INTELLIGENT SOLUTIONS

ACCESS FOR ALL

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ALL ACCESS

CHINA ALL ACCESS (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability) STOCK CODE : 633

ANNUAL REPORT 2017

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Chan Yuen Ming
Mr. Shao Kwok Keung (FCPA)
Mr. Xiu Zhi Bao
Mr. Yan Wei
Mr. Tian Zheng

Independent Non-Executive Directors

Mr. Wong Che Man Eddy (FCPA)
Mr. Lam Kin Hung Patrick
Mr. Fung Ka Kin (FCPA)

AUTHORISED REPRESENTATIVES

Mr. Chan Yuen Ming
Mr. Shao Kwok Keung (FCPA)

AUDIT COMMITTEE

Mr. Wong Che Man Eddy (Chairman) (FCPA)
Mr. Lam Kin Hung Patrick
Mr. Fung Ka Kin (FCPA)

REMUNERATION COMMITTEE

Mr. Fung Ka Kin (Chairman) (FCPA)
Mr. Wong Che Man Eddy (FCPA)
Mr. Shao Kwok Keung (FCPA)

NOMINATION COMMITTEE

Mr. Lam Kin Hung Patrick (Chairman)
Mr. Wong Che Man Eddy (FCPA)
Mr. Shao Kwok Keung (FCPA)

COMPANY SECRETARY

Mr. Au Ki Lun (CPA)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 65, International Commerce Centre
Concordia Plaza
1 Austin Road West
Kowloon
Hong Kong

REGISTERED OFFICE

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Grand Cayman KY1-1111
Cayman Islands

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31 Floor, Gloucester Tower, The Landmark
11 Pedder Street
Central
Hong Kong

CORPORATE INFORMATION

HONG KONG LEGAL ADVISER

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
Hong Kong Branch
20 Pedder Street
Central
Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

China Construction Bank Corporation
Shenzhen Branch
A Section, Rongchao Business Center
6003 Yitian Road, Futian District
Shenzhen
People's Republic of China

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Union Registrars Limited
33/F., Two Chinachem Exchange Square,
338 King's Road,
North Point,
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

COMPANY WEBSITE

www.chinaallaccess.com

FINANCIAL SUMMARY

A five year financial summary of the results and of the assets and liabilities of China All Access (Holdings) Limited (the"Company") and its subsidiaries (collectively, the"Group") is set out below. This summary does not form part of the audited financial statements.

	Years ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**2,688,395**	3,475,595	7,544,779	7,038,440	4,693,637
Cost of sales	**(2,224,192)**	(2,859,199)	(6,565,797)	(6,220,612)	(4,045,059)
Gross profit	**464,203**	616,396	978,982	817,828	648,578
Other revenue	**118,180**	14,543	17,797	9,199	14,523
Other net gain/(loss)	**12,675**	(5,177)	(8,849)	(563)	1,402
Distribution costs	**(12,775)**	(16,510)	(43,051)	(42,715)	(34,179)
Administrative expenses	**(208,848)**	(291,015)	(313,616)	(353,358)	(253,599)
Research and development expenses	**(13,105)**	(33,486)	(102,536)	(63,022)	(80,366)
Profit from operations	**360,330**	284,751	528,727	367,369	296,359
Finance income	**82,098**	66,257	122,990	88,898	34,575
Finance costs	**(194,511)**	(208,076)	(225,610)	(181,081)	(132,685)
(Loss)/gain on disposal of associates	**—**	—	(3,750)	(1,834)	240,944
Gain on disposal of subsidiaries	**6,971**	160,824	1,862	2	1,588
Share of results of associates	**1,809**	(193)	(35)	(47)	16,208
Profit before taxation	**256,697**	303,563	424,184	273,307	456,989
Income tax expense	**(24,490)**	(72,509)	(111,960)	(79,332)	(118,575)
Profit for the year	**232,207**	231,054	312,224	193,975	338,414
Earnings per share					
Basic (RMB)	**0.117**	0.123	0.159	0.146	0.168
Diluted (RMB)	**0.117**	0.120	0.159	0.146	0.168
Assets and liabilities					
Total assets	**6,996,294**	8,284,265	10,635,510	9,788,787	7,699,636
Total liabilities	**(3,005,779)**	(4,408,826)	(7,117,559)	(6,563,250)	(5,079,848)
Total equity	**3,990,515**	3,875,439	3,517,951	3,225,537	2,619,788

The above financial summary represent the Group as a whole including continuing and discontinued operations.

