter was addressed in our audit
Impairment assessment of available-for-sale investments	
Details of the Group's available-for-sale investments are set out in note 20 to the consolidated financial statements. An impairment indicator was identified by the management of the Company taking into account significant loss incurred by the investees. Accordingly, the Group recognised an impairment loss of HK$72.2 million for the year ended 31 December 2017. The carrying amount of the available-for-sale investments after impairment as at 31 December 2017 amounted to HK$411.2 million. Impairment assessment of the unquoted equity investment is highly judgemental and involves a high degree of estimation uncertainty. We therefore identified the impairment assessment as a key audit matter.	Our procedures to address the matter included: • Obtained the latest management accounts of the investee for impairment assessment; • Discussed with the management of the Company and the investee the bases used in determining the carrying amount of the major assets and liabilities of the investee; and • Assessed and challenged the management's estimates of the recoverable amount of the investee.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the chairman's statement, management discussion and analysis, corporate governance report and directors' report but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities 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. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 judgement 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 of the Company.

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

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

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

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

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

From the matters communicated with the Audit Committee, 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.

Moore Stephens CPA Limited
Certified Public Accountants

Chan King Keung
Practising Certificate Number: P06057

Hong Kong, 26 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Continuing operations			
Fair value losses on financial assets at fair value through profit or loss, net	5	**(80,248)**	(361,874)
Revenue	5	**397,947**	324,251
Cost of sales		**(279,925)**	(236,457)
Gross profit		**118,022**	87,794
Other income, gains and losses, net	6	**(111,520)**	(716,291)
Selling and distribution expenses		**(34,170)**	(17,568)
Administrative expenses		**(138,368)**	(74,789)
Finance costs	7	**(5,693)**	(10,060)
Share of result of a joint venture	19	**2,990**	(15,050)
Loss before tax	8	**(248,987)**	(1,107,838)
Income tax	11	**(4,229)**	(26)
Loss for the year from continuing operations		**(253,216)**	(1,107,864)
Discontinued operations			
Loss for the year from discontinued operations	12	**–**	(55,959)
Loss for the year		**(253,216)**	(1,163,823)
Loss attributable to:			
Owners of the Company			
— from continuing operations		**(245,226)**	(1,094,866)
— from discontinued operations		**–**	(55,959)
Loss for the year attributable to owners of the Company		**(245,226)**	(1,150,825)
Non-controlling interests			
— from continuing operations		**(7,990)**	(12,998)
Loss for the year attributable to non-controlling interests		**(7,990)**	(12,998)
		(253,216)	(1,163,823)
Loss per share attributable to owners of the Company	14		
— from continuing and discontinued operations			
Basic and diluted		**HK(2.50) cents**	HK(17.69) cents
— from continuing operations			
Basic and diluted		**HK(2.50) cents**	HK(16.83) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Loss for the year	**(253,216)**	(1,163,823)
Other comprehensive income (loss)		
Other comprehensive income (loss) that will be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
— Changes in fair value	–	(8,800)
— Reclassification adjustments of fair value loss on disposal of available-for-sales investments to profit or loss, net of tax	–	5,390
Exchange differences on translation of foreign operations	**7,682**	(3,388)
Other comprehensive income (loss) for the year, net of tax	**7,682**	(6,798)
Total comprehensive loss for the year	**(245,534)**	(1,170,621)
Total comprehensive loss attributable to:		
Owners of the Company	**(237,544)**	(1,157,623)
Non-controlling interests	**(7,990)**	(12,998)
	(245,534)	(1,170,621)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	15	**70,671**	27,975
Intangible assets	17	**15,808**	2,517
Goodwill	18	**201,725**	266,514
Interests in a joint venture	19	**141,549**	136,026
Available-for-sale investments	20	**411,240**	430,191
Prepayments	21	**8,772**	2,196
Total non-current assets		**849,765**	865,419
Current assets			
Inventories	22	**22,551**	20,925
Trade and bills receivables	23	**75,251**	64,794
Prepayments, deposits and other receivables	21	**24,917**	12,253
Financial assets at fair value through profit or loss	24	**14,250**	97,500
Restricted deposits	25	**10,920**	–
Cash and cash equivalents	25	**348,655**	206,054
		496,544	401,526
Non-current assets classified as held for sale	26	**2,116**	–
Total current assets		**498,660**	401,526
Current liabilities			
Trade and bills payables	27	**47,795**	25,566
Other payables and accruals	28	**35,884**	35,773
Tax payable		**4,080**	–
Derivative embedded in convertible bond	29	**1,827**	–
Interest-bearing other borrowings	30	**–**	12,022
Obligations under finance lease	31	**1,536**	–
		91,122	73,361
Net current assets		**407,538**	328,165
Total assets less current liabilities		**1,257,303**	1,193,584

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Deferred tax liabilities	32	56	172
Convertible bond	29	298,558	–
Obligations under finance lease	31	805	–
		299,419	172
Net assets		957,884	1,193,412
Equity			
Equity attributable to owners of the parent			
Share capital	33	97,973	97,973
Reserves	34	859,369	1,086,946
		957,342	1,184,919
Non-controlling interests		542	8,493
Total equity		957,884	1,193,412

Wang Liang
Director

Du Dong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

		Attributable to owners of the parent											
	Notes	Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000 (note 34(a))	Contributed surplus HK$'000 (note 34(b))	Other equity instrument HK$'000 (note 34(c))	Share option reserve HK$'000 (note 34(d))	Available-for-sale investment revaluation reserve HK$'000	Translation reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016		45,286	243,779	45,291	(34,425)	14,915	–	3,410	(356)	461,210	779,110	–	779,110
Loss for the year		–	–	–	–	–	–	–	–	(1,150,825)	(1,150,825)	(12,998)	(1,163,823)
Other comprehensive (loss)/income that will be reclassified to profit or loss in subsequent period:													
Available-for-sale investments:													
– Change in fair value		–	–	–	–	–	–	(8,800)	–	–	(8,800)	–	(8,800)
– Reclassification adjustments of fair value loss on disposal of available-for-sales investments to profit or loss		–	–	–	–	–	–	5,390	–	–	5,390	–	5,390
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(3,388)	–	(3,388)	–	(3,388)
Total comprehensive loss for the year		–	–	–	–	–	–	(3,410)	(3,388)	(1,150,825)	(1,157,623)	(12,998)	(1,170,621)
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	–	112	112
Transaction with non-controlling interests	38	–	–	–	–	–	–	–	–	11	11	21,379	21,390
Issue of shares	33	5,751	101,174	–	–	(14,915)	–	–	–	–	92,010	–	92,010
Issue of shares	33	20,400	693,600	–	–	–	–	–	–	–	714,000	–	714,000
Placing of new shares	33	4,207	113,600	–	–	–	–	–	–	–	117,807	–	117,807
Issue of shares	33	6,000	231,000	–	–	–	–	–	–	–	237,000	–	237,000
Placing of new shares	33	16,329	391,891	–	–	–	–	–	–	–	408,220	–	408,220
Share issue expenses	33	–	(5,616)	–	–	–	–	–	–	–	(5,616)	–	(5,616)
Transactions with equity shareholders and non-controlling interests		52,687	1,525,649	–	–	(14,915)	–	–	–	11	1,563,432	21,491	1,584,923
At 31 December 2016		97,973	1,769,428*	45,291*	(34,425)*	–*	–*	–*	(3,744)*	(689,604)*	1,184,919	8,493	1,193,412

		Attributable to owners of the parent											
	Notes	Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000 (note 34(a))	Contributed surplus HK$'000 (note 34(b))	Other equity instrument HK$'000 (note 34(c))	Share option reserve HK$'000 (note 34(d))	Available-for-sale investment revaluation reserve HK$'000	Translation reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017		97,973	1,769,428	45,291	(34,425)	–	–	–	(3,744)	(689,604)	1,184,919	8,493	1,193,412
Loss for the year		–	–	–	–	–	–	–	–	(245,226)	(245,226)	(7,990)	(253,216)
Other comprehensive (loss)/income that will be reclassified to profit or loss in subsequent period:													
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	7,682	–	7,682	–	7,682
Total comprehensive loss for the year		–	–	–	–	–	–	–	7,682	(245,226)	(237,544)	(7,990)	(245,534)
Transaction with non-controlling interests	38	–	–	–	–	–	–	–	–	(39)	(39)	39	–
Equity-settled share-based payments	35	–	–	–	–	–	10,006	–	–	–	10,006	–	10,006
Transactions with equity shareholders and non-controlling interests		–	–	–	–	–	10,006	–	–	(39)	9,967	39	10,006
At 31 December 2017		97,973	1,769,428*	45,291*	(34,425)*	–*	10,006*	–*	3,938*	(934,869)*	957,342	542	957,884

* These reserve accounts comprise the consolidated reserves of HK$859,369,000 (2016: HK$1,086,946,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Loss before tax			
— Continuing operations		(248,987)	(1,107,838)
— Discontinued operations		–	(55,959)
		(248,987)	(1,163,797)
Adjustments for:			
Amortisation of intangible assets	17	435	132
Bank interest income		(208)	(211)
Dividend in specie from available-for-sale investments		(53,217)	–
Depreciation	15	8,950	3,225
Loss on disposal of available-for-sale investments	6	–	5,451
Fair value loss on equity investments at fair value through profit or loss, net		80,248	361,874
Fair value gain on derivative component of convertible bond	6	(14,515)	–
Equity-settled share option expense	8	10,006	–
Finance costs	7	5,693	10,060
Gain on dilution of interest in a joint venture	19	(2,533)	(1,076)
Gain on disposals of subsidiaries, net	37	–	(6,009)
Share of result of a joint venture	19	(2,990)	15,050
Loss on disposal of property, plant and equipment	6	1,443	–
Impairment loss of available-for-sale investments	6	72,168	453,834
Impairment loss of/(reversal of) trade receivables, net	6	66	(85)
Impairment loss of goodwill	6	104,664	263,558
Other receivables written off	6	–	1,798
Write-down of inventories to net realisable value	8	–	20,830
Write-down of property, plant and equipment	15	–	3,010
		(38,777)	(32,356)
Decrease in inventories		3,946	7,707
(Increase)/decrease in trade and bills receivables, prepayments, deposits and other receivables		(21,980)	14,348
Decrease in loan and interest receivables		–	30,223
Decrease in financial assets at fair value through profit or loss		3,002	208,002
Increase in trade and bills payables, and other payables and accruals		13,197	7,964
Cash (used in)/generated from operations		(40,612)	235,888

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash (used in)/generated from operations		(40,612)	235,888
Interest received		208	211
Interest paid		(232)	(10,060)
Hong Kong Profits Tax paid		(265)	(141)
Net cash flows (used in)/from operating activities		(40,901)	225,898
Cash flows from investing activities			
Purchases of property, plant and equipment		(38,596)	(6,306)
Additions to intangible assets		(13,398)	–
Proceeds from disposal of available-for-sale investments		–	16,179
Proceeds from disposal of property, plant and equipment		1,270	–
Increase in restricted deposit		(10,920)	–
Disposal of subsidiaries	37	–	17,815
Acquisition of subsidiaries	36	(56,112)	(119,718)
Investment in a joint venture	19	–	(150,000)
Net cash flows used in investing activities		(117,756)	(242,030)
Cash flows from financing activities			
Proceeds from placing of new shares	33	–	618,037
Share issue expenses	33		(5,616)
Proceeds from issue of convertible bond	29	312,000	–
Issuance cost of convertible bond	29	(2,561)	–
Repayment of finance lease		(732)	–
New interest-bearing other borrowings	30	–	12,022
Repayment of promissory note		–	(258,000)
Repayment of interest bearing other borrowings		(12,022)	(201,053)
Capital injection by non-controlling interest upon incorporation of a subsidiary		–	112
Capital injection by non-controlling interest into a subsidiary	38	–	21,390
Net cash flows from financing activities		296,685	186,892
Net increase in cash and cash equivalents		138,028	170,760
Cash and cash equivalents at beginning of year		206,054	36,179
Effect of foreign exchange rate changes, net		4,573	(885)
Cash and cash equivalents at end of year		348,655	206,054

1. CORPORATE AND GROUP INFORMATION

China Touyun Tech Group Limited (the "Company") was incorporated in Bermuda under the Companies Act 1981 of Bermuda as an exempted company with limited liability on 24 October 2011. The principal place of business of the Company is located at 12th Floor, Kwan Chart Tower, 6 Tonnochy Road, Wan Chai, Hong Kong. During the year, the principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are (i) provision of QR codes on product packaging and solutions and online advertising display services; (ii) the manufacture and sale of packaging products; and (iii) investments and trading in securities and money lending.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements include applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared under the historical cost convention, except for listed equity investments classified as financial assets at fair value through profit or loss which have been measured at fair value.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional currency. All values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Statement of compliance *(Continued)*

Basis of consolidation *(Continued)*

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

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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 above. A change in the ownership interest of a subsidiary, without loss of control, is accounted for an equity transaction.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any investment retained and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Changes in accounting policies and disclosures

In the preparation of the consolidated financial statements for the year ended 31 December 2017, the Group has applied, for the first time, the following new and revised standards issued by the HKICPA.

