SUNWAY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 00058

2017 ANNUAL REPORT 年報

CONTENTS

Corporate Information

DIRECTORS

Executive Directors:

Li Chongyang *(Managing Director)*
Leung Chi Fai *(Finance Director)*
Qi Jiao

Non-executive Directors:

Huang Weidong *(Chairman)*
Liu Chenli

Independent non-executive Directors:

Cong Yongjian
Lam Kai Yeung
Lam Huen Sum

COMPANY SECRETARY

Leung Chi Fai

AUTHORISED REPRESENTATIVES

Leung Chi Fai
Li Chongyang

AUDIT COMMITTEE

Lam Kai Yeung *(Chairman)*
Cong Yongjian
Liu Chenli
Lam Huen Sum

NOMINATION COMMITTEE

Huang Weidong *(Chairman)*
Leung Chi Fai
Cong Yongjian
Lam Kai Yeung
Liu Chenli
Lam Huen Sum

REMUNERATION COMMITTEE

Lam Kai Yeung *(Chairman)*
Huang Weidong
Leung Chi Fai
Cong Yongjian
Liu Chenli
Lam Huen Sum

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1902, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Unit 701–3&8, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

LEGAL ADVISERS

As to Bermuda law:
Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

As to Hong Kong law:
Angela Ho & Associates
Unit 1405, 14/F
Tower 1, Admiralty Centre
18 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

In Hong Kong:
Bank of Communications Co., Ltd, Hong Kong Branch
Dah Sing Bank Limited
Industrial Bank Co., Ltd, Hong Kong Branch

In the People's Republic of China:
Guangdong Yangdong Rural Commercial Bank
China Construction Bank Corporation
Industrial and Commercial Bank of China Limited

WEBSITE

http://www.irasia.com/listco/hk/sunway

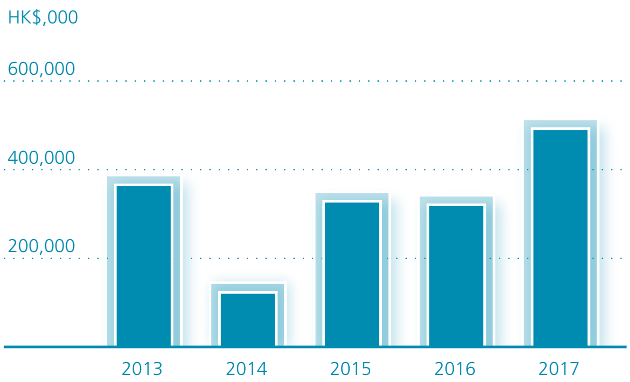
STOCK CODE

The Stock Exchange of Hong Kong Limited: 58

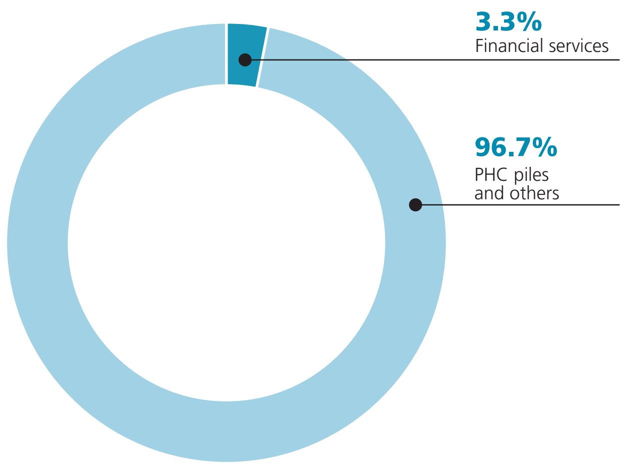
Financial Highlights

	2017 **HK$'000**	2016 HK$'000
OPERATING RESULTS		
Revenue	**315,515**	245,627
(Loss)/profit for the year	**(4,366)**	(180,612)
(Loss)/profit for the year attributable to owners of the Company	**(7,784)**	(183,049)
Loss per share – basic and diluted	**HK(0.15 cents)**	HK(4.99 cents)
Proposed final dividend per share	**Nil**	Nil
FINANCIAL POSITION		
Total assets	**721,995**	550,627
Total liabilities	**134,816**	146,049
Pledged bank deposits and cash and cash equivalents	**77,146**	46,107
Equity attributable to owners of the Company	**513,925**	342,357
FINANCIAL RATIOS		
Current ratio	**4.97**	3.07
Gearing ratio	**0.23**	0.36

Equity attributable to owners of the Company



Revenue by business segments



Chairman's Statement

On behalf of the board of directors (the "**Board**") of Sunway International Holdings Limited (the "**Company**") (individually, a "**Director**" and collectively, the "**Directors**") together with its subsidiaries (collectively, the "**Group**"), I am pleased to present the annual report of the Group for the year ended 31 December 2017.

In May 2017, the Company entered into a memorandum of understanding with 深圳中科安正生物科技有限公司 (Shenzhen Zhongke Anzheng Biological Science and Technology Company Limited*) ("**Shenzhen Zhongke**"), an associated company of 中國科學院深圳先進技術研究院 (Shenzhen Institutes of Advanced Technology, Chinese Academy of Sciences) ("**Shenzhen Institutes of Advanced Technology**"), in relation to the possible cooperation in establishing in the People's Repulic of China ("**PRC**") a fund management company and an investment fund investing in synthetic bio-engineering industry ("**SIAT MOU**"). Since Shenzhen Institutes of Advanced Technology has outstanding research achievements in the field of synthetic biology, the Company expected that this will be a profitable cooperation.

In September 2017, the Group entered into a MOU in relation to the possible acquisition of the entire issued share capital of Sino New Energy International Limited (中國超燃能源國際有限公司), subject to the entering into of a formal agreement. Sino New Energy International Limited owns 51% of the equity interest in 陝西燃超能源科技有限公司 (Shaanxi Ranchao Energy Technology Company Limited*) ("**Shaanxi Ranchao**"), which principally engaged in the business of supplying piped gas to residential households, commercial and industrial users in certain districts in the PRC and certain refueling stations in those districts in the PRC.

In October 2017, the Group entered into a MOU with Gold State Enterprises Limited (the "**JV Partner**") in relation to the possible setting up of a joint venture between one of the subsidiaries of the Group and the JV Partner for principally engaging in the development of land situated in Ho Chi Minh City and/or Hanoi, Vietnam, subject to the entering into of a formal joint venture agreement. Given the fast economic growth and supportive government policies which contribute to an optimistic property market in Vietnam, the Board believes that the possible joint venture, if proceed, can broaden the revenue source of the Group.

In October 2017, the Group also entered into a MOU involving the proposed acquisitions from two vendors of certain issued shares in Sunshine Property Waterloo Pty Ltd with its principal business of development of a piece of land situated in New South Wales, Australia, subject to the entering into of the formal agreements.

We aim for diversification in our businesses and will seek valuable investment opportunities to maintain a sustainable growth for the Group and to maximize shareholders' value.

Looking forward, we expect business and investment outlook remains challenging. We remain cautious in monitoring the costs and apply the various cost effective measures in order to improve the financial performance of the Group and maintain its competitiveness.

On behalf of the Board, I would like to thank our shareholders, customers, suppliers and business associates for their continuous support. I would also like to express my sincere gratitude to our management and staff for their invaluable service and contributions throughout the year.

Huang Weidong
Chairman

Hong Kong
29 March 2018

* *For identification purposes only*

Management Discussion and Analysis

REVIEW OF RESULTS AND OPERATIONS

Construction Materials Business

Construction materials business consisted of the PHC Pile and Others Business and the PC Steel Bar Business.

PHC Pile and Others Business

PHC Pile and Others Business is operated by a subsidiary of the Company, 廣東恆佳建材股份有限公司 Guangdong Hengjia Construction Materials Co., Ltd* ("**Guangdong Hengjia**") and its production factory is situated in Yangjiang City, Guangdong Province, the PRC. Guangdong Hengjia sells its products to customers located in Yangjiang City and its surrounding cities in Guangdong Province.

Revenue from the PHC Pile and Others Business represented sales of pre-stressed high strength concrete pile, ready-mixed concrete and bricks which contributed approximately 49%, 35% and 16%, (for the year ended 31 December 2016 ("**FY2016**"): approximately 30%, 52% and 18%) respectively to the revenue of PHC Pile and Others Business. The total revenue of the Group for the year ended 31 December 2017 ("**FY2017**") was mainly generated from the PHC Pile and Others Business.

Revenue from external customers for FY2017 was HK$305,074,000 compared with HK$242,146,000 reported last year, which increased by approximately 26%. The increase in revenue for the period was mainly attributable to the rise in sales of pre-stressed high strength concrete pile. PHC Pile and Others Business contributed approximately 96.7% and 98.6% of the total revenue of the Group for FY2017 and FY2016, respectively.

The operations of the PHC Pile and Others Business for FY2017 remained profitable. The segment profit for FY2017 was HK$7,481,000 as compared with HK$13,506,000 reported last year.

PC Steel Bar Business

PC Steel Bar Business is operated by a subsidiary of the Company, 珠海和盛特材股份有限公司 Zhuhai Hoston Special Materials Co., Ltd*. ("**Zhuhai Hoston**") and its production factory is situated in Zhuhai City, Guangdong Province, the PRC (the "**Zhuhai Factory**"). The operation of the Zhuhai Factory has been suspended since 1 January 2016.

PC Steel Bar Business did not generate revenue during the FY2017. Expenses incurred during the year were mainly staff costs and legal fees for the Zhuhai Factory. Segment loss for FY2017 was HK$810,000 as compared with HK$27,453,000 reported last year.

Financial Services Business

Financial services business consisted of money lending, provision of asset management services, advising on securities services and securities brokerage services in Hong Kong.

The Group commenced the money lending business in July 2016. Money lending business contributed HK$10,441,000 to the revenue of the Group during FY2017 (FY2016: HK$3,481,000) and represented interest income from loans granted to customers.

On 15 May 2017, the Group obtained a licence to carry out Type 4 (advising on securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") in addition to its existing licence to carry out Type 9 (asset management) regulated activity under the SFO. There was no revenue generated by asset management services and advising on securities services during FY2017. The revenue generated by provision of securities brokerage services was minimal during FY2017.

Other gains and losses, net

Other gains and losses, net for FY2017 consisted of net exchange gain of HK$8,728,000, gain on disposal of property, plant and equipment of HK$43,000, gain on disposal of assets classified as held-for-sale of HK$21,520,000, net loss arising on financial assets at fair value through profit or loss of HK$5,823,000, provision for impairment loss of trade receivables, net of HK$16,706,000, provision for impairment loss of prepayments, deposits and other receivables, net of HK$2,950,000 and reversal of provision of compensation and cost for legal cases of HK$4,386,000.

Other expenses

Other expenses for FY2017 mainly represented donations of HK$3,352,000.

Selling and distribution expenses

Selling and distribution expenses for FY2017 mainly comprised of transportation costs of HK$29,092,000 and salaries for the sale-persons of HK$2,316,000.

Administrative expenses

Administrative expenses for FY2017 mainly comprised of salaries and other benefits (including Directors' remuneration) of HK$19,094,000 and legal and professional fees of HK$11,419,000. The decrease in administrative expenses was mainly attributable to no recognition of equity-settled share based payment for FY2017.

Finance costs

Finance costs for FY2017 were interest expenses for the bank borrowings of HK$2,978,000.

FINAL DIVIDEND

The Board resolved not to declare any final dividend for the year ended 31 December 2017 (2016: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its operations with equity fund raising activities, internally generated cash flow and banking facilities provided by its principal bankers in the PRC. As at 31 December 2017, the total shareholders' equity of the Group was HK$587,179,000, representing an increase of approximately 45% over last year. As at 31 December 2017, the Group's cash and cash equivalents stood at HK$77,146,000 whereas interest-bearing borrowings were HK$44,137,000. During the year, the Group did not use any financial instruments for any hedging purposes. The gearing ratio, which was computed by dividing the current liabilities and non-current liabilities by equity, was approximately 23% as at 31 December 2017.

SIGNIFICANT INVESTMENTS AND ACQUISITION

The Group has no significant investment and acquisition during the year.

CAPITAL STRUCTURE

Convertible notes

As at 31 December 2017, the Company had convertible notes with principal amount of HK$30,000,000. Based on the opinions obtained from the legal advisers of the Company, in view of the on-going legal proceedings mentioned under the paragraph headed "Legal Proceedings" in this report, the Company maintains the position that all remaining convertible notes of the Company are void and are not capable of converting into shares of the Company.

Placing of New Shares

On 17 May 2017, a total of 872,880,000 ordinary shares of HK$0.01 each have been successfully placed under general mandate by joint placing agents to not less than six placees at the placing price of HK$0.086 per share under the terms and conditions of the placing agreement entered into on 26 April 2017.

On 13 October 2017, a total of 1,070,000,000 ordinary shares of HK$0.01 each have been successfully placed under general mandate by a placing agent to not less than six placees at the placing price of HK$0.097 per share under the terms and conditions of the placing agreement entered into on 18 September 2017.

Share options

In accordance with the share option scheme approved and adopted by the Company on 17 June 2016 (the "**Share Option Scheme 2016**"), on 22 June 2016, the Company granted options to certain directors, employees, substantial shareholders and consultants of the Group to subscribe for a total of 436,200,000 ordinary shares of HK$0.01 each in the capital of the Company on or before 21 June 2026 at an exercise price of HK$0.1682 per share. In July 2017, 48,600,000 options were lapsed. As at 31 December 2017, the number of shares in respect of which options had been granted and exercisable was 267,800,000. No share options were exercised or cancelled during the year.

Issued share capital

As at 31 December 2017, the issued shares of the Company was 6,427,083,246 (as at 31 December 2016: 4,484,203,246) ordinary shares of HK$0.01 each.

USE OF PROCEEDS FROM THE PLACINGS OF SHARES

On 17 May 2017, the Company has completed a placing of shares and raised approximately HK$75.07 million. The net proceeds from the placing of shares was approximately HK$73.10 million after deducting the placing commission and other expenses in connection with the placing.

As stated in the announcements of the Company dated 26 April 2017 and 17 May 2017, and the announcement for change in use of proceeds from placing of new shares on 24 November 2017, the Group intended to use approximately HK$30.2 million of the net proceeds from the placing for the development of financial services business, approximately HK$8.5 million for the general working capital of the Group and the remaining balance of approximately HK$34.4 million for the proposed acquisitions from two vendors of certain issued shares in a company with its principal business of development of a piece of land situated in New South Wales, Australia.

As at 31 December 2017, HK$10 million of the proceeds from the placing of shares was used for the development of financial services business, in particular, loan to customer in the money lending business, an accumulated amount of approximately HK$20.2 million of the proceeds from the placing of shares was used in acquisition of stocks listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), HK$8.5 million was used as general working capital and HK$6.37 million was used for the proposed acquisitions.

On 13 October 2017, the Company has completed another placing of shares and raised approximately HK$103.79 million. The net proceeds from the placing of shares were approximately HK$100.0 million after deducting the placing commission and other expenses in connection with the placing. The Company has used HK$100.0 million as the refundable earnest money for a possible acquisition from an independent third party of a target group of companies engaging in the business of supplying piped gas to residential households, commercial and industrial users in certain districts in the PRC and certain refueling stations in the those districts in the PRC.

PLEDGE OF ASSETS

The Group's certain buildings of HK$40,810,000 (2016: HK$39,151,000), certain prepaid land lease payments of HK$24,486,000 (2016: HK$23,533,000) and certain plant and machinery of HK$7,801,000 (2016: HK$8,535,000) are used to secure banking facilities for the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group has approximately 400 full time management, administrative, technical and production staff in the PRC and Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group's directors and employees in Hong Kong joined the Mandatory Provident Fund Scheme. Other staff benefit includes share options granted or to be granted under the Share Option Scheme 2016.

FOREIGN EXCHANGE AND CURRENCY RISKS

The Group's monetary assets, liabilities and transactions are principally denominated in Renminbi ("**RMB**") and Hong Kong Dollars ("**HKD**"). The Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against RMB. The Group has a net exchange exposure to RMB as the Group's assets are principally located in the PRC. The Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner.

COMMITMENT

As at 31 December 2017 and 31 December 2016, the Group did not have any material contracted commitments.

CONTINGENT LIABILITIES

As at 31 December 2017 and 31 December 2016, the Group did not have any material contingent liabilities.

MEMORANDUM OF UNDERSTANDING ENTERED INTO DURING THE REPORTING YEAR

1. Reference is made to the announcement of the Company dated 9 May 2017. Due to the outstanding research achievements of Shenzhen Institutes of Advanced Technology in the field of synthetic biology, on 5 May 2017, the Company entered into the SIAT MOU with Shenzhen Zhongke, a company in which Mr. Liu Chenli, one of the non-executive Directors, is interested in 80% of its registered capital and an associated company of Shenzhen Institutes of Advanced Technology, in relation to the possible cooperation in establishing in the PRC a fund management company and an investment fund investing in synthetic bio-engineering industry.

2. References are made to the announcements of the Company dated 12 September 2017 and 10 October 2017. On 12 September 2017, Sunway New Energy Industry Group Limited (新威新能源產業集團有限公司) ("**Sunway New Energy**"), a direct wholly-owned subsidiary of the Company, entered into a memorandum of understanding (the "**Piped Gas MOU**") and on 10 October 2017, a supplemental agreement to the Piped Gas MOU with Divine Lands International Gas Holdings Group Limited (神州國際燃氣控股集團有限公司) ("**Divine Lands**") and Mr. Deng Chao as the guarantor in relation to the possible acquisition of the entire issued share capital of Sino New Energy International Limited (中國超燃能源國際有限公司) ("**Sino New Energy**"), subject to the entering into of a formal agreement (collectively, the "**PG MOU**").

Sino New Energy owned 51% of the equity interest in Shaanxi Ranchao, a Sino-foreign equity joint venture company established in the PRC, and the other 49% of the equity interest in Shaanxi Ranchao is owned by 自貢市翠瑾商貿有限公司, a company incorporated in the PRC. Shaanxi Ranchao is principally engaged in the business of supplying piped gas to residential households, commercial and industrial users in certain districts in the PRC, and certain refueling stations in those districts in the PRC.

The consideration of the possible acquisition will be determined by arm's length negotiation between Sunway New Energy and Divine Lands after the completion of the due diligence process on Sino New Energy and its subsidiaries, including Shaanxi Ranchao. Pursuant to the PG MOU, Sunway New Energy has paid in cash the refundable earnest money in the sum of HK$100,000,000 (the "**Refundable Earnest Money**") to Divine Lands. As security for the repayment of the Refundable Earnest Money, the entire issued share capital of Sino New Energy held by Divine Lands was charged in favour of Sunway New Energy, and the performance of all the obligations of Divine Lands was guaranteed by the sole shareholder of Divine Lands, Mr. Deng Chao. The Refundable Earnest Money shall be applied as part payment of the consideration for the possible acquisition upon signing of the formal agreement.

3. Reference is made to the announcement of the Company dated 16 October 2017. On 16 October 2017, Golden Elements Limited, a direct wholly-owned subsidiary of the Company, entered into a memorandum of understanding (the "**Vietnam JV MOU**") with JV Partner in relation to the possible setting up of a joint venture between Golden Elements Limited and the JV Partner for principally engaging in the development of land situated in Ho Chi Minh City and/or Hanoi, Vietnam, subject to the entering into of a formal joint venture agreement. The sum of the total investment of Golden Elements Limited in, and other terms of, the possible joint venture will be determined by arm's length negotiation between Golden Elements Limited and the JV Partner, after the completion of the due diligence process in respect of the possible joint venture.

4. References are made to the announcements of the Company dated 30 October 2017, 21 November 2017 and 6 February 2018. On 30 October 2017, Ever Vision Enterprises Limited 恆景企業有限公司 ("**Ever Vision**"), a direct wholly-owned subsidiary of the Company, entered into a memorandum of understanding (the "**Waterloo MOU**") with Zong Family Investment Pty Ltd, Ms. Ren Dandan, Mr. Wang Yun (collectively, the "**W-Parties**") and Sunshine Property Waterloo Pty Ltd (the "**Target Company**") in relation to the possible transactions involving a possible acquisition of the then existing shares in Target Company (representing approximately 39% of the then existing issued share capital of Target Company) by Ever Vision (or its nominees) from the W-Parties (or any of the W-Parties); and a possible joint venture between Ever Vision and the W-Parties (or any of the W-Parties being the then shareholder(s) of Target Company) for the development of the land situated in New South Wales, Australia, subject to the entering into of a formal agreements. The consideration, and other terms, of the possible acquisition will be determined by arm's length negotiations between Ever Vision and the W-Parties (or any of the W-Parties); and the terms of the possible joint venture will be determined by arm's length negotiations between Ever Vision and the W-Parties (or any of the W-Parties being the then shareholder(s) of Target Company), after the completion of the due diligence process on the possible transactions. Up to the date of this report, the Group has paid a deposit in the aggregate sum of approximately HK$6,637,000 pursuant to two conditional acquisition agreements both dated 21 November 2017 with Zong Family Investment Pty Ltd and Ms. Ren Dandan, respectively in relation to the possible acquisition (collectively, the "**Acquisition Agreements**").

EVENT AFTER THE REPORTING PERIOD

The Group has no material event subsequent to the year ended 31 December 2017 that needs to be disclosed.