THE STORY OF
CHINA ALL ACCESS

This modern city, with sun, sea and the brilliant first rays of the morning sun, is full of vitality. Flow of automobiles runs endlessly on the viaduct; aircrafts take off from and land on the busy airport runway; white-collar workers are working in highrise buildings; people are doing morning exercise in the city park - all these are features of a city with harmony, everything seems so harmonious, life with happiness, work with hope and ordinariness with fortune.

The city, the largest city in China, which is known as a first-tier city internationally, is like a huge machine operating at high speed which would not stop running for a second. Functional authorities such as the government, public security, traffic police and fire services are the heart of this machine. Public utilities such as water, electricity, heating and gas as well as the network systems are the blood vessels of this machine that reach every corner of the city and penetrate into every detail of people's life. To ensure the seamless, safe and smooth operation of this machine, apart from the dutiful watch by tens of thousands of workers, technological solutions which are more intelligent than the brain and terminal facilities which are sharper than the eyes are required at the frontline for support.

All access, wisdom and life – this is the story behind this beautiful city seen and happy life enjoyed by people.

China All Access – a leading manufacturer and provider of integrated information communication system solution and innovative devices using new generation information communication technology.

CHAIRMAN'S STATEMENT

TURNING TO A NEW CHAPTER

China All Access is a leading Information and Communication Technology ("ICT") solution provider, which focuses on the new ICT research and development and high-end manufacturing. We successfully overcame all the challenges in 2017 to focus our management efforts in growing our continuing operations and developing our new green energy business. Whilst spearheading into three different business segments, we are transforming ourselves from a communications application solution provider to an advanced technological and industrial integrated group.

ICT

Recognizing that the LCD Display Module Business embedded tremendous business potential to be the key driving force of our future growth, we repurchased all remaining minority shares interest of 25% of China Lide Holdings Limited (中國立德控股有限公司) ("China Lide") at a total consideration of HK$48,834,192 on 27 September 2017, and China Lide became an indirect wholly-owned subsidiary of the Company. The management also decided to withhold the proposed spin-off process and separate listing of LCD business on the Growth Enterprise Market (GEM) of The Stock Exchange of Hong Kong Limited. Besides, we also acquired all the minority shares of the Precision Molding Business. We will integrate these two business units to become a powerhouse to provide innovative technology products and advanced solutions, targeting the ever growing market in the PRC market. China All Access will strive to capture booming business opportunities arising from manufacturing and "Made in China 2025", a national initiative to improve China's manufacturing industry.

CHAIRMAN'S STATEMENT

Capital Investment

Some initiatives were implemented in the investment market which generated higher return to our capital under risk-secured approach. Going forward, we will continue to seek for investment projects with long term stable return rate which are backed by highly liquid asset in order to generate higher return at the time of exit.

New Energy

Photovoltaic performed strongly in the new energy industry in 2017 and posted a structural growth. China's national electricity consumption increased by more than 6.5% in 2017, which is expected to be 5%-6% in 2018. As thermal power is being replaced, hydropower faces many constraints and is slow in development. On the other hand, as nuclear power also raises safety concerns, the electricity supply to meet the increase in demand for electricity will be principally from three clean energy sources, i.e. wind power, solar power, and natural gas. Power generation from the three sources has seen a growth of more than 20%, in which China has invested approximately RMB700 billion annually, and photovoltaic has been the fastest-growing among them. China's installed photovoltaic capacity in 2017 far exceeded expectations by posting approximately 43GW in new installed capacity for the first three quarters, up 65.4% year on year, bringing the cumulative installed capacity to approximately 120GW, up 72.6% year on year.

According to a public statement from China's National Energy Administration, efforts will be made to ensure attainment of the strategic goal of bringing the country's consumption of non-fossil energy as a percentage of its primary energy consumption to 15% by 2020 and 20% by 2030 and satisfy the increase in the country's energy demand completely with clean energy by 2035, entering the stage of replacement of traditional energy with renewable energy to meet increase in energy demand.

As installed photovoltaic capacity in other regions was far higher than planned, the global photovoltaic demand will see stable year-on-year growth from 2018 to 2022, with the new installed capacity in 2017 estimated at 92GW, representing a year-on-year increase of 29.22%. New installations are expected to grow stably in 2018, with the annual growth rate falling to 5%-6%.