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

These new standards and interpretations do not have significant impact to the Group. However, additional disclosure has been included in note 25 to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Comparative information is not included in accordance with the transitional provisions set out in the amendments.

(c) Issued but not yet effective HKFRSs

The Group has not early applied the following new and revised standards, amendments and interpretation that have been issued but are not yet effective.

		Effective for annual reporting periods beginning on or after
HKAS 28 and HKFRS 10 amendments	Sale or contribution of assets between an investor and its associate or joint venture	To be determined*
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 amendments	Clarification to HKFRS 15 Revenue contracts with customer	1 January 2018
HKFRS 2 amendments	Share-based payment: Classification and measurement of share-based payment transactions	1 January 2018
HKAS 40 amendments	Investment property: Transfers of investment property	1 January 2018
HK(IFRIC) Interpretation 22	Foreign currency transactions and advance consideration	1 January 2018
Amendments to HKFRSs	Annual improvements to HKFRSs 2014–2016	1 January 2018
Amendments to HKFRSs	Annual improvements to HKFRSs 2015–2017	1 January 2019
HKFRS 9 amendments	Prepayment features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC) Interpretation 23	Uncertainty over income tax treatments	1 January 2019

* The amendments were original intended to be effective for annual periods beginning on or after 1 January 2017. The effective date has now been deferred. Early application of the amendments continues to be permitted.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Issued but not yet effective HKFRSs *(Continued)*

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

HKFRS 9 "Financial Instruments"

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

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

The financial assets held by the Group include:

- equity investments currently classified as available-for-sale financial asset for which a fair value through other comprehensive income ("FVTOCI") election is available under HKFRS 9 if the Group chooses to designate them as such at the date of initial application; and

- equity investments currently measured at fair value through profit or loss ("FVTPL") which will continue to be measured on the same basis under HKFRS 9.

Accordingly, the Group preliminarily does not expect the new guidance to affect the classification and measurement of the financial assets at FVTPL. The Group intends to designate the available-for-sale investments currently carried at cost less impairment to be financial asset at FVTOCI. Those assets will be subsequently measured at fair value with fair value changes being recognised in other comprehensive income. Gains or losses realised on the sale of financial assets at FVTOCI will be reclassified below the line from the FVTOCI reserve to retained earnings. Detailed impact will be disclosed in the consolidated financial statements for the year ending 31 December 2018.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Issued but not yet effective HKFRSs *(Continued)*

HKFRS 9 "Financial Instruments" *(Continued)*

Impact (Continued)

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any hedge relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects the impact is insignificant.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 15 "Revenue from Contracts with Customers"

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has preliminarily assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Based on the preliminary assessment so far, the Group considers that the initial application of HKFRS 15 will not have a significant impact on the Group's results of operations and financial position. Detailed impact will be disclosed in the consolidated financial statements for the year ending 31 December 2018.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Issued but not yet effective HKFRSs *(Continued)*

HKFRS 16 "Leases"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$22,688,000. The Group estimates that approximately 3% of these relate to payments for short-term and low value leases which will continue to be accounted for based on the current accounting model.

Detailed impact will be disclosed after a detailed analysis is performed.

(d) Investment in a joint venture

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

The Group's investment in a joint venture is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of a joint venture is included in the consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint venture is eliminated to the extent of the Group's investment in an associate or a joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of a joint venture is included as part of the Group's investment in a joint venture.

If an investment in a joint venture becomes an investment in an associate, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Gains or losses on dilution of equity interest in a joint venture are recognised in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Business combinations and goodwill *(Continued)*

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

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

(f) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Land and buildings	2% to 5% or over the unexpired terms of the leases, and not longer than 50 years
Leasehold improvements	20% or over the unexpired terms of the leases, if less than 5 years
Furniture, fixtures and equipment	10% to 33 1/3%
Motor vehicles	20% to 25%
Plant and machinery	10% to 33 1/3%
Moulds	15%

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Leases

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

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

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

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

(h) Intangible assets other than goodwill

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and accumulated impairment losses, if any. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The principal annual rate used for amortisation is as follows:

Patent	10%
Research and development	33.3%

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Intangible assets other than goodwill *(Continued)*

Research and development expenditure

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Impairment of non-financial assets

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

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

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

(j) Investments and other financial assets

Initial recognition and measurement

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Investments and other financial assets *(Continued)*

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in that statement of financial position at fair value with net changes in fair value recognised in profit or loss. These net fair value changes do not include any dividends on theses financial assets.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Investments and other financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

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

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are subsequently stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(l) Impairment of financial assets

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

Financial assets carried at amortised cost

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost *(Continued)*

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

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

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

Available-for-sale financial investments

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

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss — is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Impairment of financial assets *(Continued)*

Available-for-sale financial investments *(Continued)*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

(m) Financial liabilities

Initial recognition and measurement

Financial liabilities, at initial recognition, are recognised at fair value.

The Group's financial liabilities include trade and bills payables, other payables and accruals, interest-bearing other borrowings and financial liabilities at fair value through profit or loss.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Financial liabilities *(Continued)*

Subsequent measurement *(Continued)*

Loans and borrowings

After initial recognition, the Group's financial liabilities that include trade and bills payable, other payables and accruals and interest-bearing other borrowings are subsequently measured at amortised cost, using the effective interest rate method.

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

Convertible bonds

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible loan notes is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible loan notes using the effective interest method.

Derivative financial instruments

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

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. Generally, multiple embedded derivatives in a single instrument are treated as a single compound embedded derivative unless those derivatives relate to different risk exposure and are readily separate and independent of each other.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

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

(o) Offsetting of financial instruments

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

(p) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(q) Cash and cash equivalents

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

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

(r) Provisions

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) gains or losses on trading of securities are recognised on a trade date basis when the relevant transaction are executed;

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

(d) revenue from online advertising display services is recognised on a straight line basis over the performance period for which the advertisements are displayed;

(e) service income is recognised when the services have been rendered;

(f) rental income, on a time proportion basis over the lease terms; and

(g) dividend income, when the shareholders' right to receive payment has been established.

(t) Borrowing costs

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(u) Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(v) Other employee benefits

Pension schemes

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

The Group also operates a Mandatory Provident Fund Exempted Occupational Retirement Schemes Ordinance ("ORSO") retirement benefit scheme for those employees who are eligible to participate in the ORSO scheme. This scheme operates in a way similar to the MPF Scheme, except that when an employee leaves the scheme prior to his/her interest in the Group's employee contributions vesting fully, the ongoing contributions payable by the Group are reduced by the relevant amount of forfeited employer's contributions.

The employees of the Group's subsidiaries which operates in People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

(w) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(w) Income tax *(Continued)*

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(x) Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated to Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(y) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(z) Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

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

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Significant judgement

Classification of joint arrangements

Pursuant to the joint venture agreements in relation to FreeOpt Holdings Limited ("FreeOpt"), a company engaged in investment holding and money lending, unanimous consent from all parties is required for the relevant activities. In the opinion of the directors of the Company, the Company is able to exert joint control over the relevant activities of FreeOpt despite the equity interest held by the Group as at 31 December 2017 was only 31.38%. This entity is therefore classified as a joint venture. Further details please refer to note 19.

Estimation uncertainty

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

Impairment assessment on goodwill

The Group determines whether goodwill is impaired at least on an annual basis. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2017, the carrying amount of goodwill is HK$201,725,000 (2016: HK$266,514,000) net of impairment loss of HK$104,664,000 (2016: HK$263,558,000) being recognised in profit or loss for the year ended 31 December 2017. Details of the recoverable amount calculation are disclosed in note 18.

Impairment of available-for-sale investments that are measured at cost less impairment

Determining whether available-for-sale investments are impaired requires an estimation of future cash flows discounted at the current market rate of return of similar assets or recent transaction price and the assessment of the ability for repayment by the investees. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2017, the carrying amount of available-for-sale investments was HK$411,240,000 (2016: HK$430,191,000) as set out in note 20.

Provision for obsolete and slow-moving inventories

The Group has a general provision policy on inventories based on ageing. The Group's sales and marketing managers review the inventory ageing listing on a periodical basis for those aged inventories. This involves a comparison of the carrying values of aged inventory items with their respective net realisable values. The purpose is to ascertain whether allowance is required to be made in the financial statements for any obsolete and slow-moving items. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether allowance needs to be made in respect of any obsolete and defective inventories identified.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of loans and receivables

The Group assesses at the end of the reporting period whether there is any objective evidence that a loan and receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

The Group maintains an allowance for estimated impairment of receivables arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of its receivable balances, debtors' creditworthiness, past repayment history and historical write-off experience. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details of the amount of unrecognised tax losses are set out in note 32 to the financial statements.

Fair value of derivative component of convertible bonds

Derivative component of convertible bonds has been valued based on a valuation technique of binomial model that incorporates various market inputs including risk-free rate, volatility, liquidity discount and risky discount rate, and hence they are subject to uncertainty. The fair value of derivative component of convertible bonds at 31 December 2017 was HK$1,827,000. Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are disclosed in note 29 and note 43 to the financial statements.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield. The assumptions and models used for estimating fair value for share-based payments are disclosed in note 35.

4. SEGMENT INFORMATION

The Group has three reportable segments from continuing operations. The segments are managed separately as each business offers different products or provides different services and requires different business strategies. In August 2016, the Group completed the acquisition of 100% equity interest in Apex Capital Business Limited ("Apex") and its subsidiaries ("Apex Group"). Apex Group is a group of companies engaged in provision of QR code on product packaging and solutions and online advertising display services, and accordingly which forms a new reportable segment to the Group. Comparative information for the Group's operating segments has been restated. The trading of apparel products segment was disposed of on 21 November 2016 and was presented as discontinued operations during the year ended 31 December 2016 and hence the segment information in this note does not include information relating to discontinued operations. Details of discontinued operations are set out in note 12.

The following summary describes the operations in each of the Group's reportable segments:

Continuing operations:

QR code business segment	—	Provision of QR code on product packaging and solutions and online advertising display services
Packaging products segment	—	Manufacture and sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units
Treasury investment segment	—	Investments and trading in securities and money lending

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that finance costs, share of results of a joint venture and head office and corporate income and expenses are excluded from such measurement.

There was no inter-segment sale or transfer during the year (2016: Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision makers for assessment of segment performance.