LEGAL PROCEEDINGS

As at the date of this report, the Group was involved in the following legal proceedings/investigation:

The Company/its subsidiary as the defendant

(a) References are made to the announcement of the Company dated 15 December 2017 and interim report of the Company for the six months ended 30 June 2017 (the "**Interim Report 2017**"), Zhuhai Hoston was ordered to pay the overdue amount, late penalty charge and legal costs to 珠海港物流發展有限公司 (Zhuhai Port Logistics Development Co., Ltd)* ("**Zhuhai Port**") and 廣州市壹弘運輸有限公司 (Guangzhou Yihong Transportation Co., Ltd)* ("**Guangzhou Yihong**") in a total sum of RMB1,098,667 and RMB2,295,538, in accordance with the rulings issued by 廣東省珠海市金灣區人民法院 (Guangdong Zhuhai Jinwan People's Court)* ("**Jinwan People's Court**") and 廣東省珠海市中級人民法院 (Guangdong Zhuhai Intermediate People's Court)* ("**Zhuhai Intermediate People's Court**"), respectively.

Zhuhai Hoston received an execution order dated 21 November 2016 issued by the Jinwan People's Court on the application of Zhuhai Port in relation to the auction of certain land and properties owned by Zhuhai Hoston, which were seized by the Jinwan People's Court pursuant to its civil ruling dated 30 June 2015.

On 10 June 2017, the relevant land and properties owned by Zhuhai Hoston were sold at RMB34,074,262 (equivalent to HK$39,219,476) (the "**Proceeds of Auction**") in an auction and the final result of the auction was confirmed by the Jinwan People's Court.

On 17 November 2017 and 21 November 2017, the Proceeds of Auction were applied by the Jinwan People's Court to settle some of the judgment debts and claims from different creditors of Zhuhai Hoston in the PRC.

On 11 August 2017, the Jinwan People's Court confirmed that as at 10 June 2017, Zhuhai Hoston was indebted to Zhuhai Port for a sum of RMB894,249.07. By an agreement dated 21 November 2017 entered into between Zhuhai Hoston and Zhuhai Port, Zhuhai Port agreed to waive RMB54,816.07 from the debt. On 21 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB839,433.00 as full and final settlement of the claim.

On 11 August 2017, the Jinwan People's Court confirmed that as at 10 June 2017, Zhuhai Hoston was indebted to Guangzhou Yihong for a sum of RMB2,509,241.48. By an agreement dated 14 November 2017 entered into between Zhuhai Hoston and Guangzhou Yihong, Guangzhou Yihong agreed to waive RMB359,241.48 from the debt. On 21 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB2,150,000.00 as full and final settlement of the claim.

Pursuant to a notice issued by 廣東省珠海市斗門區人民法院 (Guangdong Zhuhai Doumen People's Court)* ("**Doumen People's Court**") on 14 November 2016, 70% equity interest of Zhuhai Hoston in Guangdong Hengjia was impounded by the Doumen People's Court. In view of the aforementioned full and final settlement of the claim of Guangzhou Yihong, Guangzhou Yihong applied to Doumen People's Court to release the said impoundment. On 21 December 2017, Doumen People's Court made an execution order that the said impoundment be released.

(b) References are made to the announcement of the Company dated 15 December 2017 and the Interim Report 2017 . On 11 August 2017, the Jinwan People's Court confirmed that as at 10 June 2017, Zhuhai Hoston was indebted to 珠海市中小企業融資擔保有限公司 (Zhuhai Small & Medium Enterprises Financing Guarantee Co., Ltd)* ("**Zhuhai Small & Medium Enterprises**") for a sum of RMB12,717,217.64. By an agreement dated 15 November 2017 entered into between Zhuhai Hoston and Zhuhai Small & Medium Enterprises, Zhuhai Small & Medium Enterprises agreed to waive RMB300,000.00 from the debt. On 21 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB12,417,217.64 as full and final settlement of the claim.

Pursuant to a civil ruling dated 13 July 2016 issued by 廣東省珠海市香洲區人民法院 (Guangdong Zhuhai Xiangzhou People's Court)* (the "**Xiangzhou People's Court**"), 70% equity interest of Zhuhai Hoston in Guangdong Hengjia was impounded by the Xiangzhou People's Court. In view of the aforementioned full and final settlement of the claim, the management of Zhuhai Hoston will apply to the court to release the said impoundment.

(c) References are made to the Company's announcements dated 5 February 2016, 14 March 2017 and 4 September 2017 in relation to an action commenced by Liu Qian (劉倩) ("**Ms. Liu**") as the plaintiff against the Company as the defendant in the Court of First Instance of the High Court of Hong Kong (the "**Court of First Instance**") on 3 February 2016 (the "**Action**"). On 13 March 2017, upon the application of Ms. Liu and after the substantive hearing of the application on 27 February 2017, the Court of First Instance entered summary judgment against the Company with damages to be assessed (the "**Summary Judgment**"). The Company filed an appeal against the Summary Judgment on 7 April 2017 (the "**Appeal**") and the substantive hearing of the Appeal was heard in the Court of Appeal of the High Court (the "**Court of Appeal**") on 22 August 2017 with judgment reserved. On 1 September 2017, the Court of Appeal allowed the Appeal, set aside the Summary Judgment and granted the Company unconditional leave to defend the Action. There has been no progress in the Action since the Appeal.

(d) References are made to the announcements of the Company dated 11 November 2016, 15 December 2017 and the Interim Report 2017 in relation to the civil complaints involving Zhuhai Hoston.

(i) Zhuhai Hoston received civil rulings on 19 October 2016 and was to assume joint responsibility with other guarantors in relation to outstanding personal loans of RMB1,900,000 and approximately RMB3,000,000, owing by Wang Tian (王天) to Bi Xiaohui (畢肖輝) and Chen Xiaodong (陳曉東), respectively, and interests on such respective principal sums and legal costs. Zhuhai Hoston has filed appeals against these civil rulings.

According to the civil rulings dated 28 March 2017 and 7 June 2017 on the appeals, Zhuhai Hoston was to assume responsibility for half of the outstanding personal loans owing by Wang Tian (王天) to Bi Xiaohui (畢肖輝) and Chen Xiaodong (陳曉東), respectively and the respective interest thereon and the legal costs.

As at 8 November 2017, Zhuhai Hoston was indebted to Bi Xiaohui (畢肖輝) for a sum of RMB1,568,300.08. By an agreement dated 15 November 2017 entered into between Zhuhai Hoston and Bi Xiaohui (畢肖輝), Bi Xiaohui (畢肖輝) agreed to waive RMB568,300.08 from the debt. On 21 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB1,000,000.00 as full and final settlement of the claim.

By an agreement dated 21 November 2017 entered into between Zhuhai Hoston and Chen Xiaodong (陳曉東), Chen Xiaodong (陳曉東) agreed that Zhuhai Hoston was only liable for half the amount of the outstanding loan, which is RMB1,288,833.10. On 21 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB1,288,833.10 as full and final settlement of the claim.

(ii) Zhuhai Hoston received civil rulings on 10 April 2017 and 12 April 2017 and was to assume responsibility for half of the outstanding personal loans of RMB1,000,000 and RMB3,500,000, owing by Wang Tian (王天) to Wu Min (吳敏) and Kou Jinshui (寇金水), respectively, and the respective interests thereon and the legal costs. Zhuhai Hoston has filed appeals against these civil rulings.

According to the civil rulings dated 24 October 2017 and 22 January 2018 on appeals respectively, the Zhuhai Intermediate People's Court revised the principal amount of the loan to RMB839,314 as owing by Wang Tian (王天) to Wu Min (吳敏) and RMB2,378,174 as owing to Kou Jinshui (寇金水). Apart from these alterations, the Zhuhai Intermediate People's Court did not allow the appeal and confirmed the aforementioned civil rulings dated 10 April 2017 and 12 April 2017.

(iii) Upon the respective applications of Kou Jinshui (寇金水) and 珠海河川商貿有限公司 (Zhuhai Hechuan Commercial and Trade Co., Ltd.)* ("**Zhuhai Hechuan**"), three bank accounts of Zhuhai Hoston and 70% equity interest of Zhuhai Hoston in Guangdong Hengjia were suspended/impounded by the Xiangzhou People's Court pursuant to an execution order dated 27 December 2016.

Zhuhai Hoston received a civil ruling on 13 April 2017 in relation to disputes over private lending pursuant to a lending contract dated 6 April 2013 entered into between Zhuhai Hoston as the borrower and Zhuhai Hechuan as the lender, that the said lending has been fully settled by Zhuhai Hoston already and Zhuhai Hoston was not liable to any repayment of the loan and the respective interest thereon to Zhuhai Hechuan.

On 8 September 2017, Zhuhai Hechuan filed an appeal to the Zhuhai Intermediate People's Court. By a civil ruling on 22 January 2018, Zhuhai Intermediate People's Court allowed the appeal, reversed the aforementioned civil ruling dated 13 April 2017 and ordered that the case be remitted back to the Xiangzhou People's Court for a re-trial.

(e) Reference is made to the announcement of the Company dated 15 December 2017 in relation to the civil complaints involving Zhuhai Hoston.

(i) By a ruling issued by 江蘇省無錫市惠山區人民法院 (Jiangsu Wuxi Huishan People's Court)* on 27 September 2016, Zhuhai Hoston was ordered to pay a sum of RMB94,800.00 plus interests to 無錫市天鑽硬質合金有限公司 (Wuxi Tianzuan Hard Alloy Co., Ltd)* ("**Wuxi Tianzuan**") as overdue trade payable. On 11 August 2017, the Jinwan People's Court confirmed that as at 10 June 2017, Zhuhai Hoston was indebted to Wuxi Tianzuan for a sum of RMB103,768.40 including interests. By an agreement dated 12 November 2017 entered into between Zhuhai Hoston and Wuxi Tianzuan, Wuxi Tianzuan agreed to waive RMB8,968.40 from the debt. On 17 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB94,800.00 as full and final settlement of the claim.

(ii) On 11 August 2017, the Jinwan People's Court confirmed that as at 10 June 2017, Zhuhai Hoston was indebted to 珠海市宏展機電設備有限公司 (Zhuhai Hongzhan Electrical and Mechanical Co., Ltd.)* ("**Zhuhai Hongzhan**") for a sum of RMB19,300.00. By an agreement dated 13 November 2017 entered into between Zhuhai Hoston and Zhuhai Hongzhan, Zhuhai Hongzhan agreed to waive RMB3,300.00 from the debt. On 21 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB16,000.00 as full and final settlement of the claim.

(iii) By a civil mediation agreement dated 14 July 2017 entered into between Zhuhai Hoston and 斗門區井岸鎮恒遠機械模具店 (Doumen District Jingan Town Hengyuan Machinery Mold Shop)* ("**Hengyuan**") and endorsed by Doumen People's Court, Zhuhai Hoston agreed to pay Hengyuan a sum of RMB30,936.00 as overdue trade payable including interests and RMB287.00 as court fees. By an agreement dated 16 November 2017 entered into between Zhuhai Hoston and Hengyuan, Hengyuan agreed to waive RMB6,223.00 from the debt. On 21 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB25,000.00 as full and final settlement of the claim.

(iv) By a civil mediation agreement dated 17 August 2017 entered into between Zhuhai Hoston and 珠海路迅通貨運代理有限公司 (Zhuhai Luxuntong Forwarding Co., Ltd)* ("**Zhuhai Luxuntong**") and endorsed by the Doumen People's Court, Zhuhai Hoston agreed to pay Zhuhai Luxuntong a total sum of RMB468,428.40 as overdue trade payable including interests and RMB4,163.00 as court fees. By an agreement dated 10 November 2017 entered into between Zhuhai Hoston and Zhuhai Luxuntong, Zhuhai Luxuntong agreed to waive RMB81,297.48 from the debt. On 21 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB391,293.92 as full and final settlement of the claim.

(f) Reference is made to the announcement of the Company dated 15 December 2017 in relation to the outstanding claims against Zhuhai Hoston:

A total sum of RMB18,222,577.66 out of the Proceeds of Auction was applied to settle part of the claims against Zhuhai Hoston referred to in paragraphs (a), (b), (d)(i) and (e) above. After deducting an administrative fee of RMB57,274.00 by the Jinwan People's Court, a sum of RMB15,794,410.34 remained (the "**Remaining Proceeds of Auction**").

(i) Zhuhai Hoston was indebted to Guangdong Hengjia for a total sum of RMB50,566,745.84 (the "**Guangdong Hengjia Debt**"). The Remaining Proceeds of Auction had been applied by the Jinwan People's Court to settle part of the Guangdong Hengjia debt. After applying the Remaining Proceeds of Auction, Zhuhai Hoston is indebted to Guangdong Hengjia for a total sum of RMB34,772,335.50.

Zhuhai Hoston received an execution order dated 21 November 2017 made by 陽江市江城區人民法院 (Yangjiang Jiangcheng People's Court)* ("**Yangjiang Jiangcheng People's Court**") on the application of Guangdong Hengjia to seize certain tools and equipment of Zhuhai Hoston for a period of 2 years as security for the debt owed by Zhuhai Hoston to Yangjiang Jiangcheng People's Court.

Zhuhai Hoston received an auction notice dated 6 February 2018 issued by the Yangjiang Jiangcheng People's Court that the seized tools and equipment would be listed for auction from 9 March 2018 to 10 March 2018. The Company was informed by Zhuhai Hoston that the seized tools and equipment were not sold at the auction.

(ii) Upon the applications of 佛山市南海信通物資有限公司 (Foshan Nanhai Xintong Materials Co., Ltd) ("**Foshan Nanhai**") a bank account of Zhuhai Hoston, certain tools and 70% equity interest of Zhuhai Hoston in Guangdong Hengjia were suspended, seized and impounded by 廣東省佛山市南海區人民法院 (Guangdong Foshan Intermediate People's Court)* (the "**Foshan Intermediate People's Court**") pursuant to an execution order made on 4 August 2015, list of seized properties dated 12 August 2015 and an execution notice dated 17 August 2015 respectively.

By an assignment of loan executed between 陽江市博信商貿有限公司 (Yeungkong Boxin Trading Co., Ltd)* ("**Yeungkong Boxin**") and Foshan Nanhai, Foshan Nanhai assigned a debt of RMB414,698.55 plus interests owed by Zhuhai Hoston to Yeungkong Boxin (the "**Assignment**"). In addition to a loan of RMB1,576,225.80 between Yeungkong Boxin as the lender and Zhuhai Hoston as the borrower, Zhuhai Hoston is indebted to Yeungkong Boxin for a total sum of RMB2,182,047.44.

Since Foshan Nanhai has not notified the Foshan Intermediate People's Court of the Assignment, the records of the Foshan Intermediate People's Court are still showing Foshan Nanhai as the creditor of Zhuhai Hoston. In view of the Assignment, the management of Zhuhai Hoston will apply to the court to update the records.

(iii) By a civil mediation agreement dated 16 October 2017 entered into between Zhuhai Hoston and 特潤絲(天津)化學有限公司. (Terunsi (Tianjin) Chemical Co., Ltd)* ("**Terunsi**") and endorsed by the Doumen People's Court, Zhuhai Hoston agreed to pay Terunsi a total sum of RMB71,400.00 as overdue trade payable and RMB793.00 as court fees. On the same date, Doumen People's Court issued a civil ruling against Zhuhai Hoston and ordered that an amount of RMB71,400.00 in a bank account held by Zhuhai Hoston be suspended for one year.

The Company is looking into the rest of the outstanding claims with the management of Zhuhai Hoston in relation to how such claims will be settled.

The Directors are of the opinion that the trade and other payables and provision for late penalty charges and corresponding legal fee are sufficiently made in the consolidated financial statements as at 31 December 2017.

The Company/its subsidiaries as the plaintiff

(g) By a Generally Indorsed Writ of Summons dated 23 June 2015 and Statement of Claim dated 18 August 2015 issued by the Company and First Billion Global Limited, a wholly-owned subsidiary of the Company (collectively, the "**Plaintiffs**") against Xiao Guang Kevin (蕭光) ("**Mr. Xiao**") and Wang Zhining (王志寧) ("**Mr. Wang**") (collectively, the "**Defendants**"), the vendor and the guarantor, respectively, all of whom are parties to a very substantial acquisition of the Company (the "**VSA**") as announced by the Company in its announcement dated 30 January 2014 and its circular dated 31 March 2014, the Plaintiffs claim that the Defendants have fundamentally breached the terms and conditions of the SPA (the "**SPA Legal Proceedings**"). Accordingly, the Plaintiffs are seeking to rescind the SPA under which, as part of the consideration price, certain convertible notes were issued by the Company to Mr. Xiao.

    On 16 March 2017, the Plaintiffs filed an Amended Statement of Claim to the Court of First Instance adding Ms. Liu as a defendant to the SPA Legal Proceedings claiming, amongst other things, that Ms. Liu is a nominee of Mr. Wang and further claim against the Defendants for misrepresentation regarding the undisclosed guarantees given by Zhuhai Hoston in favour of 王天 (Wang Tian) referred to in paragraph (d) above which has led to the Group's involvement in such litigation.

    Pursuant to the Order of the Court of First Instance dated 5 December 2017, the Plaintiffs filed and served on the Defendants their Further and Better Particulars of the Amended Statement of Claim on 9 January 2018. Upon counsel's advice, the Plaintiffs are considering to further amend the Amended Statement of Claim in order to, amongst other things, simplify their claims and to make clear their causes of action.

    The Company is seeking advice from its legal advisers. In any event, the Board does not envisage that the Plaintiffs' claims will have any material adverse impact on the financial performance and trading position of the Group. As at the date of this report, the case is still going through the litigation procedures and no judgment has been made by the Court.

(h) On 30 July 2015, Zhuhai Hoston filed a report to 珠海市公安局 (Zhuhai Public Security Bureau)* (the "**Bureau**") against Wang Zhining （王志寧） and Wang Tian (王天), the former directors of Zhuhai Hoston (the "**Former Directors**"), in respect of the possible commercial crimes (the "**Reported Case**") regarding the non-recoverable prepayments as disclosed in the announcement of the Company dated 14 October 2015.

    Up to the date of this report, the management is awaiting the findings of the investigation from the Bureau.

(i) On 29 February 2016, Zhuhai Hoston filed a lawsuit in the Xiangzhou People's Court against the Former Directors and 珠海市鑫鋒發展有限公司 (Zhuhai Xinfeng Development Co., Ltd.)*, the controlled company of the Former Directors (the "**Controlled Company**"), regarding the prepayment to a supplier of Zhuhai Hoston of RMB4,840,000 for the purchase of machinery. The sum was subsequently transferred to the Controlled Company based on the instructions of the Former Directors to the supplier. According to civil ruling from the Xiangzhou People's Court dated 30 May 2016, the lawsuit has been suspended pending for the investigation results of the Reported Case as the prepayment to the supplier is part of the subject matter of the Reported Case.

Other than as disclosed above, no other significant development and material financial implication arising from the above legal proceedings/investigation.

PROSPECT

As regards the business of the Type 9 (asset management) regulated activity under the SFO, it has started to launch an education fund and an Australian real estate fund. The size of the education fund is approximately US$100 million (equivalent to approximately HK$780 million) and the investment scope of the education fund is Hong Kong and overseas potential schools. There are five targeted projects located in Hong Kong, China and Canada, including kindergartens, secondary schools, universities and other vocational institutions. The size of the Australian real estate fund is approximately AUD100 million (equivalent to approximately HK$610 million). The investment scope of the Australian real estate fund is Australia real estate projects. There are two targeted projects in Sydney, New South Wales. The first project is a nursing home located in Penrith and the second project is a luxury apartment located in Marsden Park. These funds will not be licensed funds, but private equity funds. The above targeted projects are mainly sourced by the general partner of the funds.

Apart from private equity funds, the hedge fund is expected to be launched in April 2018. The investment scope of the hedge fund is listed global equities and fixed income securities.

The Company has entered into the SIAT MOU with Shenzhen Zhongke in relation to the possible cooperation in establishing in the PRC a fund management company and an investment fund investing in synthetic bio-engineering industry. Shenzhen Institutes of Advanced Technology has outstanding research achievements in the field of synthetic biology. As at the date of this report, notwithstanding the expiration of the 6-month period from the date of the SIAT MOU, this possible cooperation is still subject to further negotiations.

Sunway New Energy has entered into the PG MOU in relation to the possible acquisition of the entire issued share capital of Sino New Energy, subject to the entering into of a formal agreement. Sino New Energy owned 51% of the equity interest in Shaanxi Ranchao, which is principally engaged in the business of supplying piped gas to residential households, commercial and industrial users in certain districts in the PRC and certain refueling stations in those districts in the PRC. As at the date of this report, notwithstanding the expiration of the exclusivity period of 6 months from the date of the Piped Gas MOU, this possible acquisition is still under the due diligence process and the formal agreement has yet to be entered into.

Golden Elements Limited has entered into the Vietnam JV MOU with the JV Partner in relation to the possible setting up of a joint venture between Golden Elements Limited and the JV Partner for principally engaging in the development of land situated in Ho Chi Minh City and/or Hanoi, Vietnam, subject to the entering into of the formal joint venture agreement. As at the date of this report, notwithstanding the expiration of the 6-month period from the date of the Vietnam JV MOU, this possible joint venture is still under the due diligence process.

References are made to the announcements of the Company dated 30 October 2017, 21 November 2017 and 6 February 2018. The Group entered into the Waterloo Acquisition Agreements on 21 November 2017 with the W-Parties. As at the date of this report, notwithstanding the expiration of the Long Stop Date which was originally set as 31 January 2018 or such later date(s) as the Group and the W-Parties may agree in writing, the parties to the Waterloo Acquisition Agreements are still negotiating on certain amendments to the Waterloo Acquisition Agreements.