Currently, the photovoltaic industry is undergoing three major developments: 1) the upstream supply of silicon material is stable but far from meeting the demand; 2) new photovoltaic installations are shifting from centralised to distributed; and 3) China's stance has shifted from removal of photovoltaic power curtailment to local consumption. These point to a structural opportunity for the entire industry.

Going forward, the big time for photovoltaic will come when it reaches grid parity, that is, when it can generate power at a levelized cost of electricity, measured as the sum of generating cost and various surcharges, which is equal to the price of purchasing power from the electricity grid. Grid parity means that humans can use cleaner, renewable energy at the same price as traditional energy. And in energy cost, photovoltaic enjoys a vast potential.

Since 2017, the Group has launched commercial products which is capable of increasing the power transforming capability of solar panels, and which have significantly increased the cost competitiveness of photovoltaic industry and brought a breakthrough in the Group's business expansion.

Conclude

The Group is turning to a new chapter of its business development. The success of this transformation depends very much on the wisdom, courage and diligence of our management team as well as the support of our shareholders and all other stakeholders. I would like to express my sincere gratitude to everyone who makes contribution to the success of China All Access.

TECHNOLOGY PAVES THE WAY TO SMART LIVING

MANAGEMENT DISCUSSION AND ANALYSIS


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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

China All Access (Holdings) Limited (the "Company") and its subsidiaries (collectively, the "Group") reported its results for the year ended 31 December 2017. Year 2017 has proven to be a transforming year for the Group, from a communications application solution provider to an advanced technological and industrial integrated group. Major business highlights for the year are as follows:

1. Revenue for the year ended 31 December 2017 decreased by approximately 12.48% to approximately RMB2,688,395,000 as compared with 2016 from continuing operations;

2. Gross profit for the year ended 31 December 2017 decreased by approximately 20.92% to approximately RMB464,203,000 as compared with 2016 gross profit from continuing operations; and

3. Profit attributable to owners of the Company arises from continuing operations for the year ended 31 December 2017 increased by approximately 163.12% to approximately RMB228,781,000 as compared with 2016.

ICT

Revenue generated from ICT during the year ended 31 December 2017 decreased by approximately 19.13% to approximately RMB2,375,904,000 as compared with that of last year, accounting for approximately 88.38% of the Group's total revenue for the year. As the Group followed the intelligent manufacturing strategy, the Group has restructured the existing businesses for new growth. Furthermore, the Group has also established a new factory in Ganzhou of Jiangxi Province, China to further increase the manufacturing capacity. Thus, the sales in the second half of 2017 was affected. After the completion of the above restructuring, the level of sales and shipments returned to normal level. Moreover, the Group has continuously speeded up its business development in different areas in display modules. Due to the strategy for integration of upper supply chains, customers of the Group are expected to place more orders which will also increase the sales volume and shipments. In the future, the Group will explore new opportunities in the vertical markets and address the growing demand for smart city applications.

New Energy

During the year ended 31 December 2017, the Group has commenced the business in new energy segment. The Group has completed the sampling, trial and assembly of device for increasing the luminous flux per unit area for photovoltaic plants. The Group has also commenced the mass production of the first generation products. The first shipment of our products was made to the market in the north-west of China. Revenue generated from New Energy segment during the year ended 31 December 2017 was approximately RMB177,346,000, accounting for approximately 6.60% of the Group's total revenue for the year.

Investment

In 2017, the Group continued to manage cash using the investment market as platform. It subscribed some high-yield treasury products and provided facilitating capital to its supply stream to earn reasonable returns under a risk-secured approach. Revenue generated from investment increased from approximately RMB133,957,000 for the year ended 31 December 2016 to approximately RMB135,145,000 for the year ended 31 December 2017. The Group adopted same policy in investment and will continue to seek for investment projects with long term stable return rate.