4. SEGMENT INFORMATION *(Continued)*

	Continuing operations							
	QR code business		Packaging products		Treasury investment		Total	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Group's revenue	78,791	23,072	318,656	294,674	500	6,505	397,947	324,251
Fair value losses on financial assets at fair value through profit or loss, net	–	–	–	–	(80,248)	(361,874)	(80,248)	(361,874)
Segment revenue	78,791	23,072	318,656	294,674	(79,748)	(355,369)	317,699	(37,623)
Segment results	(157,723)	(268,463)	25,947	16,541	(79,874)	(360,884)	(211,650)	(612,806)
Corporate and unallocated income, gains and losses							(5,978)	(452,757)
Corporate and unallocated expenses							(28,656)	(17,165)
Share of result of a joint venture							2,990	(15,050)
Finance costs							(5,693)	(10,060)
Loss before tax							(248,987)	(1,107,838)

	Continuing operations							
	QR code business		Packaging products		Treasury investment		Total	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Other segment information:								
Capital expenditure								
– operating segment	51,379	4,409	3,662	1,897	–	–	55,041	6,306
– unallocated	–	–	–	–	–	–	25	–
							55,066	6,306
Bank interest income								
– operating segment	160	113	46	95	–	–	206	208
– unallocated							2	–
							208	208
Depreciation								
– operating segment	7,422	991	1,518	1,535	–	–	8,940	2,526
– unallocated							10	–
							8,950	2,526
Amortisation	435	132	–	–	–	–	435	132
Loss/(gain) on disposal of property, plant and equipment	1,633	–	(190)	–	–	–	1,443	–
Impairment loss of/(reversal of) trade receivables, net	17	–	49	(85)	–	–	66	(85)
Other receivable written off	–	1,798	–	–	–	–	–	1,798
Impairment loss of goodwill	104,664	263,558	–	–	–	–	104,664	263,558

4. SEGMENT INFORMATION *(Continued)*

Revenue from external customers based on the locations of these customers is analysed as follows:

	2017 HK$'000	2016 HK$'000
QR code business		
– PRC	78,791	23,072
Packaging products		
– Hong Kong and the PRC	188,050	148,853
– Europe	81,280	80,725
– North and South America	30,674	43,841
– Others	18,652	21,255
	318,656	294,674
Treasury investment		
– Hong Kong	(79,748)	(355,369)
Segment revenue	317,699	(37,623)

The geographical locations of the Group's non-current assets, except for available-for-sale investments are analysed as follows:

	2017 HK$'000	2016 HK$'000
Hong Kong	295,539	404,671
The Mainland China	142,986	30,557
	438,525	435,228

The non-current asset information above is based on the locations of the assets.

Information about major customers

Revenue derived from customers in the packaging products segment which individually accounted for more than 10% of the Group's revenue is as follows:

	2017 HK$'000	2016 HK$'000
Customer A	96,766	94,452

5. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, value of services rendered, net fair value gains and losses on financial assets at fair value through profit or loss and interest income and dividend income on the Group's investment portfolios. The amounts of each significant category of revenue recognised in revenue during the year are as follows:

	2017 HK$'000	2016 HK$'000
Revenue		
Manufacturing and sales of packaging products	318,656	294,673
Provision of QR code on packaging products and solutions	73,545	12,818
Online advertising display services income	5,246	10,255
Interest income from convertible notes	–	1,668
Interest income from loans receivables	–	4,837
Dividend income from financial assets at fair value through profit or loss	500	–
	397,947	324,251
Fair value losses on financial assets at fair value through profit or loss, net	(80,248)	(361,874)

* The gross proceeds from the disposal of listed equity investments classified as financial assets at fair value through profit or loss for the year were approximately HK$39,378,000 (2016: HK$356,927,000).

6. OTHER INCOME, GAINS AND LOSSES, NET

An analysis of the Group's other income, gains and losses, net is as follows:

	Notes	2017 HK$'000	2016 HK$'000
Bank interest income		208	208
Dividend in specie from available-for-sale investment	20(iv)	53,217	–
Sale of scrap materials		100	320
Gain on disposal of subsidiaries	37	–	7,295
Loss on disposal of available-for-sale investment, net		–	(5,451)
Gain on dilution of interest in a joint venture	19	2,533	1,076
Fair value gain on derivative component of convertible bonds	29	14,515	–
Foreign exchange differences, net		(4,465)	(727)
Impairment loss of goodwill	18	(104,664)	(263,558)
(Impairment loss of)/reversal of trade receivables, net	23	(66)	85
Impairment loss of available-for-sale investments	20	(72,168)	(453,834)
Other receivables written off		–	(1,798)
Loss on disposal of property, plant and equipment		(1,443)	–
Others		713	93
		(111,520)	(716,291)

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 HK$'000	2016 HK$'000
Interest expense on convertible bond	5,461	–
Interest on obligations under finance lease	76	–
Interest expense on other borrowings	156	4,653
Interest expense on promissory note	–	5,407
	5,693	10,060

8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Notes	2017 HK$'000	2016 HK$'000
Continuing operations:			
Auditors' remuneration		1,200	1,000
Cost of inventories sold		279,925	236,457
Depreciation		8,950	2,526
Amortisation of intangible assets	17	435	132
Minimum lease payments under operating leases		12,901	9,795
Research and development cost		42,586	3,148
Less: Capitalised amount		(13,398)	–
		29,188	3,148
Employee benefits expenses (including directors' remuneration (note 9)):			
Wages and salaries		114,489	95,258
Pension scheme contributions		9,086	9,957
		123,575	105,215
Equity-settled share option expense	35	10,006	–
Discontinued operations (Note 12):			
Auditors' remuneration		–	39
Cost of inventories sold		–	387
Depreciation		–	699
Employee benefits expenses (including directors' remuneration):			
Wages and salaries		–	3,610
Pension scheme contributions		–	66
		–	3,676
Write-down of property, plant and equipment	15	–	3,010
Write-down of inventories to net realisable value		–	20,830

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017 HK$'000	2016 HK$'000
Fees	791	1,578
Other emoluments:		
Salaries, allowances and benefits in kind	3,498	5,228
Bonus	455	–
Share-based payment	139	–
Pension scheme contributions	97	212
	4,980	7,018

(a) Executive directors and non-executive directors

Year ended 31 December 2017	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonus HK$'000	Pension scheme contributions HK$'000	Sub-total HK$'000	Share-based payment HK$'000	Total remuneration HK$'000
Executive directors:								
Mr. Wang Liang		–	1,200	200	18	1,418	40	1,458
Mr. Du Dong		–	960	160	18	1,138	34	1,172
Mr. Lo Yuen Wa Peter		–	936	78	18	1,032	10	1,042
		–	3,096	438	54	3,588	84	3,672
Non-executive directors:								
Mr. Chen Hui		–	402	17	43	462	34	496
Dr. Lam How Mun Peter	(i)	47	–	–	–	47	–	47
		47	402	17	43	509	34	543
		47	3,498	455	97	4,097	118	4,215

9. DIRECTORS' REMUNERATION *(Continued)*

(a) Executive directors and non-executive directors *(Continued)*

Year ended 31 December 2016	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:					
Mr. Wang Liang	(ii)	–	433	20	453
Mr. Du Dong	(iii)	–	48	–	48
Ms. Poon Ho Yee Agnes	(iv)	–	2,494	115	2,609
Mr. Lo Yuen Wa Peter		–	975	18	993
Ms. Sun Dixie Hui	(iv)	–	1,247	58	1,305
Ms. Lin Ying	(v)	–	31	1	32
		–	5,228	212	5,440
Non-executive directors:					
Mr. Chen Hui	(ii)	2	–	–	2
Dr. Lam How Mun Peter		720	–	–	720
		722	–	–	722
		722	5,228	212	6,162

Notes:

(i) Resigned on 23 January 2017
(ii) Appointed on 1 September 2016
(iii) Appointed on 15 December 2016
(iv) Resigned on 15 December 2016
(v) Resigned on 28 January 2016

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2016: Nil).

9. DIRECTORS' REMUNERATION *(Continued)*

(b) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Notes	Fee HK$'000	Share-based payments HK$'000	2017 Total HK$'000	2016 HK$'000
Mr. Cheung Wing Ping		248	7	255	240
Mr. Ha Kee Choy Eugene		248	7	255	240
Mr. To Shing Chuen		248	7	255	240
Mr. Chan Sze Hung	(i)	–	–	–	118
Mr. Man Wai Chuen	(ii)	–	–	–	18
		744	21	765	856

Notes:

(i) Retired on 27 June 2016
(ii) Retired on 28 January 2016

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

During the year, certain directors were granted share options, in respect of their services to the Group under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions. The details, including the principal terms and number of options granted, are disclosed in note 35 to the financial statements.

During the year, no emolument was paid by the Group to any of the directors of the Company as an inducement join or upon joining the Group or as compensation for loss of office (2016: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2016: two directors), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the four (2016: three) highest paid employees are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	8,391	3,103
Share based payment	40	–
Pension scheme contributions	313	147
	8,744	3,250

The number of highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2017	2016
HK$1,000,001 to HK$1,500,000	2	3
HK$1,500,001 to HK$2,000,000	1	–
HK$2,500,001 to HK$3,000,000	1	–

11. INCOME TAX

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	Notes	2017 HK$'000	2016 HK$'000
Continuing operations:			
Current tax — Hong Kong Profits Tax			
Provision for the year		3,886	–
Current tax — PRC Corporate Income Tax			
Provision for the year		369	–
Under-provision in respect of previous year		90	–
		4,345	–
Deferred tax	32	(116)	26
		4,229	26

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%). In accordance with the PRC Corporate Income Tax Law, the PRC Corporate Income Tax is calculated at a statutory rate of 25% (2016: 25%) of the assessable profits except for 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co. Ltd.*) and 信碼互通(北京)有限公司 (Sigmatrix Technology Co. Ltd.*), two indirect wholly-owned subsidiaries of the Group, both companies obtained the High-new Technology Certificate for the years from 2017 to 2020 and were entitled to a tax rate of 15%.

In 2016, no provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong. The Group's subsidiaries established in the PRC either did not generate any assessable profit arising in the PRC or have tax losses brought forward from prior years to offset against their assessable profits generated during the year.

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2017 HK$'000	2016 HK$'000
Loss before tax		
– continuing operations	(248,987)	(1,107,838)
– discontinued operations	–	(55,959)
	(248,987)	(1,163,797)
Tax at applicable statutory tax rate	(40,194)	(191,979)
Income from offshore manufacturing operation not subject to tax	(755)	(103)
(Profit)/loss attributable to a joint venture	(493)	2,483
Income not subject to tax	(9,531)	(1,672)
Expenses not deductible for tax	44,482	150,991
Tax losses utilised from previous periods	–	(806)
Tax losses not recognised	10,630	40,519
Under-provision in respect of previous year	90	–
Others	–	593
Income tax expense	4,229	26

12. DISCONTINUED OPERATIONS

As disclosed in note 37, on 7 March 2016, Bay Wisdom Limited ("Bay Wisdom"), a wholly owned subsidiary of the Group acquired four subsidiaries (collectively referred to as "Bay Wisdom Group") which are principally engaged in the trading of apparel products. As disclosed in note 37, the Group disposed of its entire equity interest in Bay Wisdom Group on 21 November 2016.

The apparel products business was classified as discontinued operations and the related results for the period from 7 March 2016 (date of acquisition) to 21 November 2016 (date of disposal) were as follows:

	Note	2016 HK$'000
Revenue		880
Cost of sales		(21,217)
Gross loss		(20,337)
Other income, gains and losses		(3,007)
Selling and distribution expenses		(4,719)
Administrative expenses		(26,610)
Loss before tax		(54,673)
Income tax		–
Loss after tax		(54,673)
Loss on disposal of a subsidiary	37	(1,286)
Loss for the year from discontinued operations		(55,959)

The net cash flows of discontinued operations for the period from 7 March 2016 to 21 November 2016 were as follows:

	2016 HK$'000
Net cash used in operating activities	(33,786)
Net cash generated from financing activities	33,439
Net cash outflows from discontinued operations	(347)

13. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year (2016: Nil).

14. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(i) From continuing and discontinued operations

The calculations of basic and diluted loss per share attributable to ordinary equity shareholders of the Company for the years ended 31 December 2017 and 2016 are based on the following data:

	2017 HK$'000	2016 HK$'000
Loss for the year attributable to equity shareholders of the Company	(245,226)	(1,150,825)
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	9,797,311	6,503,700

(ii) From continuing operations

The calculations of basic and diluted loss per share attributable to ordinary equity shareholders of the Company for the years ended 31 December 2017 and 2016 are based on the following data:

	2017 HK$'000	2016 HK$'000
Loss for the year attributable to equity shareholders of the Company	(245,226)	(1,094,866)
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	9,797,311	6,503,700

Diluted loss per share for the year ended 31 December 2016 were the same as the basic loss per share as there were no potential ordinary shares outstanding for the year ended 31 December 2016.