* *For identification purposes only*

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Leung Chi Fai, aged 51, joined the Company in 1999 and is the Finance Director and Company Secretary of the Company. Mr. Leung is responsible for overseeing the Group's finance, accounting and corporate secretarial functions. Mr. Leung is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. Li Chongyang, aged 46, joined the Company in 2015. Mr. Li graduated from Shanghai Maritime University (formerly known as 上海海運學院 (Shanghai Maritime Institute*)) majoring in International Maritime and International Economics Law. Mr. Li has over 20 years of experience in corporate management and logistics management.

Ms. Qi Jiao, aged 27, joined the Company in 2015. Ms. Qi has completed her studies of Hospitality Administration and Business Management in Singapore in 2012. Ms. Qi is experienced in marketing and strategic planning.

Non-executive Directors

Mr. Huang Weidong, aged 50, joined the Company in 2015 and is the Chairman of the Board. Mr. Huang graduated from Xiamen University with an Executive Master of Business Administration in 2013 and has extensive experience in corporate management. Mr. Huang is brother-in-law of Ms. Xie Guilin, a substantial shareholder of the Company.

Mr. Liu Chenli, aged 37, graduated from the University of Hong Kong with a degree of Doctor of Philosophy in 2011. Mr. Liu is a Professor of Shenzhen Institute of Advanced Technology, Chinese Academy of Sciences and specialized in Synthetic Biology Engineering Research.

Independent non-executive Directors

Mr. Cong Yongjian, aged 43, received a degree of Master of Laws from the University of International Business and Economics in PRC as well as a degree of Master of Laws from Cornell University in the United States of America ("USA") respectively. He is a trained attorney admitted in PRC and New York, the USA. He has over 15 years of legal practice experience representing in-house clients on various investment related issues.

Mr. Cong was a founding member of China Development Bank International Holdings Ltd ("CDBI"), where he served on the Investment Committee, also was in charge of fund formation department and legal/risk management department. At CDBI, He led a number of high profile transactions, i.e., US$200 million equity investment to Alibaba Group as well as many privatization transactions.

Prior to joining CDBI, Mr. Cong was with J. P. Morgan and Standard Chartered, where he participated in a large number of merger and acquisitions transactions, private equity investments, real estate investments, mezzanine financings, and other special situations investments. Mr. Cong has substantial experience in investment and risk management.

Biographical Details of Directors and Senior Management

Mr. Lam Kai Yeung, aged 48, is a fellow of the Association of Chartered Certified Accountants , a fellow of the Hong Kong Institute of Certified Public Accountants and Certified Dealmaker in China. Mr. Lam obtained a bachelor degree of accounting from Xiamen University in July 1990 and a master degree in business administration from Oxford Brookes University in the United Kingdom in July 2010. Mr. Lam is a licensed person for type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO.

Mr. Lam was an independent non-executive director of Northeast Tiger Pharmaceutical Company Limited (stock code: 8197), a company listed on the GEM of the Stock Exchange, from August 2008 to June 2015; an non-executive director of Ping Shan Tea Group Limited (stock code: 364), a company listed on the Main Board of the Stock Exchange, from December 2014 to May 2015.

Mr. Lam is an independent non-executive director of Starrise Media Holdings Limited (formerly known as Silverman Holdings Limited) (stock code: 1616), a company listed on the Main Board of the Stock Exchange, since June 2012; an executive director and chief executive officer of Hua Long Jin Kong Company Limited (formerly known as Highlight China IoT International Limited) (stock code: 1682), a company listed on the Main Board of the Stock Exchange, since August 2014; an independent non-executive director of Finsoft Financial Investment Holdings Limited (stock code: 8018), a company listed on the GEM of the Stock Exchange, since June 2015; an independent non-executive director of Holly Futures Co., Ltd. (stock code: 3678), a company listed on the Main Board of the Stock Exchange, since June 2015; an independent non-executive director of Kong Shum Union Property Management (Holding) Limited (stock code: 8181), a company listed on the GEM of the Stock Exchange, since October 2015; an independent non-executive director of Kin Shing Holdings Limited (stock code: 1630), a company listed on the Main Board of the Stock Exchange, since May 2017.

Dr. Lam Huen Sum, aged 37, was graduated from Hong Kong Baptist University with a bachelor's degree in Arts, diploma in Education, master degree in Social Sciences and master of philosophy and the University of Hong Kong with a doctor of philosophy.

Dr. Lam has been an Adjunct Professor at 山東濟南大學 (University of Jinan*), a member of the Advisory Board of 澳門城市大學公開學院 (Open Institute, City University of Macau*), a specialist in 香港學術及職業資歷評審局 (Hong Kong Council for Accreditation of Academic and Vocational Qualifications), a member of 戴麟趾爵士康樂基金委員會 (Sir David Trench Fund Committee of HKSAR), a Fellow and Executive Board Member/Accreditor of Medical and Health Board of International Industry and Professional Accreditation Association. Dr. Lam has been appointed by Hong Kong College of Technology, as an external examiner and a consultant since September 2016 and January 2017 respectively.

SENIOR MANAGEMENT

Mr. Lin Yepan, aged 44, was graduated from the Renmin University of China. He joined Guangdong Hengjia as the general manager and since 2011 has been appointed as the director of Guangdong Hengjia. He is responsible for directing business development and overseeing daily operations of the PHC piles and other businesses. He was an executive director of the Company from 2 May 2014 to 19 May 2015.

Mr. Lin Zhenjun, aged 44, has been the Chairman of Guangdong Hengjia since 2007. Mr. Lin has over 11 years of supervisory experience.

Mr. Tan Jin, aged 49, joined Guangdong Hengjia since 2009 and acted as legal representative and director of Zhuhai Hoston since May 2015. Mr. Tan has substantial management experience and is responsible for Zhuhai Hoston's daily management.

Mr. Xu Dun, aged 53, was graduated from the Open University of China. Mr. Xu held the position of the director Guangdong Hengjia since 2011.

* *For identification purposes only*

Report of the Directors

The Directors present their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are manufacturing and trading of pre-stressed high strength concrete piles, ready-mixed concrete, autoclaved sand-lime bricks, aerated concrete products and eco-permeable concrete products and provision of financial services.

SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 December 2017 are set out in note 40 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group as at 31 December 2017 are set out under the section headed "Management Discussion and Analysis" of this report on pages 5 to 16.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2017 and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 38 to 112 of this report.

The Directors do not recommend the payment of final dividend in respect of current financial year to the shareholders.

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 consolidated financial statements.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE NOTES

Movements in the Company's share capital during the year are set out in note 31 to the consolidated financial statements.

Details of the share option scheme and convertible notes are set out in note 34 and note 32 to the consolidated financial statements, respectively.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity and note 33 to the consolidated financial statements.

Details of movements in the reserves of the Company during the year are set out in note 42 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period of the Group are set out in note 43 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

SUMMARY FINANCIAL INFORMATION

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

RESULTS	Year ended 31 December **2017** **HK$'000**	2016 HK$'000	2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000	Year ended 30 September 2013 HK$'000
CONTINUING OPERATIONS					
LOSS BEFORE TAX	**(3,827)**	(179,071)	(74,061)	(61,003)	(12,905)
Income tax expense	**(539)**	(1,541)	(9,325)	(7,640)	–
LOSS FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS	**(4,366)**	(180,612)	(83,386)	(68,643)	(12,905)
DISCONTINUED OPERATIONS					
Profit/(loss) for the year/period from discontinued operations	**–**	–	484,073	(310,372)	(193,540)
(LOSS)/PROFIT FOR THE YEAR/PERIOD	**(4,366)**	(180,612)	400,687	(379,015)	(206,445)
Attributable to:					
Owners of the Company	**(7,784)**	(183,049)	390,554	(384,104)	(206,445)
Non-controlling interests	**3,418**	2,437	10,133	5,089	–
	(4,366)	(180,612)	400,687	(379,015)	(206,445)

ASSETS AND LIABILITIES	As at 31 December **2017** **HK$'000**	2016 HK$'000	2015 HK$'000	2014 HK$'000	As at 30 September 2013 HK$'000
Non-current assets	**178,394**	171,191	268,491	345,701	606,438
Current assets	**543,601**	379,436	285,485	1,323,343	625,786
TOTAL ASSETS	**721,995**	550,627	553,976	1,669,044	1,232,224
Current liabilities	**109,303**	123,727	118,072	1,227,773	632,097
Non-current liabilities	**25,513**	22,322	25,154	243,077	214,452
TOTAL LIABILITIES	**134,816**	146,049	143,226	1,470,850	846,549
NET ASSETS	**587,179**	404,578	410,750	198,194	385,675
NON-CONTROLLING INTERESTS	**73,254**	62,221	60,552	53,486	–

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year. Purchases from the Group's five largest suppliers accounted for 48% of the Group's total purchases for the year and purchases from the Group's largest supplier accounted for 11.5% of the Group's total purchases for the year.

None of the Directors or any of their associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**")), or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

EMOLUMENT POLICY

As at 31 December 2017, the Group had approximately 400 full time management, administrative, technical and production staff in the PRC and Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group's Directors and employees in Hong Kong joined the Mandatory Provident Fund Scheme. Other staff benefit includes share options granted or to be granted under the share option scheme.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC and Hong Kong while the Shares are listed on the Stock Exchange. Hence, our establishment and operations shall comply with relevant laws and regulations in the PRC, Hong Kong and the respective place of incorporation of the Company and its subsidiaries. In addition, the Company is required to comply with the Listing Rules.

During the year ended 31 December 2017 and up to the date of this annual report, the Group has been involved in certain legal proceedings as set in the note 41 to the consolidated financial statements. Save as disclosed in other part of this report, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

DIRECTORS

The Directors during the year ended 31 December 2017 and up to the date of this report were:

Executive Directors:

Mr. Leung Chi Fai
Mr. Li Chongyang
Ms. Qi Jiao

Non-executive Directors:

Mr. Huang Weidong *(Chairman)*
Mr. Liu Chenli

Independent non-executive Directors:

Mr. Cong Yongjian
Mr. Lam Kai Yeung
Dr. Lam Huen Sum (appointed on 12 June 2017)

Mr. Liu Chenli was re-designated from an independent non-executive Director to a non-executive Director with effect from 10 May 2017, due to his material interest in a possible cooperation.

Following the re-designation of Mr. Liu Chenli, the number of the independent non-executive Directors and members of the Remuneration Committee of the Board (the "**Remuneration Committee**") had fallen below the minimum number required under Rules 3.10(1), 3.10A and 3.25 of the Listing Rules from 10 May 2017 to 11 June 2017.

Mr. Huang Weidong was re-designated from an executive Director to a non-executive Director with effect from 6 June 2017. Mr. Huang Weidong remains as the chairman of the Company, the chairman of the Nomination Committee of the Board (the "**Nomination Committee**") and a member of the Remuneration Committee.

Dr. Lam Huen Sum was appointed as an independent non-executive Director, a member of each of the Audit Committee of the Board (the "**Audit Committee**"), the Remuneration Committee and the Nomination Committee with effect from 12 June 2017. Following the appointment of Dr. Lam Huen Sum as an independent non-executive Director and a member of the Remuneration Committee, the Company has been in compliance with the minimum number required under Rules 3.10(1), 3.10A and 3.25 of the Listing Rules.

Mr. Li Chongyang was re-designated as the Managing Director with effect from 12 June 2017.

The Company has received written confirmation of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent in accordance with the Listing Rules.

In accordance with bye-law 108 of the Company's bye-laws, Mr. Huang Weidong, Mr. Lam Kai Yeung and Mr. Liu Chenli will retire as Directors and being eligible offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Group are set out on pages 17 to 18 of this report.

DIRECTORS' SERVICE CONTRACTS

Mr. Leung Chi Fai, Mr. Li Chongyang and Ms. Qi Jiao had entered into service contracts with the Company for an initial term of three years commencing from 1 August 1999 (supplemented in January 2016), 23 October 2015 and 23 October 2015, respectively, which had continued after their expiration until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Cong Yongjian, Mr. Lam Kai Yeung and Mr. Liu Chenli, Mr. Huang Weidong and Dr. Lam Huen Sum had entered into letter of appointments with the Company on 14 August 2015, 23 October 2015, 23 October 2015, 6 June 2017 and 12 June 2017, respectively, and were not appointed for a specific length or proposed length of service. Each of their appointments is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the memorandum of association and the bye-laws of the Company.

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

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

None of the Directors or their respective associates has any business or interest that competes or may compete with the business of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as the related party transactions set out in note 37 to the consolidated financial statements, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

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

As at 31 December 2017, the interests of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**"), were as follows:

Long positions in ordinary shares of the Company:

Name of Director	Capacity	Number of shares or underlying shares held	Approximate percentage of interest held
Mr. Huang Weidong	Beneficial owner	78,880,000	1.23%
Mr. Leung Chi Fai	Beneficial owner	14,240,000	0.22%
Mr. Li Chongyang	Beneficial owner	56,100,000	0.87%
Ms. Qi Jiao	Beneficial owner	43,600,000	0.68%
Mr. Cong Yongjian	Beneficial owner	10,750,000	0.17%
Mr. Lam Kai Yeung	Beneficial owner	10,000,000	0.16%
Mr. Liu Chenli	Beneficial owner	29,000,000	0.45%

Save as disclosed above, none of the Directors or the chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares and underlying shares" above and in the share option scheme disclosures in note 34 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors, chief executive or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and chief executive to acquire such rights in any other body corporate.

CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2017, so far as is known to the Directors, the interests or short positions of the persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register maintained by the Company required to be kept under Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company:

Name	Capacity	Number of shares or underlying shares held	Approximate percentage of interest held
Business Century Investments Limited *(Note 1)*	Beneficial owner	1,184,008,332	18.42%
Everun Oil Co., Limited *(Note 2)*	Beneficial owner	897,810,000	13.97%

Notes:

1. Business Century Investments Limited is wholly-owned by Ms. Xie Guilin.

2. Everun Oil Co., Limited is wholly-owned by Mr. Chen Jingan.

Save as disclosed above, as at 31 December 2017, the Company had not been notified of any persons (other than the Directors and chief executive of the Company) having any interest or short positions 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.

CONNECTED TRANSACTIONS

Save as disclosed in note 37 to the consolidated financial statements, the Group has not entered into any other connected transaction or continuing connected transaction for the year which should be disclosed pursuant to the requirements of Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 26 to 33 of this report.

Report of the Directors

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Further discussion on the Group's environmental policy and our relationship with various stakeholders are covered by a separate Environmental, Social and Governance Report which will be available at the Group's website and the website of the Stock Exchange not later than 3 months after the publication of this annual report.

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 during the year and up to the date of this report as required under the Listing Rules.

PERMITTED INDEMNITY PROVISION

The Company had arranged for appropriate liability insurance for the Directors and officers of the Group for indemnifying their liabilities arising from corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) when this report prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the financial reporting, risk management and internal controls of the Group. Members of the Audit Committee at the date of this report comprised all three Independent Non-executive Directors, namely, Mr. Cong Yongjian, Mr. Lam Kai Yeung and Dr. Lam Huen Sum and one of the non-executive Directors, namely, Mr. Liu Chenli.

The Group's financial statements for the year ended 31 December 2017 have been reviewed by the Audit Committee, who are of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

AUDITORS

ZHONGHUI ANDA CPA Limited retires and a resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Huang Weidong
Chairman

Hong Kong
29 March 2018

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices and procedures. The Company endeavors to ensure that its businesses are conducted in accordance with the rules and regulations and applicable codes and standards.

The Board reviews and improves the corporate governance practices from time to time to ensure that the interests of its shareholders are properly protected and promoted.

During the year under review, the Company has complied with all the applicable code provisions (individually, a "**Code Provision**") of the Corporate Governance Code (the "**Code**") and Corporate Governance Report contained in Appendix 14 to the Listing Rules, except for the deviations as disclosed in this report.

BOARD OF DIRECTORS

(1) Responsibilities

The Board is responsible for the management and strategic directions of the Company. The Board is also accountable to shareholders for the performance and activities of the Company. The day-to-day management, operation and administration of the Company are delegated to the management, while certain key matters such as making recommendation of final dividend or other distributions are reserved for the approval by the Board. Other major corporate matters that are delegated by the Board to management include execution of business strategies, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

The Directors are responsible for the preparation of consolidated financial statements which give a true and fair view of the Company for each financial period. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted and accounting standards issued by the Hong Kong Institute of Certified Public Accountants have been complied with. Appropriate accounting policies have been selected and applied consistently. The accounts are prepared on a going concern basis with supporting assumptions or qualifications as necessary. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Group.

The Directors 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 Company had arranged for appropriate liability insurance for the Directors and officers of the Group for indemnifying their liabilities arising from corporate activities.

BOARD OF DIRECTORS *(Continued)*

(1) Responsibilities *(Continued)*

Details of Directors' attendance at the Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meeting and general meetings held for the year ended 31 December 2017 are set out in the table below:

Directors	No. of meetings attended/entitled to attend Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors					
Mr. Leung Chi Fai	20/20	N/A	2/2	2/2	2/2
Mr. Li Chongyang	20/20	N/A	N/A	N/A	2/2
Ms. Qi Jiao	13/20	N/A	N/A	N/A	1/2
Non-executive Directors					
Mr. Huang Weidong	1/20	N/A	1/2	1/2	0/2
Mr. Liu Chenli	0/20	0/2	0/2	0/2	0/2
Independent non-executive Directors					
Mr. Cong Yongjian	9/20	2/2	2/2	2/2	0/2
Mr. Lam Kai Yeung	2/20	2/2	1/2	1/2	0/2
Dr. Lam Huen Sum	12/12	1/1	N/A	N/A	0/1

(2) Board Composition

The Board currently comprises three executive Directors, two non-executive Directors and three independent non-executive Directors. The Board members during the year ended 31 December 2017 were:

Executive Directors
Mr. Leung Chi Fai
Mr. Li Chongyang
Ms. Qi Jiao

Non-executive Directors:
Mr. Huang Weidong *(Chairman)*
Mr. Liu Chenli

Independent non-executive Directors:
Mr. Cong Yongjian
Mr. Lam Kai Yeung
Dr. Lam Huen Sum (appointed on 12 June 2017)

The biographies of the Directors are set out on pages 17 to 18 of this annual report.

Mr. Liu Chenli was re-designated from an independent non-executive Director to a non-executive Director with effect from 10 May 2017, due to his material interest in a possible cooperation.

Following the re-designation of Mr. Liu Chenli, the number of the independent non-executive Directors and members of the Remuneration Committee of the Board (the "**Remuneration Committee**") had fallen below the minimum number required under Rules 3.10(1), 3.10A and 3.25 of the Listing Rules from 10 May 2017 to 11 June 2017.

BOARD OF DIRECTORS *(Continued)*

(2) Board Composition *(Continued)*

Mr. Huang Weidong was re-designated from an executive Director to a non-executive Director with effect from 6 June 2017. Mr. Huang Weidong remains as the chairman of the Company, the chairman of the Nomination Committee of the Board (the "**Nomination Committee**") and a member of the Remuneration Committee.

Dr. Lam Huen Sum was appointed as an independent non-executive Director, a member of each of the Audit Committee of the Board (the "**Audit Committee**"), the Remuneration Committee and the Nomination Committee with effect from 12 June 2017. Following the appointment of Dr. Lam Huen Sum as an independent non-executive Director and a member of the Remuneration Committee, the Company has been in compliance with the minimum number required under Rules 3.10(1), 3.10A and 3.25 of the Listing Rules.

Mr. Li Chongyang was re-designated as the Managing Director with effect from 12 June 2017.

During the year ended 31 December 2017, the Company has received a written confirmation of independence from the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the independent non-executive Directors are independent in accordance with the Listing Rules. All the independent non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise.

Under the Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. The non-executive Directors and the independent non-executive Directors are not appointed for specific terms. According to the Company's Bye- Law 108(A), one third of the Directors shall retire from the office by rotation at each annual general meeting and their appointments will be reviewed when they are due for re-election. In the opinion of the Board, this meets the same objectives and is no less exacting than those in the Code.

Under the Code Provision E.1.2, the Chairman of the Board should attend the annual general meeting. Mr. Huang Weidong, the chairman of the Board was unable to attend the annual general meeting held on 6 June 2017. Mr. Leung Chi Fai and Mr. Li Chongyang, the executive Director, attended the said annual general meeting to respond to queries from shareholders.

Under the Code Provision A.6.7, independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. The independent non-executive Directors, namely Mr. Cong Yongjian, Mr. Lam Kai Yeung and Dr. Lam Huen Sum, were not able to attend the general meetings of the Company due to their other commitments.

(3) Directors' Training

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company also provides relevant reading materials to Directors to help ensure they are apprised of the roles, functions and duties of being a director of a listed company and the development of their knowledge on the regulatory updates whenever necessary or appropriate.

During the year under review, the Company provided training materials to all Directors, namely Mr. Huang Weidong, Mr. Leung Chi Fai, Mr. Li Chongyang, Ms. Qi Jiao, Mr. Cong Yongjian, Mr. Lam Kai Yeung, Mr. Liu Chenli and Dr. Lam Huen Sum, to keep them abreast of the latest development of legal, regulatory and corporate governance. The Company has received the records of training from all Directors.

COMPANY SECRETARY

The Company Secretary of the Company is Mr. Leung Chi Fai, a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Leung is also an Executive Director of the Company and is responsible for overseeing the Group's finance, accounting and corporate secretarial functions. During the year, Mr. Leung has taken not less than 15 hours of relevant professional training.