FINANCIAL REVIEW

Revenue

Revenue decreased from approximately RMB3,071,866,000 for the year ended 31 December 2016 to approximately RMB2,688,395,000 for the year ended 31 December 2017, representing a decrease of approximately 12.48%. The decrease in revenue during the year as compared with that of last year was mainly attributable to the factors below:

- ICT recorded a decrease in revenue from approximately RMB2,937,909,000 for the year ended 31 December 2016 to approximately RMB2,375,904,000 for the year ended 31 December 2017, representing a decrease of approximately 19.13%. The decrease was mainly due to the restructuring of existing business by the Group for new growth in light of the intelligent manufacturing strategy adopted by the Group. As a result, the revenue in the second half of 2017 was affected by this restructuring.

- For the first time, New Energy recorded a revenue of approximately RMB177,346,000 for the year ended 31 December 2017. It was mainly due to the commencement of the first generation products for increasing the luminous flux per unit area for photovoltaic plants.

- Investment exhibited an increase in revenue from approximately RMB133,957,000 for the year ended 31 December 2016 to approximately RMB135,145,000 for the year ended 31 December 2017, representing an increase of approximately 0.89%. The revenue was mainly attributed from interest earned from provision of facilitating capital to supply stream and customers.

Gross profit

Gross profit decreased from approximately RMB587,027,000 for the year ended 31 December 2016 to approximately RMB464,203,000 for the year ended 31 December 2017, representing a decrease of approximately 20.92% from the corresponding period in 2016. The decrease was mainly attributable to the decrease in revenue due to restructure existing businesses for new growth. Meanwhile, gross profit margin decreased from approximately 19.11% for the year ended 31 December 2016 to approximately 17.27% for the year ended 31 December 2017. The decrease was mainly attributable to the increase in revenue contribution by display modules which carried relatively lower gross profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS

Other revenue

Other revenue climbed from approximately RMB14,499,000 for the year ended 31 December 2016 to approximately RMB118,180,000 for the year ended 31 December 2017, representing an increase of approximately 715.09% from the corresponding period in 2016. It was mainly attributable to the recovered impairment loss on trade receivables made in the previous period.

Other net gain/loss

The Group recorded other net gain of approximately RMB12,675,000 for the year ended 31 December 2017 as compared to an other net loss of approximately RMB5,160,000 for the year ended 31 December 2016. The gain was mainly due to a gain on remeasurement of pre-existing interest in an associate to acquisition date fair value of RMB8,391,000 for the year ended 31 December 2017.

Distribution costs, administrative expenses and research and development expenses

Distribution costs, administrative expenses and research and development expenses decreased from approximately RMB339,656,000 for the year ended 31 December 2016 to approximately RMB234,728,000 for the year ended 31 December 2017, representing a decrease of approximately 30.89% from the corresponding period in 2016. The decrease was mainly due to the decrease in administrative expenses. As the Group's restructuring was completed in 2016, the one-off administrative expenses incurred for the disposal of discontinued operation were not sustained in the year 2017. Moreover, cost saving was successfully achieved through the implementation of effective cost control measures. The Group will continue to take all necessary measures to control the cost to improve profitability in the future.

The percentage of distribution costs, administrative expenses and research and development expenses as a percentage of the Group's total revenue decreased from approximately 11.06% for the year ended 31 December 2016 to approximately 8.73% for the year ended 31 December 2017, representing a decrease of approximately 2.33 percentage points from the corresponding period in 2016. The decrease was mainly due to cost control as mentioned above.

Finance income and finance costs

Finance income increased from approximately RMB66,257,000 for the year ended 31 December 2016 to approximately RMB82,098,000 for the year ended 31 December 2017, representing an increase of approximately 23.91% from the corresponding period in 2016. The increase was mainly attributable to the increase of interest income from bank deposits and structured deposits during the year as compared with that of last year.

Finance costs decreased from approximately RMB207,613,000 for the year ended 31 December 2016 to approximately RMB194,511,000 for the year ended 31 December 2017, representing a decrease of approximately 6.31% from the corresponding period in 2016. The reduction was mainly the result of the decrease in finance costs associated with borrowings and convertible bonds during the year.

Income tax

Income tax decreased from approximately RMB37,591,000 for the year ended 31 December 2016 to approximately RMB24,490,000 for the year ended 31 December 2017, representing a decrease of approximately 34.85% from the corresponding period in 2016. The decrease in income tax was mainly due to the decrease in revenue.