The computation of diluted loss per share for the year ended 31 December 2017 does not assume the conversion of the Company's outstanding convertible bond since their assumed exercise would result in a decrease in loss per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Notes	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2017:									
Cost		4,083	1,182	8,277	5,459	13,972	652	14,888	48,513
Accumulated depreciation		(1,881)	(280)	(6,335)	(3,359)	(8,037)	(646)	–	(20,538)
Net carrying amount		2,202	902	1,942	2,100	5,935	6	14,888	27,975
At 1 January 2017, net of accumulated depreciation		2,202	902	1,942	2,100	5,935	6	14,888	27,975
Additions		–	2,452	32,234	–	1,123	–	5,859	41,668
Acquisition of subsidiaries	36	–	–	437	–	11,344	–	244	12,025
Disposal		–	–	(1,876)	–	(837)	–	–	(2,713)
Reclassified as non-current asset held for sale (note 26)		(2,116)	–	–	–	–	–	–	(2,116)
Depreciation provided during the year		(86)	(976)	(3,970)	(881)	(3,031)	(6)	–	(8,950)
Transfer		–	–	2,506	–	17,358	–	(19,864)	–
Exchange realignment		–	51	857	34	1,299	–	541	2,782
At 31 December 2017, net of accumulated depreciation		–	2,429	32,130	1,253	33,191	–	1,668	70,671
At 31 December 2017:									
Cost		–	3,754	41,177	5,292	37,466	–	1,668	89,357
Accumulated depreciation		–	(1,325)	(9,047)	(4,039)	(4,275)	–	–	(18,686)
Net carrying amount		–	2,429	32,130	1,253	33,191	–	1,668	70,671

As at 31 December 2017 included in furniture, fixture and equipment were amount of HK$2,587,000 held under finance lease (2016: Nil).

	Notes	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2016:									
Cost		4,083	129	8,697	3,074	9,849	652	–	26,484
Accumulated depreciation		(1,795)	(125)	(7,613)	(2,671)	(7,472)	(613)	–	(20,289)
Net carrying amount		2,288	4	1,084	403	2,377	39	–	6,195
At 1 January 2016, net of accumulated depreciation		2,288	4	1,084	403	2,377	39	–	6,195
Additions		–	–	295	1,736	98	–	4,177	6,306
Acquisition of subsidiaries	36	–	1,155	5,184	698	4,448	–	11,328	22,813
Disposal of a subsidiary	37	–	–	(141)	–	–	–	–	(141)
Depreciation provided during the year		(86)	(212)	(1,409)	(706)	(779)	(33)	–	(3,225)
Written-off	8	–	–	(3,010)	–	–	–	–	(3,010)
Exchange realignment		–	(45)	(61)	(31)	(209)	–	(617)	(963)
At 31 December 2016, net of accumulated depreciation		2,202	902	1,942	2,100	5,935	6	14,888	27,975
At 31 December 2016:									
Cost		4,083	1,182	8,277	5,459	13,972	652	14,888	48,513
Accumulated depreciation		(1,881)	(280)	(6,335)	(3,359)	(8,037)	(646)	–	(20,538)
Net carrying amount		2,202	902	1,942	2,100	5,935	6	14,888	27,975

16. PREPAID LAND LEASE PAYMENTS

	HK$'000
At 1 January 2016	12,940
Amortisation recognised during the year	(268)
Disposal	(12,672)
At 31 December 2016, 1 January 2017 and 31 December 2017	–

17. INTANGIBLE ASSETS

	Note	Patent HK$'000	Research and development HK$'000	Total HK$'000
At 1 January 2017				
Cost		2,649	–	2,649
Accumulated amortisation		(132)	–	(132)
Net carrying amount		2,517	–	2,517
At 1 January 2017, net of accumulated amortisation		2,517	–	2,517
Additions		–	13,398	13,398
Amortisation charge for the year		(435)	–	(435)
Exchange alignment		328	–	328
At 31 December 2017, net of accumulated amortisation		2,410	13,398	15,808
At 31 December 2017				
Cost		2,977	13,398	16,375
Accumulated amortisation		(567)	–	(567)
Net carrying amount		2,410	13,398	15,808
At 1 January 2016, net of accumulated amortisation		–	–	–
Arising on acquisition of a subsidiary	36	2,947	–	2,947
Amortisation charge for the year		(132)	–	(132)
Exchange alignment		(298)	–	(298)
At 31 December 2016, net of accumulated amortisation		2,517	–	2,517
At 31 December 2016				
Cost		2,649	–	2,649
Accumulated amortisation		(132)	–	(132)
Net carrying amount		2,517	–	2,517

The research and development is related to the development cost internally generated for the QR code business.

18. GOODWILL

	Notes	HK$'000
At 1 January 2017,		
net of accumulated impairment losses		266,514
Acquisition of a subsidiary	36	39,875
Impairment loss for goodwill of the Apex Group's CGU		(104,664)
At 31 December 2017, net of accumulated impairment losses		201,725
At 31 December 2017		
Cost		569,947
Accumulated impairment losses		(368,222)
Net carrying amount		201,725
At 1 January 2016,		
net of accumulated impairment losses		–
Acquisition of subsidiaries	36	533,947
Disposal of a subsidiary	37	(3,875)
Impairment loss for continuing operations		(263,558)
At 31 December 2016, net of accumulated impairment losses		266,514
At 31 December 2016		
Cost		530,072
Accumulated impairment losses		(263,558)
Net carrying amount		266,514

The goodwill has been allocated to two cash-generating units ("CGUs"): (1) a group of subsidiaries engaged in the provision of QR codes on product packaging and solutions and online advertising display services acquired in August 2016 (the "Apex Group"); and (2) 信碼互通(北京)科技有限公司 ("Sigmatrix"), a subsidiary of the Group engaged in the provision of QR code on product packaging acquired in March 2017 (note 36).

18. GOODWILL *(Continued)*

CGU of Apex Group

The recoverable amount of the CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The CGU's cash flow beyond the five-year period is extrapolated using a 3% (2016: 3%) growth rate. The growth rate used does not exceed the long-term average growth rates for the businesses in which the CGU operate. The pre-tax discount rate used of 18.66% (2016: 22.16%) for QR code business reflects specific risks relating to the relevant unit. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. In the opinion of the Company's directors, a decrease in the revenue growth rate by 1% per annum and gross margin by 1% per annum would cause the carrying amount of the CGU to exceed its recoverable amount further by approximately HK$18,641,000 and HK$9,824,000 respectively.

The recoverable amount of the CGU was calculated based on value in use method amounted to HK$161,850,000 (2016: HK$266,514,000) that is lower than the carrying value of the CGU and accordingly impairment loss of HK$104,664,000 (2016: HK$263,558,000) was recognised in profit or loss for the year ended 31 December 2017.

CGU of Sigmatrix

The recoverable amount of the CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The CGU's cash flow beyond the five-year period is extrapolated using a 3% growth rate. The growth rate used does not exceed the long-term average growth rates for the businesses in which the CGU operate. The pre-tax discount rate used of 17.12% for QR code business reflects specific risks relating to the relevant unit. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

The recoverable amount of the CGU was calculated based on value in use that is higher than the carrying value of the CGU and accordingly no impairment loss was recognised in profit or loss for the year ended 31 December 2017. In the opinion of the Company's directors, a decrease in the revenue growth rate by 1% per annum and gross margin by 1% per annum would cause the carrying amount of the CGU to exceed its recoverable amount by approximately HK$7,563,000 and HK$3,333,000 respectively.

19. INTERESTS IN A JOINT VENTURE

	2017 HK$'000	2016 HK$'000
At beginning of the year	136,026	–
Capital injection	–	150,000
Gain on dilution of interest in a joint venture	2,533	1,076
Share of profit/(loss) for the year	2,990	(15,050)
Share of net assets	141,549	136,026

Particulars of the Group's interest in a joint venture as at 31 December 2017 is as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest	Percentage of voting power	Percentage of profit sharing	Principal activities
FreeOpt Holdings Limited ("FreeOpt")	Ordinary share without par value	Republic of Marshall Islands/ Hong Kong	31.38% (2016: 39.16%)	31.38% (2016: 39.16%)	31.38% (2016: 39.16%)	Investment holding and money lending

On 30 December 2015, Marvel Galaxy Limited ("MGL") (an indirect wholly-owned subsidiary of the Company) entered into a joint venture agreement with Freeman Financial Investment Corporation ("FFIC") (a wholly-owned subsidiary of Freeman Financial Corporation Limited), pursuant to which MGL and FFIC conditionally agreed to cooperate to set-up the joint venture to carry out business of provision of financial services and money lending by contributing HK$150 million each to the initial share capital of the joint venture so that MGL and FFIC will each hold 50% equity interest in the joint venture. Further details of the joint venture contribution were disclosed in the announcement of the Company dated 30 December 2015. The Group's capital contribution of HK$150,000,000 was made on 5 January 2016.

Thereafter, during the year ended 31 December 2016, FreeOpt effected an increase in registered capital whereby FFIC and certain independent third party new investors injected additional capital to FreeOpt amounting to HK$83,000,000 in aggregate. As a result of such increase in registered capital, the Group's equity interest in FreeOpt was diluted from 50% to 39.16% and a gain on dilution of interest in a joint venture of HK$1,076,000 was recognised during the year ended 31 December 2016.

During the year ended 31 December 2017, FreeOpt effected an increase in registered capital whereby an independent third party new investor injected HK$95,000,000 to FreeOpt. As a result, the Group's interest in FreeOpt was further diluted to 31.38% and a gain on dilution of interest in a joint venture amounting to HK$2,533,000 was recognised during the year ended 31 December 2017. Despite the dilution in equity interest, the Group was still able to exert joint control over relevant activities of FreeOpt. Accordingly, the Group continues to account for such investment as a joint venture.

19. INTERESTS IN A JOINT VENTURE *(Continued)*

The following table illustrates the summarised financial information, extracted from the management accounts of FreeOpt, reconciled to the carrying amount in the consolidated financial statements.

Summarised consolidated statement of financial position

	2017 HK$'000	2016 HK$'000
Current assets		
Loan receivables	446,500	295,000
Loan interest receivable	8,939	1,161
Prepayments	68	13
Cash and cash equivalents	4,142	52,989
	459,649	349,163
Current liabilities		
Other payable	(4,629)	(12)
Tax payables	(3,940)	(1,792)
	(8,569)	(1,804)
Net assets	451,080	347,359
Equity		
Share capital	478,000	383,000
Accumulated reserves	(26,920)	(35,641)
Total equity	451,080	347,359

Summarised consolidated statement of comprehensive income

	2017 HK$'000	2016 HK$'000
Revenue	21,322	16,733
Loss on disposal of financial assets at fair value through profit or loss, net	–	(50,000)
Other income	606	–
Administrative expenses	(8,802)	(583)
Profit/(loss) before tax	13,126	(33,850)
Income tax	(4,405)	(1,791)
Profit/(loss) for the year	8,721	(35,641)

19. INTERESTS IN A JOINT VENTURE *(Continued)*

Reconciliation summarised financial statement

Reconciliation of the summarised financial information presented to the carrying amount of its interests in a joint venture.

	2017 HK$'000	2016 HK$'000
Opening net assets as at 1 January	347,359	–
Initial capital injection	–	300,000
Capital injection by other shareholders of FreeOpt	95,000	83,000
Profit/(loss) and total comprehensive income/(loss) for the year	8,721	(35,641)
Closing net assets as at 31 December	451,080	347,359
Percentage of the Group's interest in FreeOpt	31.38%	39.16%
Carrying value as at 31 December	141,549	136,026

The Group has no contingent liabilities in relation to its interest in FreeOpt.