AUDIT COMMITTEE

The Audit Committee is comprised of three independent non-executive Directors, namely Mr. Cong Yongjian, Mr. Lam Kai Yeung (chairman of the Audit Committee) and Dr. Lam Huen Sum and one of the non-executive Directors, namely, Mr. Liu Chenli. They together have substantial experience in the fields of accounting, business, corporate governance and regulatory affairs. The Committee is responsible for reviewing the Company's financial information, financial and accounting policies and practices adopted by the Group, compliance of Listing Rules and statutory requirements, risk management, internal control and financial reporting matters of the Group. The Committee also monitors the appointment, remuneration and function of the Group's external auditor.

The Audit Committee had reviewed the annual report for the year ended 31 December 2017 and the interim report for the six months ended 30 June 2017 which was opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. The Audit Committee also monitored the Company's progress in implementing the Code as required under the Listing Rules.

AUDITOR'S REMUNERATION

The statement of the Group's external auditor, ZHONGHUI ANDA CPA Limited (2016: ZHONGHUI ANDA CPA Limited), about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 34 to 37.

During the year under review, the total fees paid/payable in respect of audit services and non-audit services provided by the external auditor are set out below:

	2017 HK$'000	2016 HK$'000
Audit services	**1,080**	1,080
Tax services	**20**	–
Non-audit services[1]	**360**	–
Total	**1,460**	1,080

Note:

(1) Fees for non-audit services consisted of fee incurred to ZHONGHUI ANDA CPA Limited in connection with preliminary work on acceptance of the engagement in relation to the Group's acquisition of Sino New Energy and the issuance of audited financial statements of the Group's two subsidiaries.

REMUNERATION COMMITTEE

The Remuneration Committee comprises one of the executive Directors, namely Mr. Leung Chi Fai, the non-executive Directors, namely, Mr. Huang Weidong and Mr. Liu Chenli, and three independent non-executive Directors, namely, Mr. Cong Yongjian, Mr. Lam Kai Yeung (chairman of the Remuneration Committee) and Dr. Lam Huen Sum, is responsible for determining, reviewing and evaluating the remuneration packages of the executive Directors and making recommendations to the Board from time to time.

REMUNERATION COMMITTEE *(Continued)*

During the year under review, the Remuneration Committee reviewed the existing remuneration policies and the remuneration package of the Directors.

Details of remuneration paid to each of the Directors during the year are set out in note 11 to the consolidated financial statements. Under the Code Provision B.1.5, the remuneration paid/payable to each of the 4 individuals of the senior management during the year was within the remuneration band from nil to HK$1,000,000.

NOMINATION COMMITTEE

The Nomination Committee, comprises one of the executive Directors, namely, Mr. Leung Chi Fai, two non-executive Directors, Mr. Huang Weidong (chairman of the Nomination Committee) and Mr. Liu Chenli, and the three independent non-executive Directors namely, Mr. Cong Yongjian, Mr. Lam Kai Yeung and Dr. Lam Huen Sum. It is responsible for the appointment of new Directors. To maintain the quality of the Board with a balance of skills and experience, the Committee will identify individuals suitably qualified to become Directors when necessary. In evaluating whether an appointee is suitable to act as a Director, the Committee will consider the experience, qualification and other relevant factors.

During the year under review, the Nomination Committee reviewed the structure, size and composition of the Board and made recommendations to the Board on appointment, retirement and re-appointment arrangement of the Directors.

As regards the nomination procedures and the process, please refer to the Terms of Reference of the Nomination Committee which are available on the Company's website at www.irasia.com/listco/hk/sunway.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining sound and effective risk management and internal control systems for the Group, as well as reviewing the effectiveness of these systems. These systems are designated to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. These systems also safeguard the Group's assets, ensure proper maintenance of accounting records and reliability of financial reporting and compliance with operating procedures as well as relevant legislation and regulations.

During the year under review, the Group does not have an internal audit function and has engaged external professional consultant (the "**internal control auditors**") to conduct review of the internal control system of the Group. The internal control auditors were responsible for the analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Group. At the same time, they also assessed the risks inherent to the business and operation, and conducted reviews or audits to provide reasonable, and not absolute, assurance that adequate governance and controls are in place to address such risks.

The Board has conducted annual review of the effectiveness of the risk management and internal control systems of the Group including financial control, operational control, compliance control, information systems security, effectiveness of financial reporting and considered such systems are effective and adequate.

Main Features of the Risk Management and Internal Control Systems

The Directors have the overall responsibility for internal control, including risk management, and set appropriate policies having regard to the objectives of the Group. The Group's policies and procedures, including parameters for delegated authorization, provide a framework for identification and management of risks. The Board takes responsibility to oversee all major matters of the Group, including the formulation and approval of all policies, overall strategies, risk management and internal control systems after taking into consideration of the recommendations made by the relevant committees, as well as monitoring the performance of the senior management and approving the detailed operational and financial report, budget and business plan submitted by the management. Meanwhile, the Managing Director conducts regular reviews with the management team of each core business on their authorized functions and work.

INTERNAL CONTROL AND RISK MANAGEMENT *(Continued)*

Main Features of the Risk Management and Internal Control Systems *(Continued)*

The management designs, implements and monitors the risk management and internal control systems, and ensures the effective performance of these systems; monitors risks and takes measures to mitigate risks in daily operations; provides timely responses and follow-up actions to findings on internal control matters raised by internal control audits or by external auditors; and provides confirmation to the Board on the effectiveness of these systems.

The Audit Committee is responsible for the ongoing review of the Group's risk management and internal control functions. On behalf of the Board, the Audit Committee regularly reviews the Group's risk management and internal control systems; ensures that the management has performed its duty for effective systems; considers major investigation findings on risk management and internal control matters and management's responses to these findings.

Internal Audit

The internal control auditors perform internal audit annually on financial and operational systems and to assess the internal control system for any weakness and identify risk and problem areas. They also review the effectiveness of risk management and internal control systems. The audit results are communicated to the audited business unit. The internal control auditors report on the internal control weaknesses, make recommendations for improvement and suggest remedial actions. The internal audit reports comprise of the findings of material internal control defects, which are graded by high level, middle level and low level risks, the recommendations and management's responses. The specific measures for remedial actions, the responsible persons and the expected completion period for those actions are also set out in the report.

The Directors have meetings with the internal control auditors regularly. During the meetings, the internal control auditors report their findings and follow up actions on their audits to the Directors. The internal control auditors also meet with the Board and Audit Committee, annually or biannually, with presentation of their audit reports. They communicate with the Board about major findings on risk management and internal control matters, the recommendations for improvement and the suggested remedial actions. The internal control auditors also make follow up reviews on the implementation of corrective measures for the correction of the internal control defects.

For the year under review, the Audit Committee considered that the Group's risk management and internal control systems were adequate and effective.

Inside Information

In respect of the compliance with the requirements of the SFO and the Listing Rules to identify, handle and disseminate inside information (having the meaning under the SFO), the Group has adopted appropriate policy to ensure that inside information of the Group is to be disseminated in the public in equal and timely manner and in accordance with the applicable legislation and regulations. It is the obligation of the Board to ensure the Company's compliance with its disclosure responsibilities. The Company must disclose inside information to the public as soon as reasonably practicable, unless the "safe harbours" provisions under the SFO apply. The Board shall take reasonable precautions for preserving the confidentiality of inside information and the relevant announcement (if applicable) before publication. The Board is also responsible to guard against mishandling of inside information. The Directors and relevant employees are notified of the regular blackout period and securities dealing restrictions. No persons other than those authorized by the Board shall disclose or clarify any inside information, or attempt to do so, in particular to the media, analysts or investors. Any disclosure of inside information must be made through the electronic publication system operated by the Stock Exchange and the Company's Website at www.irasia.com/listco/hk/sunway.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in the Code. The corporate governance duties performed by the Board for the year ended 31 December 2017 are summarized below:

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

CORPORATE GOVERNANCE FUNCTIONS *(Continued)*

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

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

(d) to develop, review and monitor the code of conduct applicable to employees and directors; and

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirms that all Directors have complied with the required standard set out in the Model Code throughout the year.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to ensure that the Group complies with disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information issued by the Company, to enable the shareholders and the potential investors to make an informed decision on their investments in the shares and other securities of the Company, and to actively participate in the activities organised by the Company for them. The Company communicates with the shareholders and the potential investors through various channels, including annual and interim reports, annual general meetings and special general meetings, announcements and circulars.

The Company welcomes the attendance of shareholders at general meetings to express their views. All the Directors are encouraged to attend the general meetings to have personal communication with shareholders. The external auditor is also required to be present to assist the Directors in addressing any relevant queries by shareholders.

Information published by the Company pursuant to the Listing Rules will be made available on each of the websites of the Stock Exchange and the Company at www.irasia.com/listco/hk/sunway to enable the shareholders and the potential investors to have better understanding of the Company and its latest development. All key information such as announcements, annual and interim reports can be downloaded from either of these websites.

SHAREHOLDERS' RIGHTS

(1) Procedures for shareholders to convene special general meeting ("SGM")

Pursuant to No. 65 of the Bye-laws of the Company, the Board shall, on the requisition in writing of the shareholders of not less than one-tenth of the paid-up capital of the Company proceed to convene a SGM; and such SGM shall be held within two months after the deposit of such requisition.

If within twenty-one days of such deposit the Board fails to proceed to convene the SGM, the requisitionists may themselves convene a SGM in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (as amended).

(2) Procedures for putting forward proposals at shareholders' meeting

Pursuant to sections 79 and 80 of the Companies Act 1981 of Bermuda (as amended), Shareholders can submit a written requisition to move a resolution at shareholders' meeting. The number of shareholders shall represent not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the shareholders' meeting, or who are no less than one hundred shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the shareholders' meeting. It must also be signed by all of the shareholders concerned and be deposited at the Company's office in Hong Kong at Unit 1902, Cheung Kong Center, 2 Queen's Road Central, Central, for the attention of the Company Secretary not less than six weeks before the shareholders' meeting in case of a requisition requiring notice of a resolution.

SHAREHOLDERS' RIGHTS *(Continued)*

(2) Procedures for putting forward proposals at shareholders' meeting *(Continued)*

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.

(3) Procedures for shareholders to propose a person for election as a director

As regards the procedures for proposing a person for election as a director, please refer to the procedures made available under the Corporate Governance section of the Company's website at www.irasia.com/listco/hk/sunway.

(4) Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar. Shareholders and the investment community may at any time make a request for the Company's information to the extent that such information is publically available. Shareholders and the investment community may make enquiries to the Board by addressing them to the Company Secretary by post to the head office of the Company at Unit 1902, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong.

CONSTITUTIONAL DOCUMENTS

The Company adopted an amended bye-laws of the Company by a special resolution passed on 2 June 2016. There were no other charges in the Company's constitutional documents during the year.

Independent Auditor's Report

ZHONGHUI

TO THE SHAREHOLDERS OF SUNWAY INTERNATIONAL HOLDINGS LIMITED
新威國際控股有限公司
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Sunway International Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 38 to 112, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

PROPERTY, PLANT AND EQUIPMENT, PREPAID LAND LEASE PAYMENTS AND GOODWILL

Refer to notes 15, 17 and 18 to the consolidated financial statements

The Group tested the amounts of property, plant and equipment, prepaid land lease payments and goodwill for impairment. This impairment test is significant to our audit because the balances of property, plant and equipment, prepaid land lease payments and goodwill of HK$107,588,000, HK$24,486,000 and HK$20,982,000, respectively, as at 31 December 2017 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

— Assessing the identification of the related cash generating units;

— Comparing the actual cash flows with the cash flow projections;

— Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates);

— Checking input data to supporting evidence;

— Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgements and assumptions applied in the valuation model;

— Checking arithmetical accuracy of the valuation model; and

— Assessing the disclosure of the fair value measurement in the consolidated financial statements.

We consider that the Group's impairment test for property, plant and equipment, prepaid land lease payments and goodwill is supported by the available evidence.

TRADE AND BILL RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Refer to notes 21 and 22 to the consolidated financial statements

The Group tested the amounts of trade and bill receivables and prepayments, deposits and other receivables for impairment. This impairment test is significant to our audit because the balances of trade and bill receivables and prepayments, deposits and other receivables of HK$229,923,000 and HK$214,986,000, respectively, as at 31 December 2017 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

— Assessing the Group's procedures on granting credit limits and credit periods to customers and debtors;

— Assessing the Group's relationship and transaction history with the customers and debtors;

— Evaluating the Group's impairment assessment;

— Assessing ageing of the debts;

— Assessing creditworthiness of the customers and debtors;

— Checking subsequent settlements from the customers and debtors;

— Assessing the value of the collateral for the debts; and

— Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade and bill receivables and prepayments, deposits and other receivables is supported by the available evidence.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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. We report our opinion solely to you, as a body, 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Audit Engagement Director
Practising Certificate Number P03614
Hong Kong, 29 March 2018

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	6	**315,515**	245,627
Cost of sales		**(231,229)**	(188,429)
Gross profit		**84,286**	57,198
Other income	7	**661**	3,150
Other gains/(losses), net	8	**3,377**	(98,033)
Selling and distribution expenses		**(32,200)**	(22,451)
Administrative expenses		**(53,613)**	(90,285)
Other expenses		**(3,360)**	(25,776)
Finance costs	9	**(2,978)**	(2,874)
LOSS BEFORE TAX	10	**(3,827)**	(179,071)
Income tax expense	12	**(539)**	(1,541)
LOSS FOR THE YEAR		**(4,366)**	(180,612)
Profit/(loss) for the year attributable to:			
Owners of the Company		**(7,784)**	(183,049)
Non-controlling interests		**3,418**	2,437
		(4,366)	(180,612)
Loss per share	14		
Basic and diluted		**HK(0.15 cents)**	HK(4.99 cents)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
LOSS FOR THE YEAR	**(4,366)**	(180,612)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**6,442**	(4,573)
Items that will not be reclassified to profit or loss:		
Revaluation of items of property, plant and equipment	**9,956**	8,380
Tax effect of revaluation of items of property, plant and equipment	**(2,489)**	(2,095)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**13,909**	1,712
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**9,543**	(178,900)
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	**(1,490)**	(180,569)
Non-controlling interests	**11,033**	1,669
	9,543	(178,900)

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**107,588**	106,957
Intangible assets	16	**11,786**	11,786
Prepaid land lease payments	17	**23,982**	23,064
Goodwill	18	**20,982**	20,982
Deferred tax assets	29	**14,056**	8,402
		178,394	171,191
CURRENT ASSETS			
Financial assets at fair value through profit or loss	19	**9,397**	–
Inventories	20	**11,579**	13,634
Trade and bill receivables	21	**229,923**	212,396
Prepayments, deposits and other receivables	22	**215,490**	89,787
Restricted bank deposits	23	**66**	61
Cash and cash equivalents	23	**77,146**	46,107
		543,601	361,985
Assets classified as held-for-sale	24	**–**	17,451
		543,601	379,436
CURRENT LIABILITIES			
Trade payables	25	**25,567**	39,046
Other payables, accruals and deposits received	26	**47,863**	55,080
Amount due to a non-controlling shareholder	27	**521**	11,655
Interest-bearing borrowings	28	**26,722**	12,566
Tax payable		**8,630**	5,380
		109,303	123,727
NET CURRENT ASSETS		**434,298**	255,709
TOTAL ASSETS LESS CURRENT LIABILITIES		**612,692**	426,900

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	29	**8,078**	7,209
Provision for long service payment	30	**20**	33
Interest-bearing borrowings	28	**17,415**	15,080
		25,513	22,322
NET ASSETS		**587,179**	404,578
CAPITAL AND RESERVES			
Share capital	31	**64,271**	44,842
Convertible notes	32	**12,600**	12,600
Reserves	33	**437,054**	284,915
Equity attributable to owners of the Company		**513,925**	342,357
Non-controlling interests		**73,254**	62,221
TOTAL EQUITY		**587,179**	404,578

Approved by:

Li Chongyang
Director

Leung Chi Fai
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium account HK$'000	Convertible notes HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC statutory reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016	174,576	247,287	54,597	–	509	–	4,105	(2,742)	5,751	(133,885)	350,198	60,552	410,750
(Loss)/profit for the year	–	–	–	–	–	–	–	–	–	(183,049)	(183,049)	2,437	(180,612)
Other comprehensive income/(loss):													
Surplus on revaluation of items of property, plant and equipment, net of tax	–	–	–	–	–	–	3,525	–	–	–	3,525	2,760	6,285
Exchange difference on translation of foreign operations	–	–	–	–	–	–	–	(1,045)	–	–	(1,045)	(3,528)	(4,573)
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	3,525	(1,045)	–	(183,049)	(180,569)	1,669	(178,900)
Issue of shares pursuant to placing agreement	(157,118)	–	–	157,118	–	–	–	–	–	–	–	–	–
Issue of shares by way of open offer (note 31(b))	26,186	183,305	–	–	–	–	–	–	–	–	209,491	–	209,491
Transaction cost attributable to issue of offer shares	–	(6,715)	–	–	–	–	–	–	–	–	(6,715)	–	(6,715)
Recognition of equity-settled share-based payments	–	–	–	–	–	38,960	–	–	–	–	38,960	–	38,960
Exercise of share options	1,198	29,421	–	–	–	(10,472)	–	–	–	–	20,147	–	20,147
Transfer to PRC statutory reserve	–	–	–	–	–	–	–	–	1,436	(1,436)	–	–	–
Redemption of convertible notes (note 32)	–	–	(41,997)	–	–	–	–	–	–	(47,158)	(89,155)	–	(89,155)
At 31 December 2016	44,842	453,298	12,600	157,118	509	28,488	7,630	(3,787)	7,187	(365,528)	342,357	62,221	404,578

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium account HK$'000	Convertible notes HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC statutory reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017	**44,842**	**453,298**	**12,600**	**157,118**	**509**	**28,488**	**7,630**	**(3,787)**	**7,187**	**(365,528)**	**342,357**	**62,221**	**404,578**
(Loss)/profit for the year	–	–	–	–	–	–	–	–	–	(7,784)	(7,784)	3,418	(4,366)
Other comprehensive income:													
Surplus on revaluation of items of property, plant and equipment, net of tax	–	–	–	–	–	–	4,195	–	–	–	4,195	3,272	7,467
Exchange difference on translation of foreign operations	–	–	–	–	–	–	–	2,099	–	–	2,099	4,343	6,442
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	4,195	2,099	–	(7,784)	(1,490)	11,033	9,543
Share options lapsed	–	–	–	–	–	(4,329)	–	–	–	4,329	–	–	–
Placing of new shares under general mandate (note 31(c))	19,429	153,920	–	–	–	–	–	–	–	–	173,349	–	173,349
Transaction cost attributable to placing	–	(291)	–	–	–	–	–	–	–	–	(291)	–	(291)
Transfer to PRC statutory reserve	–	–	–	–	–	–	–	–	1,095	(1,095)	–	–	–
Disposal of assets classified as held-for-sale	–	–	–	–	–	–	(646)	–	–	646	–	–	–
At 31 December 2017	**64,271**	**606,927**	**12,600**	**157,118**	**509**	**24,159**	**11,179**	**(1,688)**	**8,282**	**(369,432)**	**513,925**	**73,254**	**587,179**

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Loss before tax		**(3,827)**	(179,071)
Adjustments for:			
Amortisation of intangible assets		**–**	32
Amortisation of prepaid land lease payments		**550**	808
Bank interest income		**(24)**	(60)
Depreciation		**17,654**	19,589
Dividend income		**(111)**	–
Equity-settled share-based payments		**–**	38,960
(Gain)/loss on disposal of property, plant and equipment		**(43)**	1,581
Gain on disposal of assets classified as held-for-sale		**(21,520)**	–
Net loss arising on financial assets at fair value through profit or loss		**5,823**	49
Fair value gain of derivative instruments		**–**	(96,848)
Finance costs		**2,978**	2,874
Provision for impairment loss of goodwill		**–**	64,480
Provision for impairment loss of trade receivables, net		**16,706**	3,306
Provision for impairment loss of prepayments, deposits and other receivables, net		**2,950**	7,007
Provision for impairment loss of profit guarantee compensation receivables		**–**	110,543
(Reversal of provision)/provision of compensation and cost for legal cases		**(4,386)**	23,273
(Reversal of provision)/provision for long service payment		**(13)**	7
Write-off of trade receivables		**5,821**	–
Operating cash flows before working capital changes		**22,558**	(3,470)
Change in inventories		**2,055**	(2,643)
Change in trade and bill receivables		**(40,054)**	(90,736)
Change in prepayments, deposits and other receivables		**(22,016)**	(61,354)
Change in restricted bank deposits		**(5)**	306
Change in trade and bill payables		**(13,479)**	(5,111)
Change in other payables, accruals and deposits received		**18,180**	(7,055)
Cash used in operations		**(32,761)**	(170,063)
Bank interest received		**24**	60
Income tax paid		**(3,791)**	(7,164)
Net cash used in operating activities		**(36,528)**	(177,167)

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(3,103)**	(5,929)
Deposits paid in relation to acquisition of subsidiaries		**(106,637)**	–
Net cash outflow arising on acquisition of subsidiaries	35(a)	**–**	(11,959)
Acquisition of financial assets at fair value through profit or loss		**(41,209)**	–
Dividend income		**111**	–
Proceeds from disposal of assets classified as held-for-sale		**18,211**	–
Proceeds from disposal of property, plant and equipment		**721**	234
Proceeds from disposal of financial assets at fair value through profit or loss		**25,989**	522
Change in pledged bank deposits		**–**	1,313
Net cash used in investing activities		**(105,917)**	(15,819)
Cash flows from financing activities			
Proceeds from new borrowings	35(b)	**27,384**	10,813
Repayment of borrowings	35(b)	**(13,548)**	(26,595)
Proceeds from open offer		**–**	202,776
Proceeds from exercise of share options		**–**	20,147
Proceeds from placing shares		**173,058**	–
Change in amount due to a non-controlling shareholder	35(b)	**(11,530)**	10,397
Interest paid		**(2,978)**	(2,874)
Net cash generated from financing activities		**172,386**	214,664
Net increase in cash and cash equivalents		**29,941**	21,678
Effect of foreign exchange rate changes		**1,098**	1,627
Cash and cash equivalents at beginning of year		**46,107**	22,802
Cash and cash equivalents at end of year		**77,146**	46,107
Analysis of cash and cash equivalents			
Bank and cash balances		**77,146**	46,107

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda and the issued shares of which are listed on Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is situated at Unit 1902, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong.