Profit for the year attributable to owners of the Company

Profit for the year attributable to owners of the Company decreased slightly from approximately RMB228,894,000 for the year ended 31 December 2016 to approximately RMB228,781,000 for the year ended 31 December 2017, representing a decrease of approximately 0.05% from the corresponding period in 2016. Profit for the year from continuing operations attributable to owners of the Company increased from approximately RMB86,950,000 for the year ended 31 December 2016 to approximately RMB228,781,000 for the year ended 2017 representing an increase of approximately 163.12% from the corresponding period in 2016.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity, financial resources and capital structure

As at 31 December 2017, the Group had unrestricted cash and cash equivalents of approximately RMB204,420,000 (2016: RMB48,573,000), restricted cash of approximately RMB325,765,000 (2016: RMB497,551,000), bank deposits with original maturities over three months of approximately RMB1,040,985,000 (2016: RMB1,065,441,000) and borrowings of approximately RMB1,018,492,000 (2016: RMB1,299,731,000). The gearing ratio (calculated by dividing borrowings by total assets) as at 31 December 2017 was approximately 14.56% (2016: 15.69%). As at 31 December 2017, the Group had current assets of approximately RMB6,401,106,000 (2016: RMB7,354,675,000) and current liabilities of approximately RMB2,833,299,000 (2016: RMB3,393,042,000). The current ratio was approximately 2.26 as at 31 December 2017, as compared with the current ratio of approximately 2.17 as at 31 December 2016. The increase of the current ratio was mainly attributable to the increase in trade and other receivables in addition to the decrease in trade and other payables.

The approach of the board of directors of the Group to manage liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Foreign exchange exposure

The Group's sales and purchases were mainly denominated in Renminbi. Therefore, the Group is not exposed to significant foreign currency exchange risks. The Group does not employ any financial instruments for hedging purposes. While the Board currently does not expect currency fluctuations to materially impact the Group's operations, the Board will review the foreign exchange exposure of the Group from time to time as appropriate.

Capital expenditure

During the year under review, the Group's total capital expenditure amounted to approximately RMB34,065,000 (2016: RMB23,101,000), which was mainly used for procurement for upgrading plant, machinery and equipment.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital commitment

As at 31 December 2017, the Group had capital commitment amounting to approximately RMB nil (2016: RMB75,197,000).

Charge on material assets

As at 31 December 2017, assets of the Group amounting to approximately RMB386,685,000 (2016: RMB493,148,000) were pledged for the Group's borrowings and bills payable.

Contingent liabilities

As at 31 December 2017, the Group had no material contingent liabilities.

HUMAN RESOURCES

As at 31 December 2017, the Group had 1,664 employees (2016: 1,175 employees). The increase in the number of employees was mainly due to expansion and acquisition of production facilities for display module businesses. The Group offers its employees competitive salary packages, as well as contribution to defined retirement plans.

The Group's employees are remunerated in line with the prevailing market terms and individual performance, with the remuneration package and policies reviewed on a regular basis. Discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and that of the individual employee. The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme for its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations of the PRC.

Prospects

The wave of innovation and technology has swept around the world, changing the global economy rapidly. To ensure a smooth transformation and development of new business segment of the Group, the management will strive to make further advancement with our innovation in the production technology and product development. Although the global economic growth remains uncertain, the Group is optimistic about its future operations in its three business segments, i.e. ICT, Investment activities and New Energy.

The Photovoltaic Market in China is still popular in 2018

There was an explosive growth in China's photovoltaic industry in 2017. The National Energy Administration announced that the additionally installed photovoltaic capacity of China in 2017 exceeded 53 Gigawatt ("GW"), representing an increase of 53.4% year-on-year, with a cumulative installed capacity of more than 130 GW; of which distributed additionally installed capacity exceeded 19 GW, representing an increase of 3.7 times year-on-year. The global market will continue to maintain its growth momentum. The Chinese market will continue to maintain a certain market volume in 2018, and the heat will not diminish. The China Photovoltaic Industry Association stated that the demand for the photovoltaic industry in 2018 would range between 30 to 45 GW, and the distributed power stations would be unprecedentedly popular, and the market for household user and poverty alleviation power stations would be worth looking forward to. The Group will adhere to energy development path with Chinese characteristics, promote the revolution in energy production and consumption, and accelerate the establishment of a clean, low-carbon, safe and efficient energy system. We will continue to strengthen the focus of the centralized photovoltaic business and accelerate the research and development of distributed photovoltaic products.