20. AVAILABLE-FOR-SALE INVESTMENTS

	Notes	2017 HK$'000	2016 HK$'000
Unlisted equity investments, at cost			
Company A	(i)	67,397	67,397
Company B	(ii)	11,329	46,163
Win Wind Capital Limited ("Win Wind")	(iii)	279,297	316,631
Company C	(iv)	53,217	–
		411,240	430,191

Notes:

The unlisted equity investments relate to investments in four (2016: three) private entities, which were intended to hold for long-term strategic purpose at the time of acquisition. Company A, Company B, Win Wind and Company C are engaged in the provision of advisory and financial services, property holding, investment in securities trading and money lending.

These available-for-sale investments are subsequently measured at cost less impairment at the end of reporting period because the range of the reasonable fair value estimates are so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

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

Notes: *(Continued)*

(i) As at 31 December 2017, the Group had shareholding of 2.69% (2016: 3.95%) and the carrying amount of the investment is approximately HK$67,397,000 (2016: HK$67,397,000). During the year ended 31 December 2016, Company A and its subsidiaries incurred losses due to the drop in values of their investments. The management of the Company reviewed Company A and its subsidiaries' latest financial position and net asset value per share, and concluded that there was objective evidence of impairment as at 31 December 2016. The Group recognised an impairment loss of approximately HK$22,603,000 in the consolidated statement of profit or loss for the year ended 31 December 2016 with reference to the latest financial information. In the opinion of the directors of the Company, no impairment is considered necessary as at 31 December 2017.

(ii) As at 31 December 2017, the Group owned approximately 2.95% (2016: 2.54%) of the issued share capital of Company B. The management of the Company performed impairment assessment of investment in Company B as at 31 December 2017 by reference to the carrying amount of net assets of Company B which are mainly available-for-sale investments. Due to significant reduction in net assets of Company B, an impairment loss of approximately HK$34,834,000 was recognised for the year ended 31 December 2017.

For the year ended 31 December 2016, the management of the Company assessed the recent market transactions to determine whether there was any impairment indicator and concluded that the fair value of the investments is significantly lower than the carrying amount of investment and concluded to recognise an impairment loss of HK$33,862,000.

(iii) During the year ended 31 December 2016, the Group subscribed for 13,600,000 shares of Win Wind representing 11.78% of enlarged share capital of Win Wind satisfied by issuance of 2,040,000,000 shares of the Company. The cost of investment of HK$714,000,000 was satisfied by the issuance of 2,040,000,000 shares of the Company and was determined based on the market price of the Company's shares of HK$0.35 per share on completion date at 19 July 2016. The fair value of the 11.78% equity interest in Win Wind on initial recognition was determined based on the market value of the shares issued by the Company at the acquisition date as the directors of the Company are in the opinion that the fair value of the shares issued of the Company is more reliably measured.

The management of the Company performed the impairment assessment taking into account the carrying amount of net assets of Win Wind and its subsidiaries as at 31 December 2016. Due to significant loss incurred by Win Wind and its subsidiaries since the acquisition date, an impairment loss of approximately HK$397,369,000 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2016.

On 25 January 2018, the Group entered into a conditional agreement to dispose of 11.78% interest in Win Wind (the "Disposal") at a consideration of HK$320,000,000 which is satisfied by the promissory note issued by the purchaser. Details of these are set out in the Company's announcement dated 25 January 2018. The Disposal was not yet completed as at the date when these financial statements are authorised for issue. The promissory note bears zero interest rate and repayable in June 2019, and considering the net present value of the promissory note of HK$279,297,000 calculated by using a discount rate of 10% , and concluded that the fair value of the investments is lower than the carrying amount of investment and an impairment loss of HK$37,334,000 was recognised for the year ended 31 December 2017.

(iv) During the year ended 31 December 2017, following the distribution in specie by an investee of Company B of the shares of Company C (the "Distribution Share"), Company B has declared distribution in specie of the Distribution Share to its shareholder on a pro-rata basis. One of the shareholders of Company B decided not to participate in the distribution and its entitlement has been taken up by the other shareholders. As a result, the Company is entitled to hold 9,108,328 shares or 0.75% of the total issued share capital of Company C.

As a result, the Group recognised an investment in Company C at HK$53,217,000 which was determined based on the market transaction of shares of Company C.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Prepayments	18,118	8,625
Deposits	6,264	2,277
Other receivables	9,307	3,547
	33,689	14,449
Less: Prepayments classified as non-current assets	(8,772)	(2,196)
Current portion	24,917	12,253

22. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	5,270	3,771
Work in progress	6,723	7,750
Finished goods	10,558	9,404
	22,551	20,925

23. TRADE AND BILLS RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade and bills receivables	75,251	64,872
Impairment	–	(78)
	75,251	64,794

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period generally ranges from 30 to 60 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

23. TRADE AND BILLS RECEIVABLES *(Continued)*

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2017 HK$'000	2016 HK$'000
Within 1 month	34,125	34,952
1 to 2 months	25,755	13,001
2 to 3 months	4,624	3,536
Over 3 months	10,747	13,305
	75,251	64,794

The movements in provision for impairment of trade receivables are as follows:

	2017 HK$'000	2016 HK$'000
At 1 January	78	420
Impairment losses recognised	66	143
Amount written off as uncollectible	(144)	(257)
Impairment losses reversed	–	(228)
	–	78

Included in the above provision for impairment of trade receivables as at 31 December 2016 are provisions for individually impaired trade receivables of HK$78,000 with a carrying amount before provision of HK$ 78,000.

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default for payments.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	51,534	26,428
Less than 1 month past due	16,167	5,466
Over 1 month past due	7,550	32,900
	75,251	64,794

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$'000	2016 HK$'000
Listed equity investments, at market value	14,250	97,500

The above financial assets were classified as held for trading and were measured at fair value through profit or loss.

As at 31 December 2016, the Group's listed equity investments with an aggregate carrying value of HK$97,500,000 were pledged to secure margin facilities granted by a licensed securities company in Hong Kong to the Group (note 30).

25. CASH AND CASH EQUIVALENTS, RESTRICTED DEPOSITS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents

	2017 HK$'000	2016 HK$'000
Cash and bank balances	348,655	206,054

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$63,605,000 (2016: HK$62,215,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Included in cash and bank balance were HK$12,986,000 (2016: Nil) of short-term highly liquid investments that was readily convertible into known amount of cash.

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

(b) Restricted deposits

Pursuant to the term of the convertible bond issued by the Company in November 2017 with more details set out in note 29, the Company is required to maintain at the designated bank account at all times until the maturity date of the convertible bond an amount of not less than US$1.4 million (equivalent to HK$10,920,000), which represented the six-month interest on the convertible bond required to be paid by the Company pursuant to the terms of the convertible bond. Such amount of HK$10,920,000 were classified as restricted deposit.

25. CASH AND CASH EQUIVALENTS, RESTRICTED DEPOSITS AND OTHER CASH FLOW INFORMATION *(Continued)*

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's major liabilities arising from financing activities, including both cash and non-cash changes.

	Interest-bearing other borrowings (Note 30) HK$'000	Debt component of the convertible bond (Note 29) HK$'000	Obligations under finance leases (Note 31) HK$'000	Derivative embedded in the convertible bond (Note 29) HK$'000	Total HK$'000
At 1 January 2017	12,022	–	–	–	12,022
Financing cash flow					
Repayment of borrowings	(12,022)	–	–	–	(12,022)
Issuance cost of convertible bond	–	(2,561)	–	–	(2,561)
Proceeds from issue of convertible bond	–	295,658	–	16,342	312,000
Finance lease repayment	–	–	(732)	–	(732)
	(12,022)	293,097	(732)	16,342	296,685
Changes in fair values	–	–	–	(14,515)	(14,515)
Other changes					
New finance leases	–	–	3,073	–	3,073
Interest expenses	156	5,461	76	–	5,693
Interest paid	(156)	–	(76)	–	(232)
	–	5,461	3,073	–	8,534
At 31 December 2017	–	298,558	2,341	1,827	302,726

26. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 21 December 2017, Qualipak Manufacturing Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire equity interest in Qualipak Production Inc. ("QPI"), a company incorporated in the British Virgin Islands, which is principally engaged in the holding of a property located in the PRC at a consideration of HK$3,000,000. The transaction was completed on 2 January 2018. The asset of QPI as at 31 December 2017 was classified as non-current assets held for sale and as follows:

	2017 HK$'000
Asset	
Land and building (note 15)	2,116
Non-current assets classified as held for sale	2,116

27. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017 HK$'000	2016 HK$'000
Within 1 month	29,078	14,375
1 to 2 months	13,054	6,748
2 to 3 months	3,030	1,706
Over 3 months	2,633	2,737
	47,795	25,566

The trade and bills payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

28. OTHER PAYABLES AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Deposits received	13,502	8,378
Other payables	6,996	2,679
Accruals	15,386	24,716
	35,884	35,773

Other payables are non-interest-bearing and are normally settled within three months.

29. CONVERTIBLE BOND

On 3 October 2017, the Company and China Huarong International Holdings Limited (the "Subscriber") entered into an agreement (the "CB Agreement"), pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the convertible bond ("CB") in the aggregate principal amount of US$40,000,000 (equivalent to HK$312,000,000). The net proceeds from the issue of the CB of approximately US$39,671,000 (equivalent to HK$309,439,000) will be used for development of the business operations of 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co. Ltd.*) ("SHTY"), a subsidiary of the Company, in particular, Touyun Retailers Management System, and for other general corporate purposes. The CB Agreement was completed on 10 November 2017 (the "Issue Date").

The CB is secured by over the share capital or registered capital of certain subsidiaries of the Group and personal guarantee provided by Mr. Wang Liang, a director of the Company. The CB bears interest from and including the Issue Date at the rate of 7.0% per annum, payable semi-annually. The CB will mature on the date falling on the second anniversary of the Issue Date subject to an automatic extension to the third anniversary of the Issue Date if the following conditions are satisfied (the "Maturity Date"):

(i) the revenue for the six months ending 30 June 2019 as shown in the unaudited consolidated accounts of SHTY shall be not less than RMB500 million; and

(ii) the total debt of SHTY as at 30 June 2019 as shown in its unaudited consolidated accounts for the year ended 30 June 2019 shall not be more than 40% of its total assets.

The initial conversion price is HK$0.492 per share, subject to anit-dilutive adjustments. The CB holder has the right to convert the principal amount of the CB into fully-paid ordinary shares of the Company at any time during the period beginning on, and including, the date falling on the 180th day from the Issue Date and ending on, the Maturity Date.

Unless previously redeemed, converted or purchased and cancelled, the Company shall, redeem all the outstanding CB on the Maturity Date at an amount equal to the Redemption Amount*. The Company may give notice to redeem in whole, or in part, such CB for the time being outstanding at the Redemption Amount after the 180th calendar day after the Issue Date. Unless previously redeemed, converted or purchased and cancelled, the CB Holders may give notice to redeem in whole, or in part, such CB for the time being outstanding at the Redemption Amount upon occurrence of two consecutive breaches of certain financial covenants as set forth in the CB Agreement.

* Redemption Amount is defined as an amount equal to the aggregate of (a) the aggregate principal amount of such outstanding CB held by the relevant CB Holder, (b) any accrued but unpaid interest on such outstanding CB on the relevant redemption date; (c) if the sum of the amounts referred in paragraphs (a) and (b) above plus interest already paid on such outstanding CB falls short of making up a return equal to an internal rate of return of 10.0% on the aggregate principal amount of the outstanding CB calculated from the Issue Date until the redemption date, such additional amount which would make up an internal rate of return of 10.0% on the aggregate principal amount of the outstanding CB; and (d) (in respect of any redemption made as a result of any events of default) any default interest accrued but unpaid.

The net proceeds of the CB was HK$309,439,000, after net off of issuance cost of HK$2,561,000.

29. CONVERTIBLE BOND *(Continued)*

The CB contains two components, debt component and derivatives (including conversion and early redemption options) component. Since the Redemption Amount, the principal payable on the Maturity Date are denominated and settled in United States dollars ("US$") which is not same as the Company's functional currency which is HK$, the conversion option will not result in an exchange of a fixed amount of cash (in the context of the functional currency of the Company) for a fixed number of shares and hence the conversion option does not meet the definition of an equity instrument in accordance with the applicable accounting standards. The effective interest rate of the debt component is 13.08%. The derivative component is measured at fair value with charges in fair value recognised in profit or loss.