During the year, the Company's principal activity is investment holding. The Group is principally engaged in manufacturing and trading of pre-stressed high strength concrete pile, ready-mixed concrete, sand-lime bricks, aerated concrete products and eco-concrete products and provision of financial services.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), accounting principles generally accepted in the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**" or "**HK**") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain property, plant and equipment and financial assets at fair value through profit or loss ("**FVTPL**") which are carried at their fair values. These consolidated financial statements are presented in Hong Kong Dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the management of the Group to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 3.

(a) Adoption of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2017. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new and revised HKFRSs that have been published are relevant to the Group's operations but have not been early adopted.

New/revised HKFRSs		Effective date
HKFRS 9	Financial Instruments	Accounting periods ("**AP**") beginning on or after 1 January 2018
HKFRS 15	Revenue from Contracts with Customers	AP beginning on or after 1 January 2018
HKFRS 16	Leases	AP beginning on or after 1 January 2019

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 9 Financial Instruments

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. The Group has reviewed its financial assets and liabilities and is unlikely to expect to have significant impact from the adoption of the new standard on 1 January 2018. The financial assets held by the Group include equity investments currently measured at fair value through profit or loss which will continue to be measured on the same basis under HKFRS 9. Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets. 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.

HKFRS 15 Revenue from Contracts with Customers

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. The Group earns the majority of its revenues from the sale of goods. It predominantly manufactures those goods to specific orders, but also retains some finished goods for speculative sale. For the majority of its contracts the Group recognises revenue at a point in time, typically on delivery of the goods to customers' premises or at the point of shipping. The Group has concluded that revenue recognition under HKFRS 15 will not be materially different to those in HKAS 18 Revenue.

HKFRS 16 Leases

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. The standard will not significantly affect the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK$2,263,000. The Group estimates that the commitments relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss.

The directors of the Company (individually, a "**Director**") do not anticipate that the application of the new and revised HKFRSs will have material impact on the Group's financial performance and position and/or on the disclosures to the Group's consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated exchange fluctuation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling interests and owners of the Company.

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

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in profit or loss as a gain on bargain purchase which is attributed to the Company.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination and goodwill *(Continued)*

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances in financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(c) Translation on consolidation

The results and financial position of all the group entities that have a functional currency different from the Group's presentation currency are translated into the Group's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the exchange fluctuation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange fluctuation reserve. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Buildings comprise mainly factories and offices. Buildings, plant, machinery and office equipment and motor vehicles are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Revaluation increases of buildings, plant, machinery and office equipment and motor vehicles are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the asset revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the asset revaluation reserve are charged against the asset revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued building and machinery, the attributable revaluation increases remaining in the asset revaluation reserve is transferred directly to accumulated losses.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Leasehold land under finance lease commences amortisation from the time when the land interest becomes available for its intended use. Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs or revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land under finance lease	Over the lease terms
Buildings	2% to 5%
Plant, machinery and office equipment	10%–33%
Motor vehicles	20%
Furniture and fixtures	10%–33%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending for installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Leases

Operating leases

The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Intangible assets

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

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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in the profit or loss.

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

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at FVTPL.

Financial assets at FVTPL are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Trade and other payables

Trade and other payables are stated initially at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue recognition

Revenue comprises the fair value of the consideration for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts allowed and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers;

(b) Revenue from the securities brokerage services is recognised on the date of the securities transaction;

(c) Rental income is recognised on a straight-line basis over the lease term;

(d) Interest income is recognised on a time-proportion basis using the effective interest method; and

(e) Dividend income is recognised when the shareholders' rights to receive payment are established.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

(a) Employee leave entitlements

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("**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 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK$30,000 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 participates in a defined contribution retirement scheme organised by the government in the People's Republic of China (the "**PRC**"). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Employee long service payment

The provision for long service is provided based on the employees' basic salaries and their respective length of service in accordance with the applicable rules and regulations in their respective countries of employment.

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, 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 the consolidated statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which 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.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Borrowing costs

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

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax represents the sum of the current tax and deferred tax.

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A related party is a person or entity that is related to the Group.

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

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

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

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

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except derivative instruments, deferred tax assets and financial assets at FVTPL, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group’s position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Non-current assets held for sale

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

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

3. CRITICAL JUDGEMENTS AND KEY ESTIMATES

The preparation of the Group's consolidated 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.

Key sources of 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.

(a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This required an estimation of the recoverable amount (determined based on either fair value less costs of disposal or value in use) of the cash-generating units ("**CGU**") to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The estimated fair value less costs of disposal is assumed to have no significant difference on the price determined in an arm's length transaction. The carrying amount of goodwill at 31 December 2017 was HK$20,982,000 (2016: HK$20,982,000). Further details are set out in note 18.

(b) Useful lives of property, plant and equipment and prepaid land lease payments

The Group determines the estimated useful lives and related depreciation charges and amortisation of its property, plant and equipment and prepaid land lease payments. These estimated useful lives and/or residual values are based on the historical experience of the actual useful lives of property, plant and equipment and prepaid land lease payments of similar assets and taking into account anticipated technological changes. The Group will increase the depreciation charge and amortisation where useful lives are less than previously estimated lives, and will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisable lives and thereafter depreciation charge and amortisation in the future period. Further details are disclosed in notes 15 and 17.

3. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(c) Impairment of property, plant and equipment and prepaid land lease payments

Property, plant and equipment and prepaid land lease payments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds the recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise.

(d) Impairment of receivables

The Group makes impairment loss on trade receivables, prepayments, deposits and other receivables based on assessments of the recoverability of the receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgements and estimates.

(e) Current and deferred income tax

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provision in the period in which such determination is made.

4. FAIR VALUE MEASUREMENTS

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 following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

4. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Disclosures of level in fair value hierarchy:

	Fair value measurements using:			Total
	Level 1	**Level 2**	**Level 3**	**2017**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Recurring fair value measurements:				
Property, plant and equipment				
Buildings	**–**	**–**	**40,810**	**40,810**
Plant, machinery and office equipment	**–**	**–**	**63,330**	**63,330**
Motor vehicles	**–**	**–**	**2,376**	**2,376**
	–	**–**	**106,516**	**106,516**
Financial assets at FVTPL, listed equity securities	**9,397**	**–**	**–**	**9,397**
	9,397	**–**	**106,516**	**115,913**

	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements:				
Property, plant and equipment				
Buildings	–	–	39,151	39,151
Plant, machinery and office equipment	–	–	64,476	64,476
Motor vehicles	–	–	2,676	2,676
	–	–	106,303	106,303

4. FAIR VALUE MEASUREMENTS *(Continued)*

(b) Reconciliation of assets measured at fair value based on level 3:

The following table analyses the fair value measurement of buildings, plant, machinery and office equipment and motor vehicles using significant unobservable inputs (Level 3):

	Buildings HK$'000	**Plant, machinery and office equipment HK$'000**	**Motor vehicles HK$'000**	**Total HK$'000**
As at 1 January 2017	**39,151**	**64,476**	**2,676**	**106,303**
Additions	**–**	**1,672**	**911**	**2,583**
Disposals	**–**	**–**	**(665)**	**(665)**
Surplus on revaluation	**(154)**	**10,337**	**(227)**	**9,956**
Depreciation provided during the year	**(1,693)**	**(15,514)**	**(345)**	**(17,552)**
Exchange realignment	**3,506**	**2,359**	**26**	**5,891**
As at 31 December 2017	**40,810**	**63,330**	**2,376**	**106,516**

	Buildings HK$'000	Plant, machinery and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 1 January 2016	56,225	70,339	4,006	130,570
Additions	580	4,472	873	5,925
Acquisition of a subsidiary	–	2	–	2
Disposals	–	–	(1,829)	(1,829)
Classified as held-for-sale	(10,879)	–	–	(10,879)
Surplus on revaluation	29	7,716	635	8,380
Depreciation provided during the year	(3,068)	(15,517)	(927)	(19,512)
Exchange realignment	(3,736)	(2,536)	(82)	(6,354)
As at 31 December 2016	39,151	64,476	2,676	106,303

The revaluation surplus or deficit of buildings, plant, machinery and office equipment and motor vehicles are recognised in "revaluation of items of property, plant and equipment, net of tax" in the consolidated statement of comprehensive income.

The Group has determined that the highest and best use of the buildings, plant, machinery and office equipment and motor vehicles at the measurement date is held for own use purpose, which does not differ from their actual use.

4. FAIR VALUE MEASUREMENTS *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2017:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

The following table gives information about how the fair values of the Group's buildings, plant, machinery and office equipment and motor vehicles carried at fair value are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements are unobservable.

As at 31 December 2017 and 2016

Property, plant and equipment	Location	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Buildings in the PRC	Zhuhai and Yangjiang	Depreciation replacement cost method	Average construction cost	RMB1,210 to RMB2,020 (2016: RMB1,110 to RMB2,520) per square meter	The higher the average construction cost, the higher the fair value
			Replacement cost rates	41% to 73% (2016: 18% to 66%)	The higher the replacement cost rates, the higher the fair value
Plant, machinery and office equipment	Zhuhai and Yangjiang	Depreciation replacement cost method	Replacement cost rates	1% to 99% (2016: 2% to 95%)	The higher the replacement cost rates, the higher the fair value
Office equipment	Hong Kong	Depreciation replacement cost method	Replacement cost rates	17% to 96% (2016: 47% to 90%)	The higher the replacement cost rates, the higher the fair value
Motor vehicles	Zhuhai, Yangjiang and Hong Kong	Comparison method	Discount on age, condition, functional obsolescence	2% to 99% (2016: 5% to 95%)	The higher the discount, the lower the fair value

5. OPERATING SEGMENT INFORMATION

The Group has three reportable segments as follows:

— Sales and manufacturing of pre-stressed steel bar (the "**PC steel bar**");

— Sales and manufacturing of high-strength concrete piles, ready-mixed concrete, autoclaved sand-lime bricks, aerated concrete products and eco-permeable concrete products (the "**PHC piles and others**"); and

— Money lending, provision of assets management services, advising on securities services and securities brokerage services (the "**Financial services**").

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 reporting segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that head office and corporate expenses, bank interest income, other gains and losses, net and finance costs are excluded from such measurement. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment assets exclude goodwill, deferred tax assets, financial assets at FVTPL, restricted bank deposits, pledged bank deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

Segment liabilities exclude interest-bearing borrowings, tax payable, deferred tax liabilities, other payable and unallocated head office and corporate liabilities, as these liabilities are managed on a group basis. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

5. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Segment results, segment assets and liabilities

	PC steel bar HK$'000	PHC piles and others HK$'000	Financial services HK$'000	Total HK$'000
For the year ended 31 December 2017				
Segment revenue				
Revenue from external customers	–	305,074	10,441	315,515
Segment results	(810)	7,481	(15,092)	(8,421)
Reconciliation:				
Bank interest income				24
Other gains and losses, net				3,377
Finance costs				(2,978)
Unallocated head office and corporate expenses				4,171
Loss before tax				(3,827)
Income tax expense				(539)
Loss for the year				(4,366)
As at 31 December 2017				
Segment assets	1,694	337,900	148,827	448,421
Unallocated assets				233,574
				721,995
Segment liabilities	(21,057)	(46,826)	(92)	(67,975)
Unallocated liabilities				(66,841)
				(134,816)

5. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Segment results, segment assets and liabilities *(Continued)*

	PC steel bar HK$'000	PHC piles and others HK$'000	Financial services HK$'000	Total HK$'000
For the year ended 31 December 2016				
Segment revenue				
Revenue from external customers	–	242,146	3,481	245,627
Segment results	(27,453)	13,506	(4,197)	(18,144)
Reconciliation:				
Bank interest income				60
Other gains and losses, net				(78,175)
Finance costs				(2,874)
Unallocated head office and corporate expenses				(79,938)
Loss before tax				(179,071)
Income tax expense				(1,541)
Loss for the year				(180,612)
As at 31 December 2016				
Segment assets	26,517	307,219	137,262	470,998
Unallocated assets				79,629
				550,627
Segment liabilities	(45,087)	(56,748)	(204)	(102,039)
Unallocated liabilities				(44,010)
				(146,049)

5. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Other segment information

	PC steel bar HK$'000	PHC piles and others HK$'000	Financial services HK$'000	Corporate/ unallocated HK$'000	Total HK$'000
For the year ended 31 December 2017					
Other segment information:					
Capital expenditure	**–**	**1,151**	**720**	**1,232**	**3,103**
Depreciation	**–**	**(16,717)**	**(519)**	**(418)**	**(17,654)**
Amortisation of prepaid land lease payments	**–**	**(550)**	**–**	**–**	**(550)**
Provision for impairment loss of trade receivables, net	**–**	**(16,706)**	**–**	**–**	**(16,706)**
Provision for impairment loss of prepayments, deposits and other receivables, net	**–**	**(2,950)**	**–**	**–**	**(2,950)**

	PC steel bar HK$'000	PHC piles and others HK$'000	Financial services HK$'000	Corporate/ unallocated HK$'000	Total HK$'000
For the year ended 31 December 2016					
Other segment information:					
Capital expenditure	–	(4,870)	(1,056)	(4)	(5,930)
Depreciation	(936)	(18,249)	(31)	(373)	(19,589)
Amortisation of prepaid land lease payments	(250)	(558)	–	–	(808)
Amortisation of intangible assets	–	(32)	–	–	(32)
Provision for impairment loss of trade receivables, net	(84)	(3,222)	–	–	(3,306)
Provision for impairment loss of prepayments, deposits and other receivables, net	(18)	(6,989)	–	–	(7,007)

5. OPERATING SEGMENT INFORMATION *(Continued)*

(c) Geographical information

The geographical location of revenue information is based on the locations of customers at which the goods and services delivered. The Group's revenue analysed by geographical location and information about its non-current assets by geographical location are detailed below:

	Non-current assets As at 31 December		Revenue Year ended 31 December	
	2017	2016	**2017**	2016
Hong Kong	**36,582**	15,627	**10,441**	3,481
The PRC (excluding Hong Kong for the purposes of this report)	**127,756**	147,162	**305,074**	242,146
	164,338	162,789	**315,515**	245,627

(d) Information about major customer

The Group had no transactions with customer which contributed over 10% of its total revenue for the year ended 31 December 2017 (2016: Nil).

6. REVENUE

	2017 HK$'000	2016 HK$'000
Sales of goods	**305,074**	242,146
Loan interest income	**10,440**	3,481
Brokerage income	**1**	–
	315,515	245,627

7. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Bank interest income	**24**	60
Dividend income	**111**	–
Rental income	**526**	3,045
Sundry income	**–**	45
	661	3,150

8. OTHER GAINS/(LOSSES), NET

	2017 HK$'000	2016 HK$'000
Exchange difference, net	**8,728**	(7,915)
Fair value gain of derivative instruments	**–**	96,848
Provision for impairment loss of profit guarantee compensation receivables	**–**	(110,543)
Net loss arising on financial assets at FVTPL	**(5,823)**	(49)
Provision for impairment loss of goodwill	**–**	(64,480)
Provision for impairment loss of trade receivables, net	**(16,706)**	(3,306)
Provision for impairment loss of prepayments, deposits and other receivables, net	**(2,950)**	(7,007)
Gain/(loss) on disposal of property, plant and equipment	**43**	(1,581)
Write-off of trade receivables	**(5,821)**	–
Reversal of provision of compensation and cost for legal cases	**4,386**	–
Gain on disposal of assets classified as held-for-sale	**21,520**	–
	3,377	(98,033)

9. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on interest-bearing borrowings	**2,978**	2,874

10. LOSS BEFORE TAX

The Group's loss for the year is stated after charging/(crediting) the following:

	2017 HK$'000	2016 HK$'000
Cost of inventories sold	**171,969**	137,082
Depreciation	**17,654**	19,589
Amortisation of intangible assets	**–**	32
Amortisation of prepaid land lease payments	**550**	808
Auditor's remuneration	**1,080**	1,080
Operating lease payments in respect of land and buildings	**5,494**	7,217
(Reversal of provision)/provision of compensation and cost for legal cases	**(4,386)**	23,273
Equity-settled share-based payments to substantial shareholders	**–**	5,270
Equity-settled share-based payments to consultants	**–**	7,924
Staff costs (including directors' remuneration):		
— salaries, bonuses and allowances	**33,817**	30,497
— equity-settled share-based payments	**–**	25,766
— (reversal of provision)/provision for long service payment	**(13)**	7
— retirement benefits scheme contributions	**1,841**	1,513
	35,645	57,783

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' remuneration for the year, equivalent to key management compensation, is as follows:

	2017 HK$'000	2016 HK$'000
Fees	**853**	840
Other emoluments:		
Salaries, allowances and benefits in kind	**5,220**	4,758
Pension scheme contributions	**72**	72
Equity-settled share-based payments	**–**	22,936
	5,292	27,766
	6,145	28,606

Analysis of Directors' remuneration on named basis is as follows:

	2017				
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Equity-settled share-based payments HK$'000	Total HK$'000
Executive Directors					
Mr. Leung Chi Fai	–	1,896	18	–	1,914
Mr. Li Chongyang	–	1,496	18	–	1,514
Ms. Qi Jiao	–	624	18	–	642
	–	4,016	54	–	4,070
Non-executive Directors					
Mr. Huang Weidong	–	1,204	18	–	1,222
Mr. Liu Chenli	240	–	–	–	240
Independent non-executive Directors					
Mr. Cong Yongjian	240	–	–	–	240
Mr. Lam Kai Yeung	240	–	–	–	240
Dr. Lam Huen Sum (appointed on 12 June 2017)	133	–	–	–	133
	853	1,204	18	–	2,075
	853	5,220	72	–	6,145

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

	2016				
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Equity-settled share-based payments HK$'000	Total HK$'000
Executive Directors					
Mr. Huang Weidong	–	1,452	18	3,962	5,432
Mr. Leung Chi Fai	–	1,560	18	3,962	5,540
Mr. Li Chongyang	–	1,122	18	3,962	5,102
Ms. Qi Jiao	–	624	18	3,962	4,604
	–	4,758	72	15,848	20,678
Independent non-executive Directors					
Mr. Cong Yongjian	240	–	–	909	1,149
Ms. Deng Chumei (resigned on 30 June 2016)	120	–	–	2,635	2,755
Mr. Liu Chenli	240	–	–	2,635	2,875
Mr. Lam Kai Yeung	240	–	–	909	1,149
	840	–	–	7,088	7,928
	840	4,758	72	22,936	28,606

There was no arrangement under which a Director waived or agreed to waive any remuneration in respect of the years ended 31 December 2017 and 2016.

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

Five highest paid individuals

The five highest paid employees in the Group during the year included four (2016: four) directors, details of whose remuneration are set out above. Details of remuneration of the remaining one (2016: one) highest paid employee who is not a director of the Company are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	**975**	416
Pension scheme contributions	**18**	18
Equity-settled share-based payments	**–**	2,463
	993	2,897

The remuneration of the employee fell within the band of below HK$1,000,000 (2016: HK$2,500,001–HK$3,000,000).

No emoluments had been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

12. INCOME TAX EXPENSE

No provision for Hong Kong profits tax had been made during the year (2016: Nil) as the Group did not generate any assessable profits arising in Hong Kong. Subsidiaries established in the PRC are subject to the PRC Enterprise Income Tax at the standard rate of 25% (2016: 25%). No provision for overseas taxation is required since the Group has no assessable profit arisen from its operations outside Hong Kong and the PRC during the year (2016: Nil).

	2017 HK$'000	2016 HK$'000
Current tax — PRC Enterprise Income Tax		
— Provision for the year	**7,443**	5,736
— Over-provision in prior years	**(402)**	–
	7,041	5,736
Deferred tax (note 29)	**(6,502)**	(4,195)
	539	1,541

12. INCOME TAX EXPENSE *(Continued)*

A reconciliation of income tax expense and loss before tax is as follows:

	2017 HK$'000	2016 HK$'000
Loss before tax	**(3,827)**	(179,071)
Notional tax on profit/(loss) before tax, calculated at the applicable tax rates in respective jurisdictions	**1,835**	(31,365)
Tax effect of expenses not deductible for tax purpose	**3,951**	43,274
Tax effect of income not taxable for tax purpose	**(6,672)**	(10,966)
Tax effect of tax losses and other temporary differences not recognised	**1,827**	598
Over-provision in prior years	**(402)**	–
Income tax expense	**539**	1,541

13. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the years ended 31 December 2017 and 2016.