China's 13th Five-Year Plan for intelligent manufacturing

Further to 'Made in China 2025', the strategy adopted by the Group in 2016, China's Ministry of Industry and Information Technology published the blueprint for intelligent manufacturing according to the National 13th Five-Year Plan of China in 2016. The plan is a long-term strategic task to develop intelligent manufacturing to generate new growth to improve the country's manufacturing sector. The blueprint calls for speeding up of development in intelligent equipment and key common technologies, setting up of intelligent manufacturing standards, expanding intelligent manufacturing trials, and promoting intelligent transformation in key sectors and small and medium-sized companies.

In addition to 'Made in China 2025', the Group will also comply with the mentioned blueprint. The Group expects its production capacity together with the modern production technology will be improved. The Group will continue to allocate sufficient resources to effectively enhance its capability of integrating software and hardware and product innovation, in order to seek the breakthroughs in LCD Display Module, especially for the use of emerging application fields such as augmented reality (AR), virtual reality (VR), artificial intelligence (AI) and internet of things (IoT).

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

The current members of the Board and the Group's senior management are listed below:

EXECUTIVE DIRECTORS

- CHAN Yuen Ming, Chairman
- SHAO Kwok Keung, Chief Executive Officer
- XIU Zhi Bao, Head of Planning and Finance Department
- YAN Wei, Vice President
- TIAN Zheng, Vice President

INDEPENDENT NON-EXECUTIVE DIRECTORS

- WONG Che Man Eddy
- LAM Kin Hung Patrick
- FUNG Ka Kin

SENIOR MANAGEMENT

- WANG Yong Zhong, Executive Vice President
- Dr. LI Hiu Yeung, Chief Technology Officer
- MEI Feifei, Vice-President
- AU Ki Lun, Company Secretary and Head of Corporate Affairs Department

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

CHAN Yuen Ming, aged 62, is the Chairman and an executive Director of the Company. Mr. Chan has been with the Group since its establishment in 2006 and is the founder of the Group. Mr. Chan was appointed as an executive Director on 4 December 2007. He is responsible for the Group's overall business development and strategic planning. Since 1990s, he was a key member of the management teams of several communication corporations in the PRC, including Sky Communication Group Co., Ltd ("SkyComm") and its subsidiaries (collectively "SkyComm Group"). These corporations are principally engaged in mobile communication, satellite communication, internet, wireless data and call center businesses. Mr. Chan was the founder of SkyComm Group responsible for establishing the business of SkyComm Group in December 2000. During his time in SkyComm Group up to his resignation from all his positions in the SkyComm Group in December 2008, Mr. Chan was responsible for the overall business development, strategic planning and corporate management and supervision of daily operation of the SkyComm Group. Mr. Chan is currently a director of China All Access Group Limited ("CAA BVI"), All Access Global Limited ("CAA HK"), and other principal operating subsidiaries of the Company (including Shenzhen City Changfei Investment Company Limited ("Changfei Investment") and its subsidiaries (collectively the "Changfei Group")). He is also the director and shareholder of Creative Sector Limited, the controlling shareholder (as defined in the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange")) of the Company.

SHAO Kwok Keung, aged 56, is the Chief Executive Officer and an executive Director of the Company and has joined the Group since December 2007. Mr. Shao was appointed as an executive Director on 4 December 2007. Mr. Shao is a member of the Remuneration Committee and Nomination Committee of the Board. He is responsible for the corporate management of the Company. Mr. Shao graduated with an honours diploma from Hong Kong Baptist College in 1984 and a master degree in business administration from Warwick University, U.K., in 1994. He is a fellow of the Association of Chartered Certified Accountants and fellow member of the Hong Kong Institute of Certified Public Accountants. Possessing more than 20 years of working experience in organizations across different industries, he has taken up finance and management positions in a CPA firm, a financial institution, a television station, satellite communication, telecommunications and consumer electronics product distribution and manufacturing companies. Prior to joining the Group, Mr. Shao was the group financial controller of IDT International Limited (stock code: 00167), a company listed on the Main Board of the Stock Exchange. Mr. Shao is currently a director of CAA BVI, CAA HK and other principal operating subsidiaries of the Company (including Changfei Investment).