The movement of the components of the convertible bond for the year ended 31 December 2017 is set out below:

	Debt component HK$'000	Derivative component HK$'000	Total HK$'000
Issuance of the convertible bond	295,658	16,342	312,000
Issue cost	(2,561)	–	(2,561)
Interest charge	5,461	–	5,461
Change in fair value	–	(14,515)	(14,515)
Carrying amount at the end of the year	298,558	1,827	300,385
Classified as:			
Current liability	–	1,827	
Non-current liability	298,558	–	
	298,558	1,827	

30. INTEREST-BEARING OTHER BORROWINGS

At 31 December 2016, the Group's margin loan of HK$12,022,000 was secured by the Group's listed equity investments at fair value through profit or loss with an aggregate carrying value of HK$97,500,000 (note 24). The amount bear interest at 8% per annum and repayable on a demand.

31. OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2017 (2016: Nil), the Group had obligations under finance leases as follows:

	2017 Present value of the minimum lease payments HK$'000	2017 Total minimum lease payments HK$'000
Within one year	1,536	1,649
More than one year, but not exceeding two years	805	825
	2,341	2,474
Less: future finance charges		(133)
Presented value of lease obligations		2,341

32. DEFERRED TAX LIABILITIES

The movements in deferred tax (assets)/liabilities during the year are as follows:

	Notes	Losses available for offsetting against future taxable profits HK$'000	Unrealised fair value gain on financial assets at fair value through profit or loss HK$'000	Fair Value adjustment of inventories on business combination HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Total HK$'000
At 1 January 2016		(13,358)	13,358	–	146	146
Charged/(credited) to profit or loss during the year	11	13,358	(13,358)	–	26	26
Arising on acquisition of a subsidiary	36	–	–	2,552	–	2,552
Derecognition on disposal of a subsidiary	37	–	–	(2,552)	–	(2,552)
At 31 December 2016 and 1 January 2017		–	–	–	172	172
Credited to profit or loss during the year	11	–	–	–	(116)	(116)
At 31 December 2017		–	–	–	56	56

32. DEFERRED TAX LIABILITIES *(Continued)*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in PRC in respect of earnings generated from 1 January 2008.

At 31 December 2017 and 2016, no deferred tax liabilities has been recognised for withholding taxes as the Group's subsidiaries established in PRC do not have any unremitted retained earnings as at 31 December 2017 and 2016.

The Group had tax losses arising in Hong Kong of HK$368,073,000 (2016: HK$357,555,000) (subject to agreement by the Inland Revenue Department) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in the PRC of HK$63,791,000 (2016: HK$2,991,000) that will expire in one to five years for offsetting against future taxable profits. No deferred tax assets have been recognised in respect of tax losses for the year ended 31 December 2017 (2016: Nil) as it is not considered probable that there would be sufficient future taxable profits to utilise such tax losses.

33. SHARE CAPITAL

	2017 **HK$'000**	2016 HK$'000
Authorised:		
50,000,000,000 ordinary shares of HK$0.01 each	**500,000**	500,000
Issued and fully paid:		
9,797,311,301 ordinary shares of HK$0.01 each	**97,973**	97,973

A summary of movements in the Company's share capital is as follows:

	Notes	**Number of shares in issue**	**Share capital** HK$'000	**Share premium account** HK$'000	**Total** HK$'000
At 1 January 2016		4,528,628,779	45,286	243,779	289,065
Issue of shares	(a)	575,063,972	5,751	101,174	106,925
Issue of shares	(b)	2,040,000,000	20,400	693,600	714,000
Placing of new shares	(c)	420,738,550	4,207	113,600	117,807
Issue of shares	(d)	600,000,000	6,000	231,000	237,000
Placing of new shares	(e)	1,632,880,000	16,329	391,891	408,220
		9,797,311,301	97,973	1,775,044	1,873,017
Share issue expenses		–	–	(5,616)	(5,616)
At 31 December 2016, 1 January 2017 and 31 December 2017		9,797,311,301	97,973	1,769,428	1,867,401

33. SHARE CAPITAL *(Continued)*

Notes:

There were no movement in the Company's share capital for the year ended 31 December 2017.

For the year ended 31 December 2016

(a) On 25 June 2015, the Group issued 287,531,980 and 287,531,992 unlisted warrants, with a mandatory exercise right and at the subscription prices of HK$0.56 and HK$0.608, respectively, per warrant, at a placing price of HK$0.01 per warrant (the "Share Warrants"), to 16 independent placees pursuant to certain conditional placing agreements and supplemental agreement dated 21 April 2015, 29 April 2015, 13 May 2015, 15 May 2015 and 8 June 2015.

Pursuant to an agreement dated 2 December 2015 (the "Subscription and Cancellation Agreement") entered into between the Group and the holders of the Share Warrants, the Group agreed to cancel all the outstanding Share Warrants (the "Cancellation") and the holders of the Share Warrants agreed to subscribe for a total of 575,063,972 new shares of the Group at HK$0.16 per share (the "Subscription"). The aggregate subscription price is approximately HK$92,010,000. The Subscription was completed on 4 February 2016. The share capital of the Company was increased by approximately HK$5,751,000 and the share premium of approximately HK$86,259,000 was credited to the share premium account. The other equity instrument reserve of approximately HK$14,915,000 was transferred to the share premium account upon Subscription.

(b) On 19 July 2016, the Company allotted and issued 2,040,000,000 shares to Win Wind Capital Limited to subscribe for 11.78% of its enlarged shares. The share price of the Company was HK$0.35 per share at the date of completion of acquisition. The share capital of the Company was increased by approximately HK$20,400,000 and the share premium of approximately HK$693,600,000 was credited to the share premium account.

(c) On 19 August 2016, the Company allotted and issued 420,738,550 ordinary shares to certain independent third parties at a subscription price of HK$0.28 per share and raised a total of approximately HK$117,807,000, before expenses, which was used to satisfy the cash considerations for the acquisition of the Apex Capital Business Limited and its subsidiaries (the "Apex Group") and the related shareholder's loan, the remainder of which will be used towards working capital purpose of the Group. The share capital of the Company was increased by approximately HK$4,207,000 and the share premium of approximately HK$113,600,000 was credited to the share premium account.

(d) On 19 August 2016, the Company allotted and issued 600,000,000 shares to TY Technology Group Limited as part of the consideration for acquisition of the Apex Group. The transaction was completed on 19 August 2016. The market price of the Company's shares at the acquisition date was HK$0.395 per share. The share capital of the Company was increased by approximately HK$6,000,000 and the share premium of approximately HK$231,000,000 was credited to the share premium account.

(e) On 28 November 2016, the Company allotted and issued 1,632,880,000 shares to independent third parties at a subscription price of HK$0.25 per share and raised a total of approximately HK$408,220,000, before expenses which was used to redeem the promissory note and to expand and develop the Company's newly acquired QR code business. The share capital of the Company was increased by approximately HK$16,329,000 and the share premium of approximately HK$391,891,000 was credited to the share premium account.

34. RESERVES

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

(a) Capital reserve

The Group's capital reserve represents the deemed capital contribution from the then controlling shareholder pursuant to the reorganisation in 2012.

(b) Contributed surplus

The contributed surplus of the Group represents the capital contributions from the equity holders of the subsidiaries now comprising the Group before the completion of the reorganisation in 2012 and the par value of the Company's shares issued to the then controlling shareholder for the acquisition of a subsidiary pursuant to the reorganisation.

(c) Other equity instrument

Other equity instrument represents the fair value of equity-settled forward contract concluded under the Subscription and Cancellation Agreement and was transferred to the share premium account upon completion of the relevant shares subscription as disclosed in note 33(a).

(d) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire after the vesting period.

35. SHARE OPTION SCHEME

The Company has a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include (i) any director, officer, employee, consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to any member of the Group or its Related Group or a company in which the Group holds an interest or a subsidiary of such company (collectively the "Eligible Group"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include the Eligible Group; or (iii) a company beneficially owned by the Eligible Group. The Scheme became effective on 18 May 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

35. SHARE OPTION SCHEME *(Continued)*

"Related Group" means (i) each of the substantial shareholders of the Company, and (ii) each associate and substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the Company or of a substantial shareholder referred to in (i) above, and (iii) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (ii) above, and (iv) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iii) above, and (v) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iv) above.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue on the date of approval of the refreshment of the Scheme mandate limit on 20 October 2016. The maximum number of shares issuable under the Scheme to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associate, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associate, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 14 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, save that such period shall not be more than 10 years from the date of offer of the share options.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of an issued ordinary share of the Company on the date of offer of the share options.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

There were no share options outstanding as at 31 December 2016.

35. SHARE OPTION SCHEME *(Continued)*

Pursuant to the Scheme, 119,700,000 options and 97,750,000 options were granted to eligible participants of the Group on 25 January 2017 and 12 December 2017 respectively. The options holders should be remained as eligible participants throughout the vesting period. Movements of the options, which were granted under the Scheme, during the year were listed below:

Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at 1 January 2017	Granted during the year	Lapsed/ cancelled during the year	Number of options outstanding at 31 December 2017
25/01/2017	0.335	02/07/2018 to 01/07/2022	–	29,925,000	(1,900,000)	28,025,000
25/01/2017	0.335	02/07/2019 to 01/07/2022	–	29,925,000	(1,900,000)	28,025,000
25/01/2017	0.335	02/07/2020 to 01/07/2022	–	29,925,000	(1,900,000)	28,025,000
25/01/2017	0.335	02/07/2021 to 01/07/2022	–	29,925,000	(1,900,000)	28,025,000
			–	119,700,000	(7,600,000)	112,100,000

The above options will be vested on 2 July 2018.

Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at 1 January 2017	Granted during the year	Lapsed/ cancelled during the year	Number of options outstanding at 31 December 2017
12/12/2017	0.335	10/06/2019 to 09/06/2023	–	24,437,500	(25,000)	24,412,500
12/12/2017	0.335	10/06/2020 to 09/06/2023	–	24,437,500	(25,000)	24,412,500
12/12/2017	0.335	10/06/2021 to 09/06/2023	–	24,437,500	(25,000)	24,412,500
12/12/2017	0.335	10/06/2022 to 09/06/2023	–	24,437,500	(25,000)	24,412,500
			–	97,750,000	(100,000)	97,650,000

The above options will be vested on 10 June 2019.

The fair value of the share options granted on 25 January 2017 and 12 December 2017 are determined using the Binomial Option Pricing Model, was HK$17,892,000 and HK$17,950,000 respectively. The inputs into the Model and the estimated fair value of the share options are as follows:

	25 January 2017	12 December 2017
Closing price of the shares	HK$0.285	HK$0.305
Exercise price	HK$0.335	HK$0.335
Dividend yield	Nil	Nil
Expected volatility	93.19%	87.92%
Risk-free interest rate	1.289%	1.582%
Fair value per share option	HK$0.143 to HK$0.153	HK$0.179 to HK$0.186

35. SHARE OPTION SCHEME *(Continued)*

Expected volatility was estimated based on the historical volatilities of the Company's share price while dividend yield was estimated by the historical dividend payment record of the Company.

During the year ended 31 December 2017, the Group recognised an expense of HK$10,006,000 (2016: Nil) as equity-settled share based payments in the condensed consolidated statement of profit or loss with reference to their respective vesting period.

36. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2017

On 27 March 2017, the Group acquired entire interest in Sigmatrix at a cash consideration of RMB55,000,000 (equivalent to approximately HK$62,210,500) from an independent third party. Sigmatrix is principally engaged in the technological development, marketing, research and development of the QR codes packaging business in the PRC.