14. LOSS PER SHARE

Loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue throughout the year.

	2017 HK$'000	2016 HK$'000
Loss:		
Loss for the year attributable to owners of the Company used in the basic loss per share calculation	**(7,784)**	(183,049)
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**5,266,366**	3,666,241

Diluted loss per share

No diluted loss per share for the years ended 31 December 2017 and 2016 is presented as the effects of all convertible notes and share options are anti-dilutive for the years.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant, machinery and office equipment HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
As at 1 January 2017						
Cost or valuation	43,965	104,993	4,153	769	298	154,178
Accumulated depreciation and impairment loss	(4,814)	(40,517)	(1,477)	(115)	(298)	(47,221)
Carrying amount	39,151	64,476	2,676	654	–	106,957
Opening net carrying amount	39,151	64,476	2,676	654	–	106,957
Additions	–	1,672	911	520	–	3,103
Disposals	–	–	(665)	–	–	(665)
Surplus on revaluation	(154)	10,337	(227)	–	–	9,956
Depreciation provided during the year	(1,693)	(15,514)	(345)	(102)	–	(17,654)
Exchange realignment	3,506	2,359	26	–	–	5,891
As at 31 December 2017, net of accumulated depreciation and impairment loss	40,810	63,330	2,376	1,072	–	107,588
As at 31 December 2017						
Cost or valuation	47,794	121,921	3,672	1,288	298	174,973
Accumulated depreciation and impairment loss	(6,984)	(58,591)	(1,296)	(216)	(298)	(67,385)
Carrying amount	40,810	63,330	2,376	1,072	–	107,588

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

	Buildings HK$'000	Plant, machinery and office equipment HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
As at 1 January 2016						
Cost or valuation	61,186	110,404	5,503	765	298	178,156
Accumulated depreciation and impairment loss	(4,961)	(40,065)	(1,497)	(38)	(298)	(46,859)
Carrying amount	56,225	70,339	4,006	727	–	131,297
Opening net carrying amount	56,225	70,339	4,006	727	–	131,297
Additions	580	4,472	873	4	–	5,929
Acquisition of a subsidiary (note 35(a))	–	2	–	–	–	2
Disposals	–	–	(1,829)	–	–	(1,829)
Classified as held-for-sale (note 24)	(10,879)	–	–	–	–	(10,879)
Surplus on revaluation	29	7,716	635	–	–	8,380
Depreciation provided during the year	(3,068)	(15,517)	(927)	(77)	–	(19,589)
Exchange realignment	(3,736)	(2,536)	(82)	–	–	(6,354)
As at 31 December 2016, net of accumulated depreciation and impairment loss	39,151	64,476	2,676	654	–	106,957
As at 31 December 2016						
Cost or valuation	43,965	104,993	4,153	769	298	154,178
Accumulated depreciation and impairment loss	(4,814)	(40,517)	(1,477)	(115)	(298)	(47,221)
Carrying amount	39,151	64,476	2,676	654	–	106,957

As at 31 December 2017 and 2016, the Group's buildings, plant, machinery and office equipment and motor vehicles were valued by an independent professionally qualified valuer, Peak Vision Appraisals Limited ("**Peak Vision**"), which has appropriate qualifications and recent experience in the valuation of similar assets.

As at 31 December 2017, certain buildings and plant and machinery of the Group with carrying amounts of HK$40,810,000 (2016: HK$39,151,000) and HK$7,801,000 (2016: HK$8,535,000), respectively, were pledged to secure banking facilities granted to the Group (note 28).

As at 31 December 2016, certain buildings of the Group with carrying amounts of HK$10,879,000 were frozen in relation to the litigation proceedings. These assets were classified as held-for-sale as at 31 December 2016 and were sold during the year ended 31 December 2017. Further details are disclosed in note 24.

16. INTANGIBLE ASSETS

	Financial services license HK$'000	Computer software HK$'000	Total HK$'000
Cost:			
As at 1 January 2016	–	105	105
Arising on acquisition of subsidiaries (note 35(a))	11,786	–	11,786
Exchange realignment	–	(7)	(7)
As at 31 December 2016	11,786	98	11,884
Exchange realignment	–	8	8
As at 31 December 2017	11,786	106	11,892
Accumulated amortisation			
As at 1 January 2016	–	(72)	(72)
Amortisation during the year	–	(32)	(32)
Exchange realignment	–	6	6
As at 31 December 2016	–	(98)	(98)
Exchange realignment	–	(8)	(8)
As at 31 December 2017	–	(106)	(106)
Net carrying amount			
As at 31 December 2017	**11,786**	**–**	**11,786**
As at 31 December 2016	11,786	–	11,786

The Group reviews the recoverable amount of the financial services license. The license is used in the Group's financial services segment. No impairment loss has been recognised in the current year. The recoverable amount of the relevant assets has been determined on the basis of their value in use using discounted cash flow method (level 3 fair value measurements). The discount rate used was 15%.

17. PREPAID LAND LEASE PAYMENTS

	2017 HK$'000	2016 HK$'000
Carrying amount at beginning of year	**23,533**	32,595
Amortisation during the year	**(550)**	(808)
Classified as held-for-sale	**–**	(6,572)
Exchange realignment	**1,503**	(1,682)
Carrying amount at end of year	**24,486**	23,533
Current portion included in prepayments, deposits and other receivables	**(504)**	(469)
	23,982	23,064

As at 31 December 2017, land lease payments of the Group with a carrying amount of HK$24,486,000 (2016: HK$23,533,000) were pledged to secure banking facilities granted to the Group (note 28).

As at 31 December 2016, certain prepaid land lease payments of the Group with a carrying amount of HK$6,572,000 were frozen in relation to the legal proceedings. These assets were classified as held-for-sale as at 31 December 2016 and sold during the year ended 31 December 2017. Further details are disclosed in note 24.

18. GOODWILL

For the purpose of impairment testing, goodwill has been allocated to two CGUs, comprising a subsidiary in financial services and a subsidiary in PHC piles and others businesses. The carrying amount of goodwill as at 31 December 2017 and 2016 allocated to these units are as follows:

	Financial services HK$'000	PHC piles and others HK$'000	Total HK$'000
Cost			
As at 1 January 2016	–	84,421	84,421
Arising on acquisition of subsidiaries (note 35)	1,041	–	1,041
As at 31 December 2016, 1 January 2017 and 31 December 2017	1,041	84,421	85,462
Impairment			
As at 1 January 2016	–	–	–
Recognised for the year	–	(64,480)	(64,480)
As at 31 December 2016, 1 January 2017 and 31 December 2017	–	(64,480)	(64,480)
Carrying amount			
As at 31 December 2017	**1,041**	**19,941**	**20,982**
As at 31 December 2016	1,041	19,941	20,982

18. GOODWILL *(Continued)*

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Financial services

The recoverable amount of the CGU has been determined from value-in-use calculation. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next three years with the residual period using the growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets. The pre-tax rate used to discount the forecast cash flows is 15%.

PHC piles and others

The recoverable amount of this CGU has been determined, including working capital, based on a value-in-use calculation determined by income approach using discounted cash flow projections with reference to valuation performed by an independent professional valuer, Peak Vision. The calculation covered a period estimated by the Group to be indefinite as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a three-year period. Cash flow beyond the projection period is extrapolated using an estimated growth rate of 3% (2016: 3%). The pre-tax rate used to discount the forecast cash flows is 19.28% (2016: 19.69%).

The key basis and assumption used to determine the value assigned to the growth in revenue and the budgeted gross margins is the management's expectation of market development and future performance of the CGU and the discount rate used reflects specific risks relating to industries in relation to the CGU.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 **HK$'000**	2016 HK$'000
Listed securities — held for trading		
— Equity securities — Hong Kong	**8,986**	–
— Equity securities — United States	**411**	–
Market value of listed securities	**9,397**	–

Changes in fair values of financial assets at FVTPL are recorded in "other gains and other losses, net" in the consolidated statement of profit or loss.

20. INVENTORIES

	2017 **HK$'000**	2016 HK$'000
Raw materials	**10,039**	2,802
Finished goods	**1,540**	10,832
	11,579	13,634

21. TRADE AND BILL RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables, gross	**280,371**	244,766
Less: provision for impairment loss	**(53,868)**	(33,917)
Trade receivables, net	**226,503**	210,849
Bill receivables	**3,420**	1,547
	229,923	212,396

The Group's trading terms with its customers are mainly on credit except for new customers, where payment in advance is normally required. For trade receivables resulted from sales of goods and services, the credit period is generally one to three (2016: one to three) months from the date of billing, except for certain well-established customers, where the terms are extended to six months. For trade receivables resulted from loans granted, the loan period is generally three to twelve (2016: three to twelve) months from the date of inception or renewal. The Group seeks to maintain strict control over its receivables to minimise credit risk.

As at 31 December 2017, except for the receivables from loans to customers of HK$135,270,000 (2016: HK$123,041,000) which bore fixed interest rates ranging from 8% to 10% (2016: 8% to 10%) per annum and were secured with charges over the assets owned by the borrowers and/or personal guarantees, trade receivables are non-interest bearing.

Ageing analysis

An ageing analysis of the trade receivables as at the end of the reporting year, based on the invoice date or the date of inception or renewal for loans and net of provision, is as follows:

	2017 HK$'000	2016 HK$'000
Within 3 months	**97,829**	64,496
4 to 6 months	**74,762**	121,769
7 to 12 months	**38,373**	8,701
Over 12 months	**15,539**	15,883
	226,503	210,849

21. TRADE AND BILL RECEIVABLES *(Continued)*

(b) Impairment of trade receivables

The movement in provision for impairment of trade receivables is as follows:

	2017 HK$'000	2016 HK$'000
Balance at beginning of year	**33,917**	32,878
Impairment loss recognised	**19,763**	3,326
Impairment loss reversed	**(3,057)**	(20)
Exchange realignment	**3,245**	(2,267)
Balance at end of year	**53,868**	33,917

Included in the above provision for impairment loss was a full provision for individually impaired trade receivables of HK$19,763,000 (2016: HK$3,326,000) that are considered irrecoverable by management after consideration of the credit quality of those individual customers, their ongoing relationship with the Group and the ageing of those receivables. The Group does not hold any collateral over these balances.

(c) Trade receivables that are not impaired

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

	2017 HK$'000	2016 HK$'000
Not yet past due	**181,523**	153,207
Within 3 months past due	**11,306**	21,518
4 to 6 months past due	**19,835**	14,116
7 to 12months past due	**8,300**	7,789
Over 12 months past due	**5,539**	14,219
	226,503	210,849

Receivables that were neither past due nor impaired relate to a wide range of 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 loss 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.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Prepayments (note (a))	**158,577**	135,008
Refundable deposits paid for acquisition of subsidiaries (note (b))	**106,637**	–
Other receivables	**31,303**	27,803
Less: provision for impairment loss (note (c))	**(84,918)**	(76,121)
	211,599	86,690
Deposits paid	**3,891**	3,097
	215,490	89,787

Prepayments, deposits and other receivables, net of allowance of doubtful debts, are expected to be recovered or recognised as expense within one year.

Notes:

(a) The Group paid in advance to certain suppliers for the PHC piles and others business.

(b) References are made to the Company's announcements dated 12 September 2017 and 21 November 2017. During the year, the Group paid refundable earnest money of HK$100,000,000 and deposit of HK$6,637,000 to acquire certain equity interests of a target group and a target company, respectively. As security for the repayment of the refundable earnest money of HK$100,000,000, the entire issued share capital of the holding company of the target group held by the vendor was charged in favour of the Group, and the performance of all the obligations of the vendor was guaranteed by the shareholder of the vendor.

(c) Provision for impairment loss is recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against other receivables directly.

The movement in provision for impairment loss of prepayments, deposits, and other receivables is as follows:

	2017 HK$'000	2016 HK$'000
Balance at beginning of year	**76,121**	74,212
Impairment loss recognised	**3,071**	11,261
Impairment loss reversed	**(121)**	(4,254)
Exchange realignment	**5,847**	(5,098)
Balance at end of year	**84,918**	76,121

As at 31 December 2017, the Group's other receivables with a carrying amount before provision of HK$3,071,000 (2016: HK$11,261,000) were individually determined to be fully impaired. The individually impaired receivables related to debtors that were in financial difficulties and overdue for more than one year and management assessed that the recovery of these receivables is in doubt.

During the year ended 31 December 2015, the Group appointed an independent professional advisor to perform an investigation on certain prepayments, deposits and other receivables of a subsidiary of the Group. Based on the findings of the investigation, certain prepayments may involve the possible commercial crime committed by two former directors of a subsidiary of the Group. The management assessed and considered the recoverability of these receivables is in doubt. As disclosed in note 41, the Group had filed a report to Zhuhai Public Security Bureau against the two former directors of a subsidiary of the Group and the management is awaiting the findings of the investigation from the Bureau. As at 31 December 2017 and 2016, certain prepayments, deposits and other receivables with a carrying amount before provision of HK$57,138,000 were individually determined to be fully impaired.

23. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

	2017 HK$'000	2016 HK$'000
Bank and cash balances	**77,146**	46,107

As at 31 December 2017, bank and cash balances of HK$29,770,000 (2016: HK$3,113,000) are denominated in Renminbi ("**RMB**"). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earn interests at floating rates based on daily bank deposits rates.

(b) Restricted bank deposits

As at 31 December 2017, bank balance of HK$66,000 (2016: HK$61,000) is frozen in relation to the legal proceedings as disclosed in note 41.

24. ASSETS CLASSIFIED AS HELD-FOR-SALE

As a result of the legal proceedings and pursuant to an order by the court in the PRC issued to Zhuhai Hoston (note 41), certain property, plant and equipment and prepaid land lease payments of Zhuhai Hoston are being forced auction. The proceeds from disposal of the assets in auction would be used to repay its creditors. Accordingly, those property, plant and equipment and prepaid land lease payments are classified as held-for-sale as at 31 December 2016.

Reference is made to the Company's announcement dated 15 December 2017, on 17 November 2017 and 21 November 2017, the proceeds of auction of RMB34,074,000 were applied by the Jinwan People's Court to settle some of the judgment debts and claims from different creditors of Zhuhai Hoston in the PRC. Further details are set out in note 41.

	2017 HK$'000	2016 HK$'000
Property, plant and equipment	–	10,879
Prepaid land lease payments	–	6,572
	–	17,451

25. TRADE PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	**25,567**	39,046

An ageing analysis of trade payables as at the end of the reporting year, based on invoice date, is as follows:

	2017 HK$'000	2016 HK$'000
Within 3 months	**17,045**	19,513
4 to 6 months	**556**	8,970
7 to 12 months	**2,060**	3,809
Over 1 year	**5,906**	6,754
	25,567	39,046

Trade payables are non-interest bearing and the average credit terms received from suppliers of the Group is 30 (2016: 30) days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

26. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2017 HK$'000	2016 HK$'000
Other payables and accruals	**23,651**	23,424
Provision of compensation and cost for legal cases	**12,779**	25,002
Deposits received from customers	**11,433**	6,836
	47,863	55,080

27. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER

The balance is unsecured, interest-free and repayable on demand.

28. INTEREST-BEARING BORROWINGS

	2017		2016	
	Maturity	**HK$'000**	Maturity	HK$'000
Bank borrowings, secured	**2018–2020**	**44,137**	2017–2018	27,646

The current and non-current bank borrowings were scheduled to repay as follows:

	2017	2016
	HK$'000	HK$'000
Analysed into:		
On demand or within one year	**26,722**	12,566
Between one and two years	**–**	15,080
More than two years, but not exceeding three years	**17,415**	–
	44,137	27,646

As at 31 December 2017 and 2016, the Group's bank borrowings carried variable interest rates set by The People's Bank of China plus certain basis points and thus were subject to cash flow interest risk.

The range of interest rates per annum at the end of the reporting period on the interest-bearing borrowings of the Group was as follows:

	2017	2016
	%	%
Variable-rate bank borrowings	**4.785–8.12**	4.3–8.12

The amounts due are based on the scheduled repayment dates set out in the borrowing agreements with no repayment on demand clause contained.

The borrowings were secured by corporate guarantee executed by a related company of a subsidiary of the Group; personal guarantee executed by the directors of a subsidiary of the Group; guarantee executed by non-controlling shareholder of a subsidiary of the Group and pledged certain assets to secure the banking facilities and bank borrowings. The carrying amounts of these pledged assets at the end of the reporting period are as follows:

		2017	2016
	Notes	**HK$'000**	HK$'000
Buildings	15	**40,810**	39,151
Plant and machinery	15	**7,801**	8,535
Prepaid land lease payments	17	**24,486**	12,446

29. DEFERRED TAX

The movement in deferred income tax assets and liabilities during the year is as follows:

Deferred tax assets	Provision for impairment loss of trade receivables HK$'000	Provision for impairment loss of inventories HK$'000	Provision for impairment loss of other receivables HK$'000	Provision for impairment loss of property, plant and equipment HK$'000	Total HK$'000
As at 1 January 2016	2,837	36	1,870	1,405	6,148
Credited to profit or loss	806	135	1,747	–	2,688
Exchange realignment	(218)	(8)	(199)	(9)	(434)
As at 31 December 2016 and 1 January 2017	**3,425**	**163**	**3,418**	**1,396**	**8,402**
Credited to profit or loss	**4,176**	**–**	**737**	**–**	**4,913**
Exchange realignment	**432**	**12**	**288**	**9**	**741**
As at 31 December 2017	**8,033**	**175**	**4,443**	**1,405**	**14,056**

Deferred tax liabilities	Revaluation of property, plant and equipment HK$'000
As at 1 January 2016	6,621
Credited to profit or loss	(1,507)
Charged to other comprehensive income	2,095
As at 31 December 2016 and 1 January 2017	**7,209**
Credited to profit or loss	**(1,589)**
Charged to other comprehensive income	**2,489**
Exchange realignment	**(31)**
As at 31 December 2017	**8,078**

29. DEFERRED TAX *(Continued)*

As at 31 December 2017, the Group has unused tax losses of HK$51,498,000 (2016: HK$40,426,000) that are available indefinitely for offsetting against future taxable profits of the group entities in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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 the PRC. The requirement is effective from 1 January 2008 and applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The applicable rate for the Group 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.

As at 31 December 2017, there was no significant unrecognised deferred tax liabilities (2016: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group controls the dividend policy of these subsidiaries and it has been determined that no dividend will be distributed by these subsidiaries in the foreseeable future.

30. PROVISION FOR LONG SERVICE PAYMENT

	2017 **HK$'000**	2016 HK$'000
Balance at beginning of year	**33**	26
(Reversal of provision)/provision for the year	**(13)**	7
Balance at end of year	**20**	33

31. SHARE CAPITAL

	Number of ordinary shares	Share capital HK$'000
Authorised:		
As at 1 January 2016, ordinary shares of HK$0.10 each	10,000,000,000	1,000,000
Capital reduction (note (a))	90,000,000,000	–
At 31 December 2016, 1 January 2017 and 31 December 2017 ordinary shares of HK$0.01 each	100,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2016, ordinary shares of HK$0.10 each	1,745,761,299	174,576
Capital reduction (note (a))	–	(157,118)
Exercise of share options	119,800,000	1,198
Issue of shares by way of open offer (note (b))	2,618,641,947	26,186
At 31 December 2016, ordinary shares of HK$0.01 each	4,484,203,246	44,842
Placing of shares (note (c))	1,942,880,000	19,429
At 31 December 2017, ordinary shares of HK$0.01 each	6,427,083,246	64,271

Notes:

(a) Capital reduction

On 19 April 2016, the Company completed the capital reorganisation under which (i) the nominal value of each issued ordinary share of the Company was reduced from HK$0.10 to HK$0.01 by the cancellation of HK$0.09 from the paid-up capital on each ordinary share (the "**Capital Reduction**"); (ii) each of the authorised but unissued ordinary share of HK$0.10 each was sub-divided into ten ordinary shares of HK$0.01 each; and (iii) the credit of HK$157,118,517 arising from the capital reduction of the basis of 1,745,761,299 ordinary shares in issue was transferred to the contributed surplus account of the Company.

(b) Issue of shares by way of open offer

On 27 May 2016, the Company issued 2,618,641,947 ordinary shares of HK$0.01 each as a result of open offer at a subscription price of HK$0.08 each.

(c) Placing of shares

On 26 April 2017, the Company entered into a placing agreement with a placing agent in respect of the placement of 872,880,000 ordinary shares of HK$0.01 each to independent investors at a price of HK$0.086 per share. The placement was completed on 17 May 2017 and the premium on the issue of shares amounting to approximately HK$64,381,000, after net of share issue expenses of approximately HK$81,000, was credited to the Company's share premium account.

On 18 September 2017, the Company entered into a placing agreement with a placing agent in respect of the placement of 1,070,000,000 ordinary shares of HK$0.01 each to independent investors at a price of HK$0.097 per share. The placement was completed on 13 October 2017 and the premium on the issue of shares amounting to approximately HK$89,248,000, after net of share issue expenses of approximately HK$210,000, was credited to the Company's share premium account.

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets. Details of the Company's share option scheme and the share options issued under the scheme are disclosed in note 34.

32. CONVERTIBLE NOTES

On 2 May 2014, the Company issued convertible notes with an aggregate amount of HK$300,000,000 in connection with the acquisition of Joint Expert Global Limited and its subsidiaries. The convertible notes are denominated in HK$, carry zero interest rate and were matured on 28 April 2017.