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

XIU Zhi Bao, aged 48, is the Head of the Planning and Finance Department and an executive Director of the Company. Mr. Xiu has been with the Group since 30 August 2006 and was appointed as an executive Director on 24 August 2011. He is also a director of Changfei Investment and several members of Changfei Group. He is responsible for corporate planning and finance aspects of the Group. Mr. Xiu graduated from 杭州電子工業學院 (Hangzhou Electronics Industrial College) in 1992 with a bachelor's degree in economics. He has more than 20 years of experience relating to finance and planning management in the manufacturing and communication industries. Mr. Xiu joined the SkyComm Group in July 1996 and was appointed as the General Manager of the Planning and Finance Department of SkyComm in January 2006. Before joining the Group, Mr. Xiu was responsible for devising financial plan and annual budget of SkyComm and supervising the finance management of SkyComm.

YAN Wei, aged 38, is the Executive Director and Vice President of the Company. Mr. Yan graduated from 山東科技大學 (Shandong University of Science and Technology) in the People's Republic of China (the "PRC") with a bachelor's degree in accounting in 2002 and from 福州大學 (Fuzhou University) in the PRC with a master degree in management and engineering in 2005. In 2010, he obtained a master of business administration in Brandeis University in the United States of America. From February 2015 to July 2015, Mr. Yan was an investment director in Hawking Capital Management Group Limited. Mr. Yan has over 10 years of experience in the field of capital market investment and merger and acquisitions through his work experience in audit firm and investment and asset management companies. He is also a Chairman and the independent non-executive Director of 民盛金科控股股份有限公司 (Meson Fintech Co., Ltd.) (stock code: 002647.sz), which is listed on the Small and Medium Enterprise Board in Shenzhen Stock Exchange.

TIAN Zheng, aged 29, is the Executive Director and Vice President of the Company. Mr. Tian graduated from 山西師範大學 (Shanxi Normal University) in the PRC with a bachelor's degree in computer science and technology in 2010. In 2013, he obtained a master of business administration in DePaul University in the United States of America. From June 2013 to July 2015, Mr. Tian worked in Hawking Capital Management Group Limited as an investment manager during which he was responsible for investment projects and mergers and acquisitions projects. He is also an independent non-executive Director of 民盛金科控股股份有限公司 (Meson Fintech Co., Ltd.) (stock code: 002647.sz), which is listed on the Small and Medium Enterprise Board in Shenzhen Stock Exchange.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

WONG Che Man Eddy, aged 58, is an independent non-executive Director of the Company. He joined the Group on 19 August 2009 when he was appointed as an independent non-executive Director. Mr. Wong is the Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee of the Board. Mr. Wong graduated with an honours diploma in accounting from Hong Kong Baptist College in 1984. Mr. Wong has over 30 years of experience in the auditing and accounting profession. He is the sole proprietor of Eddy Wong & Co., Certified Public Accountants, and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is also an independent non-executive director of Sun Hing Vision Group Holdings Limited (stock code: 00125), which is listed on the Main Board of the Stock Exchange.

LAM Kin Hung Patrick, aged 60, is an independent non-executive Director. He joined the Group on 19 August 2009 when he was appointed as an independent non-executive Director. Mr. Lam is the Chairman of the Nomination Committee and a member of the Audit Committee of the Board. Mr. Lam graduated from the University of London with an honoured Bachelor of Laws degree in 1988, from the University of Hong Kong with the Postgraduate Certificate in Laws in 1989, from the University of London with a Master of Laws degree in 1991 and from the City Polytechnic of Hong Kong (now known as the City University of Hong Kong) with a Postgraduate Diploma in Language and Law in 1991. He was admitted as a solicitor of the Supreme Court of Hong Kong and the Supreme Court of England and Wales in 1991, and was subsequently admitted as an Associate of the Chartered Institute of Arbitrators in 1993, and as a practitioner of the Supreme Court of Tasmania, Australia in 1994. He has been appointed as a China Appointed Attesting Officer since 2003. From 1996 to 2000, Mr. Lam had taken up part-time teaching positions in various tertiary institutions in China and Hong Kong, including the 西江大學 (University of Xijiang), the Open University of Hong Kong, Vocational Training Council and Sun Life of Canada (International) Limited, on subjects of law and building management. Mr. Lam is a practising solicitor and is currently a Consultant in Yip, Tse & Tang, a solicitor's firm in Hong Kong.