The carrying amount of the identifiable assets and liabilities of Sigmatrix recognised at the date of acquisition were as follows:

	Total amount recognised on acquisition HK$'000
Property, plant and equipment	12,025
Cash and cash equivalents	6,098
Inventories	5,637
Trade and bill receivables	5,797
Prepayments, deposits and other receivables	1,409
Trade payables	(2,384)
Other payables and accruals	(6,247)
Total identifiable net assets recognised	22,335
Goodwill on acquisition	39,875
	62,210
Satisfied by:	
Cash	62,210

The Group incurred transaction costs of HK$138,000 for the acquisitions. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

The fair value and the gross contractual amount of acquired trade and bill receivables is HK$5,797,000.

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

Goodwill arising on acquisition

Goodwill arose from the acquisition of the Sigmatrix because the cost of the business combination effectively included amounts in relation to the benefit of strengthening packaging business by upgrading the information technology capabilities of its packaging business, future revenue growth and future market development of the Sigmatrix. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria of identifiable assets.

None of goodwill arising on this acquisition is expected to be deductible for tax purpose.

Included in the loss for the year is loss of HK$8,439,000 generated by Sigmatrix. The revenue included in the consolidated statement of profit or loss and other comprehensive income since 27 March 2017 contributed by Sigmatrix was HK$18,321,000.

If the acquisition of Sigmatrix had occurred on 1 January 2017, the Group's revenue (excluding fair value losses on financial assets at fair value through profit or loss) and loss for the year would have been HK$401,719,000 and HK$258,650,000 respectively. 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 an acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

As analysis of the cash flows in respect of the acquisition of Sigmatrix are as follows:

	Total HK$'000
Cash consideration	**(62,210)**
Cash and cash equivalents acquired	**6,098**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**(56,112)**

For the year ended 31 December 2016

On 7 March 2016, the Group entered into a sale and purchase agreement with four independent third parties, to acquire the 100% equity interests in Gilderton Limited, Tre 29 Group (Hong Kong) Limited, 北京埃迪歐亞商貿有限責任公司 and 橋登（北京）商貿有限公司 (collectively referred to as the "WWM Group"), which sold apparel products under the brand 'World We Made', at an aggregate cash consideration of HK$32,500,000. The transaction was completed on the same date.

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

On 10 August 2016, the Group entered into another sale and purchase agreement with an independent third party to acquire the 100% equity interests of Apex Capital Business Limited and its subsidiaries, Fortune Road International Limited and 上海透雲物聯網科技有限公司 ("SHTY") (collectively referred to as the "Apex Group"). The amount of goodwill arising as result of the acquisition was HK$530,072,000. The Apex Group is engaged in the provision of QR code on products packaging and solutions. The transaction was completed on 19 August 2016. The consideration for the acquisition was satisfied in full by the allotment and issue of 600,000,000 with par value of HK$0.01 each and issued HK$258,000,000 promissory note in connection with the acquisition of the Apex Group. The fair value of the shares issued was determined by reference to their quoted market price of HK$0.395 at the date of acquisition, which amounted to HK$237,000,000. The promissory note with the principal value of HK$258,000,000 and maturity date on 18 August 2017 was interest bearing at 7.5% per annum and accrued interest payable upon maturity. The fair value of promissory note was HK$258,000,000 at the issue date based on the valuation of the directors of the Company. The promissory note was early settled on 29 November 2016 at face value with the accrued interests.

The carrying amount of the identifiable assets and liabilities of the WWM Group and the Apex Group recognised at the date of acquisition were as follows respectively:

	Notes	WWM Group HK$'000	Apex Group HK$'000	Total amount recognised on acquisition HK$'000
Property, plant and equipment	15	3,542	19,271	22,813
Intangible assets	17	–	2,947	2,947
Cash and cash equivalents		2,058	21,124	23,182
Inventories		22,963	2,935	25,898
Trade and bill receivables		–	37,967	37,967
Prepayments, deposits and other receivables		6,107	9,624	15,731
Trade payables		(3,318)	(15,191)	(18,509)
Other payables and accruals		(175)	(3,349)	(3,524)
Deferred tax liabilities	32	(2,552)	–	(2,552)
Total identifiable net assets recognised		28,625	75,328	103,953
Goodwill on acquisition	18	3,875	530,072	533,947
		32,500	605,400	637,900
Satisfied by:				
Cash		32,500	110,400	142,900
Promissory note		–	258,000	258,000
Issuance of shares		–	237,000	237,000
		32,500	605,400	637,900

The Group incurred transaction costs of HK$3,384,000 for the acquisitions. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

Goodwill arising on acquisition

Goodwill arose from the acquisition of the Apex Group because the cost of the business combination effectively included amounts in relation to the benefit of strengthening packaging business by upgrading the information technology capabilities of its packaging business, future revenue growth and future market development of the Apex Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria of identifiable assets.

None of goodwill arising on this acquisition is expected to be deductible for tax purpose.

Included in the loss for the year is loss of HK$268,463,000 attributable to the additional business generated by the Apex Group. The revenue included in the consolidated statement of profit or loss and other comprehensive income since 19 August 2016 contributed by the Apex Group was HK$23,073,000.

If the acquisition of the Apex Group had occurred on 1 January 2016, the Group's revenue and loss for the year would have been HK$383,133,000 and HK$1,150,962,000 respectively. 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 an acquisition been completed 19 August 2016, nor is it intended to be a projection of future results.

As analysis of the cash flows in respect of the acquisition of WWM Group and Apex Group are as follows:

	WWM Group HK$'000	Apex Group HK$'000	Total HK$'000
Cash consideration	(32,500)	(110,400)	(142,900)
Cash and cash equivalents acquired	2,058	21,124	23,182
Net outflow of cash and cash equivalents included in cash flows from investing activities	(30,442)	(89,276)	(119,718)

37. DISPOSALS OF SUBSIDIARIES

Year ended 31 December 2016

Details of the net assets of the subsidiaries disposed of and their financial impacts are summarised as follows:

	Notes	Permate HK$'000 (note b)	Bay Wisdom Group HK$'000 (note a)	Total HK$'000
Net assets disposed of:				
Goodwill	18	–	3,875	3,875
Property, plant and equipment	15	2,278	141	2,419
Inventories		–	4,270	4,270
Trade receivables		–	197	197
Other receivables		–	6,061	6,061
Cash and cash equivalents		–	1,711	1,711
Trade payables		–	(1,571)	(1,571)
Other payables		–	(893)	(893)
Deferred tax liabilities	32	–	(2,552)	(2,552)
		2,278	11,239	13,517
Professional fees and expenses incurred on disposal		1,096	47	1,143
Gain/(loss) on disposals of subsidiaries		7,295	(1,286)	6,009
		10,669	10,000	20,669
Satisfied by:				
Cash		10,669	10,000	20,669

An analysis of the net inflow of cash and cash equivalents in respect of the disposals of subsidiaries is as follows:

	Permate HK$'000 (note b)	Bay Wisdom Group HK$'000 (note a)	Total HK$'000
Cash consideration	10,669	10,000	20,669
Cash and bank balances disposed of	–	(1,711)	(1,711)
Professional fees and expenses	(1,096)	(47)	(1,143)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	9,573	8,242	17,815

37. DISPOSALS OF SUBSIDIARIES *(Continued)*

Year ended 31 December 2016 *(Continued)*

Notes:

(a) **Bay Wisdom Group**

On 21 November 2016, the Group entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire equity interest in Bay Wisdom Group acquired on 7 March 2016, which is principally engaged in the trading of apparel products, at a consideration of HK$10,000,000. The disposal of the Bay Wisdom Group was completed on the same date.

(b) On 8 December 2015, the Group entered into a conditional agreement with an independent third party to dispose of the Group's entire equity interest in Permate Production Inc. ("Permate"), which is principally engaged in the holding of a property located in the PRC, together with the assignment of benefits and interest in the loan advanced by Qualipak Manufacturing Limited, the immediate holding company of Permate, at a consideration of RMB9,000,000 (equivalent to HK$10,669,000). The transaction was completed on 29 February 2016.

38. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

For the year ended 31 December 2017

On 26 December 2017, the non-controlling shareholder of 北京透雲創合廣告有限公司 ("BJTY", a non-wholly owned subsidiary of the Group), who holds 20% of the registered capital of BJTY, has entered into an agreement with SHTY, the holding company of BJTY, for which the non-controlling shareholder has forfeited his entire equity interest and relevant shareholders' right of BJTY. Pursuant to such agreement, the non-controlling shareholder is not required to pay the unpaid share capital and is not required to make up the losses incurred by BJTY. The carrying amount of the non-controlling interest of BJTY as at the agreement date was a deficit of HK$39,000. The Group recognised an increase in non-controlling interest and a decrease in equity attributable to owners of the Company of HK$39,000.

For the year ended 31 December 2016

Deemed disposal of interest in a subsidiary without loss of control

On 5 December 2016, an independent third party injected HK$21,390,000 for subscribing 9.9% of the enlarged share capital of Genius Spring Limited, an indirectly owned subsidiary of the Company. The carrying amount of the non-controlling interests in Genius Spring Limited as at the transaction date was HK$21,379,000. The Group recognised an increase in non-controlling interests of HK$21,379,000 and an increase in equity attributable to owners of the Company of HK$11,000. The effect of changes in the ownership interest of Genius Spring Limited on the equity attributable to owners of the Group during the year is summarised as follows:

	2016 HK$'000
Carrying amount of non-controlling interests disposed of	(21,379)
Consideration received from non-controlling interests	21,390
Gain on disposal within equity	11

39. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

(a) Key management compensation

During both years, compensation of key management personnel represents directors' remuneration and those of senior staff as stated in notes 9 and 10 respectively.

(b) Other related party transactions

		Transaction amount	
		2017	2016
Relationship	**Type of transaction**	**HK$'000**	HK$'000
A company controlled by a director of the Company	Purchase of goods	**1,314**	–

Notes

(i) The directors of the Company are of the opinion that the above transactions were entered into at terms agreed by both parties and the terms of the transactions were determined by the directors with reference to the terms of similar transactions with unrelated third parties.

(ii) The related party transactions in respect of the purchase of goods above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(c) Outstanding balance

The following balances are outstanding at the end of the reporting period in relation to transactions with a related party:

	2017	2016
	HK$'000	HK$'000
Current trade payables		
A company controlled by a director of the Company	**1,349**	–

40. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office premises, manufacturing plants and car parks under operating lease arrangements. The leases for the office premises are negotiated for a term of two to five years, and those for the manufacturing plants and car parks are negotiated for a term of one year.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	8,192	8,149
In the second to fifth years, inclusive	14,496	1,010
	22,688	9,159

41. COMMITMENTS

In addition to the operating lease commitments detailed in note 40 above, the Group had the following capital commitments at the end of the reporting period:

	2017 HK$'000	2016 HK$'000
Contracted, but not provided for:		
Property, plant and equipment	13,871	1,697

42. FINANCIAL INSTRUMENTS BY CATEGORY AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Except for available-for-sale investments, financial assets at fair value through profit or loss and derivative component of convertible bond as set out in notes 20, 24 and 29 respectively, the financial assets and liabilities of the Company and the Group as at 31 December 2017 and 2016 are loans and receivables and financial liabilities at amortised cost, respectively.

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, interest-bearing other borrowings and convertible bonds, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by a director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the directors and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments as at 31 December 2017 and 2016 classified as financial assets at fair value through profit or loss are based on quoted market prices as at 31 December 2017 and 2016. Binomial tree option pricing model is used for the fair value of the embedded derivative of the CB. The directors believe that the estimated fair values, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss and other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2017

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets at fair value through profit or loss:				
Listed equity instruments	14,250	–	–	14,250
Financial liabilities				
Derivative embedded in the CB	–	–	1,827	1,827

As at 31 December 2016

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets at fair value through profit or loss:				
Listed equity instruments	97,500	–	–	97,500

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Information of level 3 fair value measurements

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2017:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Derivative embedded in the CB	Binomial tree option pricing model	Risk free rate	1.862% to 1.958%	1% increase in risk-free rate would result in decrease in fair value by HK$281,000
		Expected volatility	52.29%	10% increase in volatility would result in increase in fair value by HK$1,441,000

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy

	Derivative embedded in the CB HK$'000
Issuance of the CB	**16,342**
Net gains from fair value adjustment recognised in profit or loss	**(14,515)**
Carrying amount as at 31 December 2017	**1,827**

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2016: None).