The convertible note holders are entitled to convert the convertible notes into ordinary shares of the Company at an conversion price of HK$0.18 (adjusted) per conversion share (subject to the normal adjustments pursuant to the terms and conditions of the convertible notes) at any time during the period commencing from the date of issuance of the convertible notes to the maturity date. Unless conversion notice shall have been previously given by the note holder to the Company, the Company may, by giving the note holder not less than 7 day's prior written notice at any time after the date of issuance of the convertible notes redeem the notes at a value equal to the principal amount of the notes to be redeemed. On maturity date, any convertible notes not being redeemed or converted shall be converted into conversion shares at the conversion price subject to compliance with the Listing Rules. If any conversion will trigger breach of the Listing Rules, then the Company may convert such sum of the convertible notes into shares as it considers appropriate and the remaining balance will be cancelled immediately.

Under the convertible notes, there is no contracted obligation to repay its principal nor to pay any distributions, they do not meet the definition of financial liabilities under Hong Kong Accounting Standard 32 "Financial Instruments: Presentation". As a result, the whole instrument was classified as equity.

During the year ended 31 December 2016, the Company redeemed convertible notes with an aggregate principal amount of HK$100,000,000 at its fair value of approximately HK$89,155,000 to settle the profit guarantee compensation receivables. No redemption was made during the year ended 31 December 2017. As at 31 December 2017, the unconverted convertible notes were under dispute with a third party and litigation is in progress as disclosed in note 41(c).

As at 31 December 2017, the convertible notes of the Company with an aggregate principal amount of HK$30,000,000 (2016: HK$30,000,000) were still outstanding.

The movement in the equity component of the convertible notes is as follows:

	2017 **HK$'000**	2016 HK$'000
Balance at beginning of year	**12,600**	54,597
Redemption	**–**	(41,997)
Balance at end of year	**12,600**	12,600

33. RESERVES

(a) Share premium account and capital redemption reserve

The application of share premium account and capital redemption reserve is governed by Section 40 of the Companies Act 1981 of Bermuda (as amended) ("**Companies Act**").

(b) Contributed surplus

Contributed surplus represents the difference between the aggregate of the nominal values of the shares of the subsidiaries acquired at the date of acquisition, over the nominal value of the shares of the Company issued in exchange thereof and issued on incorporation.

In addition to the retained earnings, under the Companies Act, contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

— the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

— the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(c) Share option reserve

Share option reserve comprises the fair value of the actual or estimated number of shares issuable under unexercised share options granted to participants recognised in accordance with accounting policy set out in note 2.

(d) Asset revaluation reserve

Asset revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for property, plant and equipment set out in note 2.

(e) Exchange fluctuation reserve

Exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2.

(f) PRC statutory reserve

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the subsidiaries established in the PRC, it is required to appropriate 10% of the profit arrived at in accordance with the PRC accounting standards for each year to a statutory reserve. The profit arrived at must be used initially to set off against any accumulated losses. The appropriations to statutory reserve, after offsetting against any accumulated losses, must be made before the distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital of the respective entity. This statutory reserve is not distributable in the form of cash dividends, but may be used to set off losses or be converted into paid-in-capital.

34. SHARE OPTION SCHEME

Share Option Scheme adopted on 17 June 2016 (the "Option Scheme")

The Option Scheme was adopted on 17 June 2016. The purpose of the Option Scheme is to recognise and acknowledge the contributions or potential contributions made or to be made by the eligible participants to the Group and the entity in which the Group holds any equity interest (the "**Invested Entity(ies)**"), to motivate the eligible participants to optimise their performance and efficiency for the benefit of the Group and the Invested Entities, and to maintain or attract business relationship with the eligible participants whose contributions are or may be beneficial to the growth of the Group and the Invested Entities.

Eligible participants of the Option Scheme include employee (whether full-time or part-time including any executive director), officer (including any non-executive director and independent non-executive director), substantial shareholder, consultant, agent, adviser, customer, business partner, joint venture partner, strategic partner, landlord or tenant of, or any supplier or provider of goods or services to, the Company or any subsidiary or any Invested Entity, or any trustee(s) of a discretionary trust of which one or more beneficiaries belong to any of the abovementioned category(ies) of persons, or any company beneficially owned by any of the abovementioned category(ies) of persons, or any other person who satisfies the criteria set out in the Option Scheme.

The Option Scheme, unless otherwise terminated or amended, will remain in force for a period of 10 years from the date of the offer for grant of the option. The maximum numbers of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be granted under the Option Scheme and other share option schemes adopted by the Company must not in aggregate exceed 30% of the shares in issue from time to time. The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Option Scheme and any other share option schemes of the Group must not in aggregate exceed 10% of the shares of the Group in issue as at the date of adopting the Option Scheme, but the Company may seek approval of its shareholders in general meeting to refresh the 10% limit under the Option Scheme.

The total number of shares issued and to be issued upon exercise of the share options granted under the Option Scheme and other share option schemes of the Group (including both exercised and outstanding options) to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting of the Company. Share options granted under the Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval of the independent non-executive Directors (excluding any independent non-executive Director who is also a grantee of the options). In addition, any share options granted to a substantial shareholder of the Company or an independent non-executive Director, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK$5 million, within any 12-month period up to and including the date of such grant, are subject to shareholders' approval in general meeting of the Company.

A share option may be accepted by a participant within 21 days from the date of the offer of the option. The exercise period of the share options granted is determinable by the Directors in accordance with the terms of the Option Scheme, and commences from the date of acceptance of the offer of the share options and ends on a date which is not later than 10 years from the date of grant of the share options.

34. SHARE OPTION SCHEME *(Continued)*

Share Option Scheme adopted on 17 June 2016 (the "Option Scheme") *(Continued)*

The subscription price shall be determined by the Board and notified to a participant at the time the grant of the option(s) (subject to any adjustments made pursuant to Clause 9 in the Option Scheme) is made to (and subject to acceptance by) the participant and shall be at least the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the grant date, which must be a business day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the grant date; and (c) the nominal value of the shares.

A nominal consideration of HK$1 is payable on acceptance of the offer of an option. Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting. Each option gives the holder the right to subscribe for one ordinary share in the Company.

On 22 June 2016, the Company granted options to certain directors, employees, substantial shareholders and consultants of the Group to subscribe for a total of 436,200,000 ordinary shares of HK$0.01 each at subscription price of HK$0.1682 per share on or before 21 June 2026, representing 9.99% of the shares of the Company in issue at that date. The options are vested at the date of grant. None of the options were cancelled during the year.

The closing price of the Company's shares immediately before the date of grant of the options was HK$0.167. The average closing price of the Company's shares for the five trading days immediately preceding the date of grant of options was HK$0.1682. The estimated fair value of the share options granted during the year was calculated by using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The measurement date used in the valuation calculations were the date on which the options were granted. The inputs used in the model are as follows:

Closing share price at date of grant	HK$0.1670
Exercise price	HK$0.1682
Expected exercise multiple	1.9-3.6
Expected volatility	56%
Expected dividend yield	0%
Risk-free interest rate	1.19%

The variables and assumptions used above are based on the best estimate of an independent firm of professional valuer, LCH (Asia-Pacific) Surveyors Limited. The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

The following table discloses movement of the Company's share options under the Option Scheme during the year:

	Date of grant	Exercise period	Exercise price HK$
Executive Directors	22 June 2016	22 June 2016–21 June 2026	0.1682
Non-executive Directors	22 June 2016	22 June 2016–21 June 2026	0.1682
Substantial shareholders	22 June 2016	22 June 2016–21 June 2026	0.1682
Employees	22 June 2016	22 June 2016–21 June 2026	0.1682
Consultants	22 June 2016	22 June 2016–21 June 2026	0.1682

34. SHARE OPTION SCHEME *(Continued)*

Share Option Scheme adopted on 17 June 2016 (the "Option Scheme") *(Continued)*

	Outstanding as at 1 January 2017	Lapsed during the year	Outstanding as at 31 December 2017
Executive Directors			
Leung Chi Fai	10,000,000	–	10,000,000
Li Chongyang	10,000,000	–	10,000,000
Qi Jiao	43,600,000	–	43,600,000
Non-executive Directors			
Huang Weidong	43,600,000	–	43,600,000
Liu Chenli	29,000,000	–	29,000,000
Independent non-executive Directors			
Cong Yongjian	10,000,000	–	10,000,000
Lam Kai Yeung	10,000,000	–	10,000,000
Substantial shareholders			
Business Century Investments Limited	29,000,000	–	29,000,000
Everun Oil Co., Limited	29,000,000	–	29,000,000
Employees			
in aggregate	15,000,000	(5,000,000)	10,000,000
Consultants			
in aggregate	87,200,000	(43,600,000)	43,600,000
	316,400,000	(48,600,000)	267,800,000

34. SHARE OPTION SCHEME *(Continued)*

Share Option Scheme adopted on 17 June 2016 (the "Option Scheme") *(Continued)*

	Outstanding as at 1 January 2016	Granted during the year	Exercised during the year	Outstanding as at 31 December 2016
Executive Directors				
Huang Weidong	–	43,600,000	–	43,600,000
Leung Chi Fai	–	43,600,000	(33,600,000)	10,000,000
Li Chongyang	–	43,600,000	(33,600,000)	10,000,000
Qi Jiao	–	43,600,000	–	43,600,000
Independent non-executive Directors				
Cong Yongjian	–	10,000,000	–	10,000,000
Lam Kai Yeung	–	10,000,000	–	10,000,000
Liu Chenli	–	29,000,000	–	29,000,000
Deng Chunmei (resigned on 30 June 2016)	–	29,000,000	(29,000,000)	–
Substantial shareholders				
Business Century Investments Limited	–	29,000,000	–	29,000,000
Everun Oil Co., Limited	–	29,000,000	–	29,000,000
Employees				
in aggregate	–	38,600,000	(23,600,000)	15,000,000
Consultants				
in aggregate	–	87,200,000	–	87,200,000
	–	436,200,000	(119,800,000)	316,400,000

The estimated fair value of the share options as at the date of grant ranged from HK$0.073 to HK$0.091 per share, totally amounting to HK$38,960,000. During the year ended 31 December 2016, the Group recognised equity-settled share-based payments HK$38,960,000 in relation to the share options granted by the Company.

As at the date of this report, there are 474,308,324 (2016: 328,620,324) ordinary shares available for issue under the Option Scheme, representing approximately 7.38% (2016: 7.33%) of the issued share capital of the Company.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

On 7 July 2016, the Group acquired assets and liabilities by way of acquisition of the entire equity interest of Ark One Limited ("**Ark One**") at a consideration of approximately HK$5,922,000 which was settled by cash and deposit paid.

On 19 July 2016, the Group acquired a business by way of acquisition of the entire equity interest of Grand Silver Securities Limited ("**Grand Silver**") at a consideration of approximately HK$11,700,000 which was settled by cash.

	Ark One HK$'000	**Grand Silver** HK$'000	**Total** HK$'000
Assets and liabilities acquired:			
Property, plant and equipment	–	2	2
Intangible assets	5,786	6,000	11,786
Trade receivables	–	38	38
Prepayments, deposits and other receivables	–	268	268
Bank and cash balances	136	4,527	4,663
Trade payables	–	(91)	(91)
Other payables and accruals	–	(85)	(85)
	5,922	10,659	16,581
Goodwill	–	1,041	1,041
	5,922	11,700	17,622
Satisfied by:			
Cash	4,922	11,700	16,622
Deposit paid	1,000	–	1,000
	5,922	11,700	17,622
Net cash outflow arising on acquisition:			
Cash consideration paid	4,922	11,700	16,622
Cash and cash equivalents acquired	(136)	(4,527)	(4,663)
	4,786	7,173	11,959

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

The fair values of trade receivables and prepayments, deposits and other receivables acquired are HK$38,000 and HK$268,000, respectively.

The goodwill arising on the acquisition of Grand Silver is attributable to the CGU of the financial services.

Grand Silver contributed HK$2,449,000 to the Group's loss for the year respectively for the period between their dates of acquisition and the end of the reporting period. Grand Silver did not contribute any revenue to the Group.

If the acquisition of Grand Silver had been completed on 1 January 2016, the Group's total revenue for the year would have been HK$146,758,000 and loss for the year would have been HK$181,597,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is intended to be a projection of future results.

(b) Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Interest-bearing borrowings HK$'000	Amount due to a non-controlling shareholder HK$'000	Total liabilities from financing activities HK$'000
At 1 January 2017	**27,646**	**11,655**	**39,301**
Changes in cash flows	**13,836**	**(11,530)**	**2,306**
Non-cash changes			
— exchange differences	**2,655**	**396**	**3,051**
At 31 December 2017	**44,137**	**521**	**44,658**

36. COMMITMENTS

Lease commitments

The Group leases certain of its office premises under operating lease arrangements. Leases for the office premises are negotiated for one to three (2016: one to three) years.

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	**2,108**	5,754
— In the second to fifth years inclusive	**155**	2,088
	2,263	7,842

37. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, during the year, the Group has no other related party transactions (2016: Nil).

38. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts (which include trade payables, other payables, accruals and deposits received, amount due to a non-controlling shareholder, borrowings and tax payable) and equity attributable to owners of the Company, comprising issued share capital, convertible notes and reserves. The Group monitors capital using a gearing ratio. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2017 and 2016 are as follows:

	2017 **HK$'000**	2016 HK$'000
Debt	**126,718**	138,807
Equity	**587,179**	404,578
Debt to equity ratio	**22%**	34%

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Categories of financial instruments:

	2017 HK$'000	2016 HK$'000
Financial assets		
Financial assets at FVTPL	**9,397**	–
Loans and receivables:		
Trade and bill receivables	**229,923**	212,396
Deposits and other receivables	**124,206**	30,431
Restricted bank deposits	**66**	61
Bank and cash equivalents	**77,146**	46,107
	440,738	288,995
Financial liabilities		
Financial liabilities measured at amortised cost:		
Trade payables	**25,567**	39,046
Other payables and accruals	**36,430**	51,829
Amount due to a non-controlling shareholder	**521**	11,655
Interest-bearing borrowings	**44,137**	27,646
	106,655	130,176

The Group is exposed to a variety of financial risks including foreign currency risk, interest rate risk, price risk, credit risk and liquidity risk, which result from both its operating and financing activities.

(a) Market risk

Foreign exchange risk

The Group's businesses are principally conducted in Hong Kong and the PRC. The majority of assets and liabilities are denominated in HK$ and RMB. The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the group entities. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and also by way of forward contracts when necessary.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to its bank deposits and bank borrowings. However, the directors of the Company are of the opinion that the Group does not have significant interest rate risk as the fluctuation in interest rates is not expected to be material. The Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate risk profile, and will consider appropriate hedging measure in future as may be necessary.

Price risk

The Group was exposed to equity price risk arising from financial assets at FVTPL as at 31 December 2017. However, the directors of the Company considered that the price risk of the Group was not significant as the balance of financial assets at FVTPL was not material.

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

(b) Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. Concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2017, 14% (2016: 24%) of the total trade receivables was due from the Group's largest customer.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 21.

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

(c) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves and available banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

At 31 December 2017	**On demand or within 1 year HK$'000**	**1–2 years HK$'000**	**Over 2 years HK$'000**	**Total HK$'000**
Trade payables	**25,567**	**–**	**–**	**25,567**
Other payables and accruals	**36,430**	**–**	**–**	**36,430**
Amount due to a non-controlling shareholder	**521**	**–**	**–**	**521**
Interest-bearing borrowings	**29,852**	**1,414**	**17,532**	**48,798**
	92,370	**1,414**	**17,532**	**111,316**

At 31 December 2016	On demand or within 1 year HK$'000	1–2 years HK$'000	Over 2 years HK$'000	Total HK$'000
Trade payables	39,046	–	–	39,046
Other payables and accruals	51,829	–	–	51,829
Amount due to a non-controlling shareholder	11,655	–	–	11,655
Interest-bearing borrowings	13,927	16,236	–	30,163
	116,457	16,236	–	132,693

40. SUBSIDIARIES AND JOINT VENTURE

Particulars of the subsidiaries and joint venture as at 31 December 2017 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid-up/ registered capital	Percentage of equity attributable to the Company 2017	2016	Principal activities
Direct subsidiaries:					
First Billion Global Limited	The British Virgin Islands ("**BVI**")	US$1	**100%**	100%	Investment holding
Palestine Global Limited	BVI	US$1	**100%**	100%	Investment holding
Grand Insight Global Limited	BVI	US$50,000	**100%**	100%	Investment holding
Sunway International Group Limited	BVI	US$50,000	**100%**	100%	Investment holding
Top Margin Group Limited	BVI	US$1	**100%**	100%	Investment holding
Sunway New Energy Industry Group Limited	BVI	US$50,000	**100%**	100%	Investment holding
Lucky Digit Holdings Limited	BVI	US$1	**100%**	–	Investment holding
Insight City Investments Limited	BVI	US$50,000	**100%**	–	Investment holding
Golden Elements Limited	BVI	US$50,000	**100%**	–	Real estate development
Baicui Investments Limited	BVI	US$50,000	**100%**	–	Dormant
Ever Vision Enterprises Limited	Hong Kong	HK$1	**100%**	–	Property development
Kirin Lane Limited	BVI	US$50,000	**100%**	–	Dormant

40. SUBSIDIARIES AND JOINT VENTURE *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and paid-up/ registered capital	Percentage of equity attributable to the Company 2017	2016	Principal activities
Indirect subsidiaries:					
Joint Expert Global Limited	BVI	US$1	**100%**	100%	Investment holding
Royal Asia International Limited	Hong Kong	HK$1,000,000	**100%**	100%	Investment holding
Zhuhai Hoston Special Materials Co., Ltd. ("**Zhuhai Hoston**")*	PRC	RMB56,000,000	**95%**	95%	Manufacturing and sales of PC steel bars
Guangdong Hengjia Building Materials Co., Ltd. ("**Guangdong Hengjia**")#	PRC	RMB50,000,000	**66.5%**	66.5%	Manufacturing and trading of PHC Plies, bricks, aerated concrete products and eco-permeable concrete products
Topping Gain International Limited	Hong Kong	HK$1	**100%**	100%	Dormant
Sunway Financial Management Limited	Hong Kong	HK$2,000,000	**100%**	100%	Money lending
Sunway International Management Limited	Hong Kong	HK$2,000,000	**100%**	100%	Providing management services
Sunway New Energy Industry Investment Limited	Hong Kong	HK$10,000,000	**100%**	100%	Not yet commenced
Big Bay Asset Management (HK) Limited (Formerly known as Ark One Limited)	Hong Kong	HK$500,000	**100%**	–	Providing assets management services
Big Bay Securities (HK) Limited (Formerly known as Grand Silver Securities Limited)	Hong Kong	HK$20,000,000	**100%**	–	Providing securities brokerage services
中國大灣投資(香港)有限公司	Hong Kong	HK$10,000	**100%**	–	Investment holding

40. SUBSIDIARIES AND JOINT VENTURE *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and paid-up/ registered capital	Percentage of equity attributable to the Company 2017	2016	Principal activities
深圳市大灣投資諮詢有限公司	PRC	HK$10,000,000	**100%**	–	Dormant
Big Bay Balanced Fund	Cayman Islands	US$50,000	**100%**	–	Dormant
深圳大灣股權投資基金管理有限公司	PRC	US$2,000,000	**100%**	–	Assets management
Indirect joint venture:					
珠海海鑫大灣清潔能源投資中心(有限合夥)	PRC	RMB10,000,000	**99%**	–	Assets management

* The company is registered as a wholly-foreign owned enterprise under the PRC law.

\# The Group's equity interest of Guangdong Hengjia was frozen in relation to the litigation proceedings as mentioned in note 41(b).

The following table shows information of a subsidiary that has non-controlling interests ("**NCI**") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Guangdong Hengjia	
Principal place of business/country of incorporation	PRC	PRC
% of ownership interests/voting rights held by NCI	33.5%/33.5%	33.5%/33.5%

40. SUBSIDIARIES AND JOINT VENTURE *(Continued)*

	2017 **HK$'000**	2016 HK$'000
At 31 December:		
Non-current assets	**141,574**	141,733
Current assets	**282,143**	243,632
Current liabilities	**(181,501)**	(167,070)
Non-current liabilities	**(23,723)**	(21,388)
Net assets	**218,493**	196,907
Accumulated NCI	**73,195**	65,964
Year ended 31 December:		
Revenue	**305,074**	242,146
Profit for the year	**8,613**	11,375
Total comprehensive income	**29,601**	8,010
Profit allocated to NCI	**2,163**	3,811
Dividends paid to NCI	**–**	–
Net cash generated from operating activities	**7,358**	10,996
Net cash generated from/(used in) investing activities	**17,060**	(4,870)
Net cash generated from/(used in) financing activities	**2,306**	(5,385)
Net increase in cash and cash equivalents	**26,724**	741

41. LEGAL PROCEEDINGS

During the year and up to the date of this report, the Group has been involved in the following legal proceedings/investigation:

The Company/its subsidiary as the defendant

(a) References are made to the announcement of the Company dated 15 December 2017 and interim report of the Company for the six months ended 30 June 2017 (the "**Interim Report 2017**"), Zhuhai Hoston was ordered to pay the overdue amount, late penalty charge and legal costs to 珠海港物流發展有限公司 (Zhuhai Port Logistics Development Co., Ltd)* ("**Zhuhai Port**") and 廣州市壹弘運輸有限公司 (Guangzhou Yihong Transportation Co., Ltd)* ("**Guangzhou Yihong**") in a total sum of RMB1,098,667 and RMB2,295,538, in accordance with the rulings issued by 廣東省珠海市金灣區人民法院 (Guangdong Zhuhai Jinwan People's Court)* ("**Jinwan People's Court**") and 廣東省珠海市中級人民法院 (Guangdong Zhuhai Intermediate People's Court)* ("**Zhuhai Intermediate People's Court**"), respectively.

Zhuhai Hoston received an execution order dated 21 November 2016 issued by the Jinwan People's Court on the application of Zhuhai Port in relation to the auction of certain land and properties owned by Zhuhai Hoston, which were seized by the Jinwan People's Court pursuant to its civil ruling dated 30 June 2015.

On 10 June 2017, the relevant land and properties owned by Zhuhai Hoston were sold at RMB34,074,262 (equivalent to HK$39,219,476) (the "**Proceeds of Auction**") in an auction and the final result of the auction was confirmed by the Jinwan People's Court.

On 17 November 2017 and 21 November 2017, the Proceeds of Auction were applied by the Jinwan People's Court to settle some of the judgment debts and claims from different creditors of Zhuhai Hoston in the PRC.

On 11 August 2017, the Jinwan People's Court confirmed that as at 10 June 2017, Zhuhai Hoston was indebted to Zhuhai Port for a sum of RMB894,249.07. By an agreement dated 21 November 2017 entered into between Zhuhai Hoston and Zhuhai Port, Zhuhai Port agreed to waive RMB54,816.07 from the debt. On 21 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB839,433.00 as full and final settlement of the claim.

On 11 August 2017, the Jinwan People's Court confirmed that as at 10 June 2017, Zhuhai Hoston was indebted to Guangzhou Yihong for a sum of RMB2,509,241.48. By an agreement dated 14 November 2017 entered into between Zhuhai Hoston and Guangzhou Yihong, Guangzhou Yihong agreed to waive RMB359,241.48 from the debt. On 21 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB2,150,000.00 as full and final settlement of the claim.

Pursuant to a notice issued by 廣東省珠海市斗門區人民法院 (Guangdong Zhuhai Doumen People's Court)* ("**Doumen People's Court**") on 14 November 2016, 70% equity interest of Zhuhai Hoston in Guangdong Hengjia was impounded by the Doumen People's Court. In view of the aforementioned full and final settlement of the claim of Guangzhou Yihong, Guangzhou Yihong applied to Doumen People's Court to release the said impoundment. On 21 December 2017, Doumen People's Court made an execution order that the said impoundment be released.

41. LEGAL PROCEEDINGS *(Continued)*

The Company/its subsidiary as the defendant *(Continued)*

(b) References are made to the announcement of the Company dated 15 December 2017 and the Interim Report 2017. On 11 August 2017, the Jinwan People's Court confirmed that as at 10 June 2017, Zhuhai Hoston was indebted to 珠海市中小企業融資擔保有限公司 (Zhuhai Small & Medium Enterprises Financing Guarantee Co., Ltd)* ("**Zhuhai Small & Medium Enterprises**") for a sum of RMB12,717,217.64. By an agreement dated 15 November 2017 entered into between Zhuhai Hoston and Zhuhai Small & Medium Enterprises, Zhuhai Small & Medium Enterprises agreed to waive RMB300,000.00 from the debt. On 21 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB12,417,217.64 as full and final settlement of the claim.

Pursuant to a civil ruling dated 13 July 2016 issued by 廣東省珠海市香洲區人民法院 (Guangdong Zhuhai Xiangzhou People's Court)* (the "**Xiangzhou People's Court**"), 70% equity interest of Zhuhai Hoston in Guangdong Hengjia was charged to Zhuhai Small & Medium Enterprises. In view of the aforementioned full and final settlement of the claim, the management of Zhuhai Hoston will apply to the court to release the said impoundment.

(c) References are made to the Company's announcements dated 5 February 2016, 14 March 2017 and 4 September 2017 in relation to an action commenced by Liu Qian (劉倩) ("**Ms. Liu**") as the plaintiff against the Company as the defendant in the Court of First Instance of the High Court of Hong Kong (the "**Court of First Instance**") on 3 February 2016 (the "**Action**"). On 13 March 2017, upon the application of Ms. Liu and after the substantive hearing of the application on 27 February 2017, the Court of First Instance entered summary judgment against the Company with damages to be assessed (the "**Summary Judgment**"). The Company filed an appeal against the Summary Judgment on 7 April 2017 (the "**Appeal**") and the substantive hearing of the Appeal was heard in the Court of Appeal of the High Court (the "**Court of Appeal**") on 22 August 2017 with judgment reserved. On 1 September 2017, the Court of Appeal allowed the Appeal, set aside the Summary Judgment and granted the Company unconditional leave to defend the Action. There has been no progress in the Action since the Appeal.

(d) References are made to the announcements of the Company dated 11 November 2016, 15 December 2017 and the Interim Report 2017 in relation to the civil complaints involving Zhuhai Hoston.

(i) Zhuhai Hoston received civil rulings on 19 October 2016 and was to assume joint responsibility with other guarantors in relation to outstanding personal loans of RMB1,900,000 and approximately RMB3,000,000, owing by Wang Tian (王天) to Bi Xiaohui (畢肖輝) and Chen Xiaodong (陳曉東), respectively, and interests on such respective principal sums and legal costs. Zhuhai Hoston has filed appeals against these civil rulings.

According to the civil rulings dated 28 March 2017 and 7 June 2017 on the appeals, Zhuhai Hoston was to assume responsibility for half of the outstanding personal loans owing by Wang Tian (王天) to Bi Xiaohui (畢肖輝) and Chen Xiaodong (陳曉東), respectively and the respective interest thereon and the legal costs.

As at 8 November 2017, Zhuhai Hoston was indebted to Bi Xiaohui (畢肖輝) for a sum of RMB1,568,300.08. By an agreement dated 15 November 2017 entered into between Zhuhai Hoston and Bi Xiaohui (畢肖輝), Bi Xiaohui (畢肖輝) agreed to waive RMB568,300.08 from the debt. On 21 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB1,000,000.00 as full and final settlement of the claim.

41. LEGAL PROCEEDINGS *(Continued)*

The Company/its subsidiary as the defendant *(Continued)*

(d) *(Continued)*

(i) *(Continued)*

By an agreement dated 21 November 2017 entered into between Zhuhai Hoston and Chen Xiaodong (陳曉東), Chen Xiaodong (陳曉東) agreed that Zhuhai Hoston was only liable for half the amount of the outstanding loan, which is RMB1,288,833.10. On 21 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB1,288,833.10 as full and final settlement of the claim.

(ii) Zhuhai Hoston received civil rulings on 10 April 2017 and 12 April 2017 and was to assume responsibility for half of the outstanding personal loans of RMB1,000,000 and RMB3,500,000, owing by Wang Tian (王天) to Wu Min (吳敏) and Kou Jinshui (寇金水), respectively, and the respective interests thereon and the legal costs. Zhuhai Hoston has filed appeals against these civil rulings.

According to the civil rulings dated 24 October 2017 and 22 January 2018 on appeals respectively, the Zhuhai Intermediate People's Court revised the principal amount of the loan to RMB839,314 as owing by Wang Tian (王天) to Wu Min (吳敏) and RMB2,378,174 as owing to Kou Jinshui (寇金水). Apart from these alterations, the Zhuhai Intermediate People's Court did not allow the appeal and confirmed the aforementioned civil rulings dated 10 April 2017 and 12 April 2017.

(iii) Upon the respective applications of Kou Jinshui (寇金水) and 珠海河川商貿有限公司 (Zhuhai Hechuan Commercial and Trade Co., Ltd.)* ("**Zhuhai Hechuan**"), three bank accounts of Zhuhai Hoston and 70% equity interest of Zhuhai Hoston in Guangdong Hengjia were suspended/impounded by the Xiangzhou People's Court pursuant to an execution order dated 27 December 2016.

Zhuhai Hoston received a civil ruling on 13 April 2017 in relation to disputes over private lending pursuant to a lending contract dated 6 April 2013 entered into between Zhuhai Hoston as the borrower and Zhuhai Hechuan as the lender, that the said lending has been fully settled by Zhuhai Hoston already and Zhuhai Hoston was not liable to any repayment of the loan and the respective interest thereon to Zhuhai Hechuan.

On 8 September 2017, Zhuhai Hechuan filed an appeal at the Zhuhai Intermedia People's Court. By a civil ruling on 22 January 2018, Zhuhai Intermediate People's Court allowed the appeal, reversed the aforementioned civil ruling dated 13 April 2017 and ordered that the case be remitted back to the Xiangzhou People's Court for a re-trial.

41. LEGAL PROCEEDINGS *(Continued)*

The Company/its subsidiary as the defendant *(Continued)*

(e) Reference is made to the announcement of the Company dated 15 December 2017 in relation to the civil complaints involving Zhuhai Hoston.

(i) By a ruling issued by 江蘇省無錫市惠山區人民法院 (Jiangsu Wuxi Huishan People's Court)* on 27 September 2016, Zhuhai Hoston was ordered to pay a sum of RMB94,800.00 plus interests to 無錫市天鑽硬質合金有限公司 (Wuxi Tianzuan Hard Alloy Co., Ltd)* ("**Wuxi Tianzuan**") as overdue trade payable. On 11 August 2017, the Jinwan People's Court confirmed that as at 10 June 2017, Zhuhai Hoston was indebted to Wuxi Tianzuan for a sum of RMB103,768.40 including interests. By an agreement dated 12 November 2017 entered into between Zhuhai Hoston and Wuxi Tianzuan, Wuxi Tianzuan agreed to waive RMB8,968.40 from the debt. On 17 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB94,800.00 as full and final settlement of the claim.

(ii) On 11 August 2017, the Jinwan People's Court confirmed that as at 10 June 2017, Zhuhai Hoston was indebted to 珠海市宏展機電設備有限公司 (Zhuhai Hongzhan Electrical and Mechanical Co., Ltd.)* ("**Zhuhai Hongzhan**") for a sum of RMB19,300.00. By an agreement dated 13 November 2017 entered into between Zhuhai Hoston and Zhuhai Hongzhan, Zhuhai Hongzhan agreed to waive RMB3,300.00 from the debt. On 21 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB16,000.00 as full and final settlement of the claim.

(iii) By a civil mediation agreement dated 14 July 2017 entered into between Zhuhai Hoston and 斗門區井岸鎮恒遠機械模具店 (Doumen District Jingan Town Hengyuan Machinery Mold Shop)* ("**Hengyuan**") and endorsed by Doumen People's Court, Zhuhai Hoston agreed to pay Hengyuan a sum of RMB30,936.00 as overdue trade payable including interests and RMB287.00 as court fees. By an agreement dated 16 November 2017 entered into between Zhuhai Hoston and Hengyuan, Hengyuan agreed to waive RMB6,223.00 from the debt. On 21 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB25,000.00 as full and final settlement of the claim.

(iv) By a civil mediation agreement dated 17 August 2017 entered into between Zhuhai Hoston and 珠海路迅通貨運代理有限公司 (Zhuhai Luxuntong Forwarding Co., Ltd)* ("**Zhuhai Luxuntong**") and endorsed by the Doumen People's Court, Zhuhai Hoston agreed to pay Zhuhai Luxuntong a total sum of RMB468,428.40 as overdue trade payable including interests and RMB4,163.00 as court fees. By an agreement dated 10 November 2017 entered into between Zhuhai Hoston and Zhuhai Luxuntong, Zhuhai Luxuntong agreed to waive RMB81,297.48 from the debt. On 21 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB391,293.92 as full and final settlement of the claim.

41. LEGAL PROCEEDINGS *(Continued)*

The Company/its subsidiary as the defendant *(Continued)*

(f) Reference is made to the announcement of the Company dated 15 December 2017 in relation to the outstanding claims against Zhuhai Hoston:

A total sum of RMB18,222,577.66 out of the Proceeds of Auction was applied to settle part of the claims against Zhuhai Hoston referred to in paragraphs (a), (b), (d)(i) and (e) above. After deducting an administrative fee of RMB57,274.00 by the Jinwan People's Court, a sum of RMB15,794,410.34 remained (the "**Remaining Proceeds of Auction**").

(i) Zhuhai Hoston was indebted to Guangdong Hengjia for a total sum of RMB50,566,745.84 (the "**Guangdong Hengjia Debt**"). The Remaining Proceeds of Auction had been applied by the Jinwan People's Court to settle part of the Guangdong Hengjia debt. After applying the Remaining Proceeds of Auction, Zhuhai Hoston is indebted to Guangdong Hengjia for a total sum of RMB34,772,335.50.

Zhuhai Hoston received an execution order dated 21 November 2017 made by 陽江市江城區人民法院 (Yangjiang Jiangcheng People's Court)* ("**Yangjiang Jiangcheng People's Court**") on the application of Guangdong Hengjia to seize certain tools and equipment of Zhuhai Hoston for a period of 2 years as security for the debt owed by Zhuhai Hoston to Yangjiang Jiangcheng People's Court.

Zhuhai Hoston received an auction notice dated 6 February 2018 issued by the Yangjiang Jiangcheng People's Court that the seized tools and equipment would be listed for auction from 9 March 2018 to 10 March 2018. The Company was informed by Zhuhai Hoston that the seized tools and equipment were not sold at the auction.

(ii) Upon the applications of 佛山市南海信通物資有限公司 (Foshan Nanhai Xintong Materials Co., Ltd) ("**Foshan Nanhai**") a bank account of Zhuhai Hoston, certain tools and 70% equity interest of Zhuhai Hoston in Guangdong Hengjia were suspended, seized and impounded by 廣東省佛山市南海區人民法院 (Guangdong Foshan Intermediate People's Court)* (the "**Foshan Intermediate People's Court**") pursuant to an execution order made on 4 August 2015, list of seized properties dated 12 August 2015 and an execution notice dated 17 August 2015 respectively.

By an assignment of loan executed between 陽江市博信商貿有限公司 (Yeungkong Boxin Trading Co., Ltd)* ("**Yeungkong Boxin**") and Foshan Nanhai, Foshan Nanhai assigned a debt of RMB414,698.55 plus interests owed by Zhuhai Hoston to Yeungkong Boxin (the "**Assignment**"). In addition to a loan of RMB1,576,225.80 between Yeungkong Boxin as the lender and Zhuhai Hoston as the borrower, Zhuhai Hoston is indebted to Yeungkong Boxin for a total sum of RMB2,182,047.44.

Since Foshan Nanhai has not notified the Foshan Intermediate People's Court of the Assignment, the records of the Foshan Intermediate People's Court are still showing Foshan Nanhai as the creditor of Zhuhai Hoston. In view of the Assignment, the management of Zhuhai Hoston will apply to the court to update the records.

41. LEGAL PROCEEDINGS *(Continued)*

The Company/its subsidiary as the defendant *(Continued)*

(f) *(Continued)*

(iii) By a civil mediation agreement dated 16 October 2017 entered into between Zhuhai Hoston and 特潤絲（天津）化學有限公司 (Terunsi (Tianjin) Chemical Co., Ltd)* ("**Terunsi**") and endorsed by the Doumen People's Court, Zhuhai Hoston agreed to pay Terunsi a total sum of RMB71,400.00 as overdue trade payable and RMB793.00 as court fees. On the same date, Doumen People's Court issued a civil ruling against Zhuhai Hoston and ordered that an amount of RMB71,400.00 in a bank account held by Zhuhai Hoston be suspended for one year.

The Company is looking into the rest of the outstanding claims with the management of Zhuhai Hoston in relation to how such claims will be settled.

The Directors are of the opinion that the trade and other payables and provision for late penalty charges and corresponding legal fee are sufficiently made in the consolidated financial statements as at 31 December 2017.

The Company/its subsidiary as the plaintiff

(g) By a Generally Indorsed Writ of Summons dated 23 June 2015 and Statement of Claim dated 18 August 2015 issued by the Company and First Billion Global Limited, a wholly-owned subsidiary of the Company (collectively, the "**Plaintiffs**") against Xiao Guang Kevin (蕭光) ("**Mr. Xiao**") and Wang Zhining (王志寧) ("**Mr. Wang**") (collectively, the "**Defendants**"), the vendor and the guarantor, respectively, all of whom are parties to a very substantial acquisition of the Company (the "**VSA**") as announced by the Company in its announcement dated 30 January 2014 and its circular dated 31 March 2014, the Plaintiffs claim that the Defendants have fundamentally breached the terms and conditions of the SPA (the "**SPA Legal Proceedings**"). Accordingly, the Plaintiffs are seeking to rescind the SPA under which, as part of the consideration price, certain convertible notes were issued by the Company to Mr. Xiao.

On 16 March 2017, the Plaintiffs filed an Amended Statement of Claim to the Court of First Instance adding Ms. Liu as a defendant to the SPA Legal Proceedings claiming, amongst other things, that Ms. Liu is a nominee of Mr. Wang and further claim against the Defendants for misrepresentation regarding the undisclosed guarantees given by Zhuhai Hoston in favour of 王天 (Wang Tian) referred to in paragraph (d) above which has led to the Group's involvement in such litigation.

Pursuant to the Order of the Court of First Instance dated 5 December 2017, the Plaintiffs filed and served on the Defendants their Further and Better Particulars of the Amended Statement of Claim on 9 January 2018. Upon counsel's advice, the Plaintiffs are considering to further amend the Amended Statement of Claim in order to, amongst other things, simplify their claims and to make clear their causes of action.

The Company is seeking advice from its legal advisers. In any event, the Board does not envisage that the Plaintiffs' claims will have any material adverse impact on the financial performance and trading position of the Group. As at the date of this report, the case is still going through the litigation procedures and no judgment has been made by the Court.

41. LEGAL PROCEEDINGS *(Continued)*

The Company/its subsidiary as the defendant *(Continued)*

(h) On 30 July 2015, Zhuhai Hoston filed a report to 珠海市公安局 (Zhuhai Public Security Bureau)* (the "**Bureau**") against Wang Zhining (王志寧) and Wang Tian (王天), the former directors of Zhuhai Hoston (the "**Former Directors**"), in respect of the possible commercial crimes (the "**Reported Case**") regarding the non-recoverable prepayments as disclosed in the announcement of the Company dated 14 October 2015.

Up to the date of this report, the management is awaiting the findings of the investigation from the Bureau.

(i) On 29 February 2016, Zhuhai Hoston filed a lawsuit in the Xiangzhou People's Court against the Former Directors and 珠海市鑫鋒發展有限公司 (Zhuhai Xinfeng Development Co., Ltd.)*, the controlled company of the Former Directors (the"**Controlled Company**"), regarding the prepayment to a supplier of Zhuhai Hoston of RMB4,840,000 for the purchase of machinery. The sum was subsequently transferred to the Controlled Company based on the instructions of the Former Directors to the supplier. According to civil ruling from the Xiangzhou People's Court dated 30 May 2016, the lawsuit has been suspended pending for the investigation results of the Reported Case as the prepayment to the supplier is part of the subject matter of the Reported Case.

Other than as disclosed above, no other significant development and material financial implication arising from the above legal proceedings/investigation.

* *For identification purposes only*

42. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	2017 HK$'000	2016 HK$'000
Non-current assets		
Investments in subsidiaries	**2,730**	1,560
	2,730	1,560
Current assets		
Amounts due from subsidiaries	**435,062**	267,056
Prepayments and other receivables	**2,257**	2,219
Cash and bank balances	**9,729**	26,507
	447,048	295,782
Current liabilities		
Other payables and accruals	**3,801**	3,739
Amounts due to subsidiaries	**2,146**	1,706
	5,947	5,445
Net current assets	**441,101**	290,337
Total assets less current liabilities	**443,831**	291,897
Non-current liabilities		
Provision for long service payment	**20**	33
	20	33
NET ASSETS	**443,811**	291,864
Capital and reserves		
Share capital	**64,271**	44,842
Convertible notes	**12,600**	12,600
Reserves	**366,940**	234,422
TOTAL EQUITY	**443,811**	291,864

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

(b) Reserves of the Company

Details of movements in the Company's reserves are as follows:

	Share premium account HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2016	247,287	–	509	–	(273,095)	(25,299)
Loss for the year	–	–	–	–	(84,739)	(84,739)
Total comprehensive loss for the year	–	–	–	–	(84,739)	(84,739)
Capital reduction	–	157,118	–	–	–	157,118
Issue of shares by way of open offer	183,305	–	–	–	–	183,305
Recognition of equity-settled share-based payments	–	–	–	38,960	–	38,960
Redemption of convertible notes	–	–	–	–	(47,157)	(47,157)
Exercise of share options	29,421	–	–	(10,472)	–	18,949
Transaction cost attributable to issue of offer shares	(6,715)	–	–	–	–	(6,715)
At 31 December 2016	453,298	157,118	509	28,488	(404,991)	234,422
At 1 January 2017	**453,298**	**157,118**	**509**	**28,488**	**(404,991)**	**234,422**
Loss for the year	**–**	**–**	**–**	**–**	**(21,111)**	**(21,111)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(21,111)**	**(21,111)**
Lapsed of share options	**–**	**–**	**–**	**(4,329)**	**4,329**	**–**
Placing of new shares under general mandate	**153,920**	**–**	**–**	**–**	**–**	**153,920**
Transaction cost attributable to placing	**(291)**	**–**	**–**	**–**	**–**	**(291)**
At 31 December 2017	**606,927**	**157,118**	**509**	**24,159**	**(421,773)**	**366,940**

43. EVENTS AFTER THE REPORTING PERIOD

The Group has no significant event subsequent to the year ended 31 December 2017.

44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 29 March 2018.