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include cash and cash equivalents, trade and bills receivables, deposits and other receivables, available-for-sale investments, financial assets at fair value through profit or loss, interest-bearing other borrowings, convertible bond, trade and bills payables and other payables and accruals. Details of the major financial instruments and the Group's relevant accounting policies are disclosed in note 2 to the financial statements.

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

Interest rate risk

The Group's exposure to changes in market interest rates relates primarily to the Group's interest-bearing other borrowings with floating interest rates. The Group has not used any interest rate swaps to hedge its interest rate risk, and will consider hedging significant interest rate risk should the need arise. As at 31 December 2017 and 2016, the Group did not have any interest bearing borrowings with floating interest rate.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk

The Group operates in both Hong Kong and the PRC and sells its products internationally. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily through cash and bank balances arising from sales and purchases, deposits, trade and other receivables, trade and other payables and convertible bonds that are denominated in a currency other than the functional currency of the operations in which they relate. The currencies giving rise to this risk are primarily US$, Swiss Franc ("CHF") and RMB.

RMB is not a freely convertible currency. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of RMB. The appreciation or depreciation of RMB against HK$ may have impact on the operating results of the Group. The Group's exposure to currency risk arising from US$ against HK$ is considered by the directors as insignificant since HK$ is pledged to US$.

There are limited hedging instruments available to the Group to reduce the Group's exposure to exchange rate fluctuations between RMB and other currencies. The Group may decide to enter into hedging transactions in the future and management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit after tax.

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) profit for the year HK$'000
2017		
If HK$ weakens against RMB	**3**	**15**
If HK$ strengthens against RMB	**(3)**	**(15)**
If HK$ weakens against CHF	**3**	**775**
If HK$ strengthens against CHF	**(3)**	**(775)**
2016		
If HK$ weakens against RMB	3	245
If HK$ strengthens against RMB	(3)	(245)

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade and other receivable balances are monitored on an ongoing basis to ensure that follow-up action is taken to recover overdue debts and the Group's exposure to bad debts is not significant. The Group's maximum exposures to credit risk are the carrying amounts of trade and bills receivables, as disclosed in notes 23 to the financial statements. In addition, the Group reviews the recoverable amount of each individual debtor at the end of the reporting period to ensure that adequate impairment losses have been made for irrecoverable amounts.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group's liquidity risk is minimal in the current year and the Group managed the risk by matching the raising of loans or equity funding to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	Total HK$'000	Carrying amount HK$'000
At 31 December 2017				
Trade and bills payables	47,795	–	47,795	47,795
Other payables and accruals	35,884	–	35,884	35,884
Obligations under finance lease	1,649	825	2,474	2,341
Convertible bond (note)	21,840	352,373	374,213	298,558
	107,168	353,198	460,366	384,578

	Within 1 year or on demand HK$'000	Carrying amount HK$'000
At 31 December 2016		
Trade and bills payables	25,566	25,566
Other payables and accruals	27,395	27,395
Interest-bearing other borrowings	12,022	12,022
	64,983	64,983

Note: The contractual undiscounted payment of the CB represented payment of interest and principal at the maturity date assuming no conversion is made by the CB holder.

Equity price risk

Equity price risk is the risk that the fair values of equity investments decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group was exposed to equity price risk arising from individual equity investments classified as available-for-sale investments (note 20), and financial assets at fair value through profit or loss (note 24).

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity price risk *(Continued)*

The Group's listed equity investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The Group is also exposed to equity price risk arising from changes in the company's own share price to the extent that the company's own equity instruments underlie the fair values of derivatives or other financial liabilities of the Group. As at the end of the reporting period the Group is exposed to this risk through the conversion rights attached to the convertible bond issued by the Company as disclosed in note 29.

The market equity index for the Stock Exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and its respective highest and lowest points during the year were as follows:

	31 December 2017	High/low 2017	1 January 2017
Hong Kong — Hang Seng Index	29,919	30,200/21,884	22,001

The Group manages its exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of these equity investments.

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of financial investments HK$'000	Increase/ (decrease) in price %	Increase/ (decrease) in profit after tax and retained profit HK$'000	Increase/ (decrease) in other components of equity HK$'000
2017				
Equity securities listed in Hong Kong:				
Held-for-trading	**14,250**	**38.00%**	**4,522**	**–**
Held-for-trading	**14,250**	**(38.00%)**	**(4,522)**	**–**
2016				
Equity securities listed in Hong Kong:				
Held-for-trading	97,500	33.29%	27,103	–
Held-for-trading	97,500	(33.29%)	(27,103)	–

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns to the shareholders, to procure adequate financial resources from shareholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The Group monitors capital using a net debt-to-adjusted capital ratio, which is net debt divided, by adjusted capital. Net debt includes trade and bills payables, other payables and accruals and interest-bearing other borrowings, convertible bond, less cash and cash equivalents and excludes assets of a disposal group classified as held for sale and liabilities directly associated with the assets classified as held for sale. Adjusted capital includes equity attributable to owners of the parent and net debt. The net debt-to-adjusted capital ratios as at the end of the reporting periods were as follows:

	Group	
	2017 **HK$'000**	2016 HK$'000
Trade and bills payables	**47,795**	25,566
Other payables and accruals	**35,884**	35,773
Interest-bearing other borrowings	**–**	12,022
Convertible bond	**298,558**	–
Less: Cash and cash equivalents	**(348,655)**	(206,054)
Net debt/(cash)	**33,582**	(132,693)
Equity attributable to owners of the parent	**957,342**	1,184,919
Adjusted capital	**923,760**	N/A
Net debt-to-adjusted capital ratio	**0.04**	N/A

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Investments in subsidiaries	(a)	223,889	347,068
Current assets			
Prepayments and other receivables		643	5,313
Due from subsidiaries	(a)	830,677	1,095,574
Cash and cash equivalents		199,354	119,077
Total current assets		1,030,674	1,219,964
Current liabilities			
Other payables and accruals		946	310
Derivative under convertible bond		1,827	–
Total current liabilities		2,773	310
Net current assets		1,027,901	1,219,654
Total assets less current liabilities		1,251,790	1,566,722
Non-current liability			
Convertible bond		298,558	–
Net assets		953,232	1,566,722
Equity			
Issued capital		97,973	97,973
Reserves	(b)	855,259	1,468,749
Total equity		953,232	1,566,722

Wang Liang
Director

Du Dong
Director

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

Notes:

(a) During the year ended 31 December 2017, an impairment loss on investments in subsidiaries of HK$123,179,000 and an impairment loss on amounts due from subsidiaries of HK$493,430,000 was recognised for the investments in subsidiaries and amounts due from subsidiaries respectively, in view of the decrease in the net assets value of subsidiaries and operating loss of the subsidiaries.

(b) A summary of the Company's reserves is as follows:

	Notes	Share premium account HK$'000	Contributed surplus HK$'000 (note 34(b))	Other equity instrument HK$'000 (note 34(c))	Share option reserve HK$'000 (note 34(d))	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2016		243,779	13,387	14,915	–	6,795	278,876
Total comprehensive loss for the year		–	–	–	–	(320,861)	(320,861)
Issue of shares	33(a)	101,174	–	(14,915)	–	–	86,259
Issue of shares	33(b)	693,600	–	–	–	–	693,600
Placing of new shares	33(c)	113,600	–	–	–	–	113,600
Issue of shares	33(d)	231,000	–	–	–	–	231,000
Placing of new shares	33(e)	391,891	–	–	–	–	391,891
Share issue expenses		(5,616)	–	–	–	–	(5,616)
At 31 December 2016 and 1 January 2017		1,769,428	13,387	–	–	(314,066)	1,468,749
Total comprehensive loss for the year		–	–	–	–	**(623,496)**	**(623,496)**
Equity settled share-based transactions		–	–	–	**10,006**	**–**	**10,006**
At 31 December 2017		**1,769,428**	**13,387**	–	**10,006**	**(937,562)**	**855,259**

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation on 29 December 2011 over the previous nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda, a company may make distributions to its members out of the contributed surplus in certain circumstances.

46. EVENTS AFTER THE REPORTING PERIOD

On 25 January 2018, the Company entered into a conditional agreement with Enerchina Holdings Limited (the "Purchaser", a company incorporated in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange) pursuant to which the Company agreed to sell and the Purchaser has agreed to acquire the 11.78% of the entire issued share capital of Win Wind Capital Limited at a consideration of HK$320,000,000 which will be settled by the issuance of the zero coupon promissory note of the Purchaser. The transaction has not yet been completed as at the date of this report.

47. PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal Activities
			Direct %	Indirect %	
Apex Capital Business Limited	BVI	Ordinary US$100	100 (2016: 100)	–	Investment holding
Era Bright Limited	Hong Kong	Ordinary HK$1	–	100 (2016:100)	Money lending
Genius Spring Limited	BVI/Hong Kong	Ordinary US$999	–	90.1 (2016: 90.1)	Securities investment and trading
Qualipak Development Limited	BVI	Ordinary US$10,000	100 (2016: 100)	–	Investment holding
Qualipak Manufacturing Limited	Hong Kong	Ordinary HK$100 Non-voting deferred HK$22,303,857^	–	100 (2016: 100)	Manufacture and sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units
Qualipak Production (Shenzhen) Company Limited*/# (確必達包裝製造（深圳）有限公司)	People's Republic of China (the "PRC")	Registered and paid-up US$1,000,000	–	100 (2016: 100)	Manufacture and sale of packaging products
Joy Forever Limited	Hong Kong	Ordinary HK$1	–	100 (2016: 100)	Provision of corporate management services
Shanghai TY Technology Co. Ltd. *# (上海透雲物聯網科技有限公司)	PRC	Registered RMB600,000,000 and paid-up RMB274,042,800	–	100 (2016: 100)	Provision of QR codes on product packaging and business intelligence IT solutions, and online advertising display services
Sigmatrix Technology Co., Ltd* (信碼互通(北京)科技有限公司)	PRC	Registered and paid-up RMB50,000,000	–	100 (2016: Nil)	Provision of QR codes on product packaging
Victor Choice Global Limited	BVI	Ordinary US$100	–	100 (2016: 100)	Investment holding

47. PRINCIPAL SUBSIDIARIES *(Continued)*

Notes:

- # Registered as a wholly-owned foreign enterprise under the PRC law
- * Direct translation from the Chinese name which is for identification purposes only
- ^ The non-voting deferred shares have restricted rights on the distribution of profits, capital and voting

Details of subsidiaries disposed of during the year are summarised in note 37 to the financial statements.

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

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2018.

FIVE-YEAR FINANCIAL SUMMARY

31 December 2017

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

RESULTS

The summary of the consolidated results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, has been extracted from the published audited financial statements.

RESULTS

	Years ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**397,947**	324,251	285,967	397,040	436,402
Fair value loss on financial assets at fair value through profit or loss, net	**(80,248)**	(361,874)	–	–	–
(Loss)/profit before tax	**(248,987)**	(1,107,838)	256,263	13,156	19,712
Income tax	**(4,229)**	(26)	(1,060)	(1,766)	(2,780)
(Loss)/profit for the year	**(253,216)**	(1,107,864)	255,203	11,390	16,932
Loss for the year from discontinued operations:	**–**	(55,959)	–	–	–
(Loss)/profit for the year	**(253,216)**	(1,163,823)	255,203	11,390	16,932
Attributable to:					
Owners of the Company	**(245,226)**	(1,150,825)	255,259	10,349	13,435
Non-controlling interests	**(7,990)**	(12,998)	(56)	1,041	3,497
	(253,216)	(1,163,823)	255,203	11,390	16,932

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,348,425**	1,266,945	1,014,804	345,542	321,159
Total liabilities	**(390,541)**	(73,533)	(235,694)	(70,513)	(59,025)
Non-controlling interests	**(542)**	(8,493)	–	(1,974)	(933)
	957,342	1,184,919	779,110	273,055	261,201

The summary of the consolidated results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, has been extracted from the published audited financial statements.