FUNG Ka Kin, aged 47, is an independent non-executive Director of the Company. He joined the Group on 1 April 2016 when he was appointed as an independent non-executive Director and the Chairman of the Remuneration Committee and a member of the Audit Committee of the Board. He has over 20 years of experience in the auditing and tax advisory profession. He is practising as a certified public accountant in Hong Kong with Dakin CPA Limited. He is a fellow of Hong Kong Institute of Certified Public Accountants and a fellow of The Taxation Institute of Hong Kong and also a Certified Tax Adviser in Hong Kong. He graduated from the Curtin University of Technology with a degree of Bachelor of Commerce in Accounting in 2000.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

WANG Yong Zhong, aged 48, is the Executive Vice President of the Group. Mr. Wang joined the Group upon the Group's acquisition of Changfei Group in December 2012. Mr. Wang graduated from Xi'an Jiaotong University with a master degree in engineering in 1994, and that same year joined the ZTE Group. Over the following 17 years he held various technical management positions in the ZTE Group in the areas of development and testing, including as director of communications engineering division, vice general manager of the No. 2 sales division, vice general manager of the mobile phone divisions and general manager of the GSM & uMTS products division. From the year 2011 to 2017, he has been the general manager of Lead Communications Co. Ltd., one of the principal operating subsidiaries of the Group. He is also a director of several subsidiaries of the Group.

Dr. Li Hiu Yeung aged 62, graduated from College of Forestry, Guangxi University (廣西大學林學院), with a bachelor's degree of forestry in 1984; and obtained a master degree and doctorate degree in aeroplane design and applied mechanics from 北京航空航天大學研究生院 (Graduate School of Beihang University*) from 1988 to 1994. Dr. Li has long been engaged in scientific research and technological application, industrial manufacturing and international business-related works, involving many areas in advanced technology. In 2008, Dr. Li published a paper in "Frontier Science" (前沿科學) (a science periodical in China) in relation to the light group field theory which has re-recognized the essence of light and its motion characteristics and is completely different from classical physics, quantum physics and other optical theories, which formed the foundation for Dr. Li's invention of the Device. Dr. Li joined the Group since July 2016 as the Chief Technology Officer, focuses on assisting the Group to conduct application research regarding the patent and develop related industrial products.

MEI Feifei, aged 33, is the Vice President of the Group. Ms. Mei joined the group since 5 March 2018. She is responsible for overseeing the capital markets and new business development functions of the company. Prior to joining China All Access, she has worked for Merrill Lynch (Asia Pacific) Ltd in Hong Kong and several Fortune 500 companies in the United States and has extensive experiences in capital markets, strategy and investments. Ms Mei received dual bachelor's degree of arts in communications and international liberal studies from Fudan University and Waseda University, and a master of business administration degree from Columbia Business School. She is a Chartered Financial Analyst charterholder.

AU Ki Lun, aged 36, is the Company Secretary and the Head of the Corporate Affairs Department. Mr. Au joined the Group in February 2013. He is responsible for corporate secretarial function of the Group. Mr. Au graduated from the Florida International University in April 2005 with a bachelor's degree of arts in economics, in December 2006 with a bachelor's degree in accounting, and in December 2007 with a master degree in accounting. He is a member of the Hong Kong Institute of Certified Public Accountants, a member of the American Institute of Certified Public Accountants and a certified public accountant in the State of Florida, the United States of America. He has ten years of working experience in accounting company secretary and investment related positions prior to joining the Group. Before joining the Group, he was a senior investment manager in ZTE Corporation.

** for identification purposes only*

REPORT OF THE DIRECTOR

The board (the "Board") of directors (the "Directors") of China All Access (Holdings) Limited (the "Company") is pleased to present the annual report together with the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in the Cayman Islands on 4 December 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. It has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and principal place of business at Level 65, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of the Group are the provision of communication application solutions and services and investment activities. Other particulars of the subsidiaries of the Company are set out in note 40 to the consolidated financial statements.

BUSINESS REVIEW

Please refer to the section headed "Management Discussion and Analysis" of this annual report for a business review of the Group for the year ended 31 December 2017.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

Percentage of the Group's total Sales and Purchases

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	24%	
Five largest customers in aggregate	52%	
The largest supplier		12%
Five largest suppliers in aggregate		40%

None of the Directors, their close associates (as defined under the Listing Rules) or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued shares) had any interest in these major customers and suppliers.

REPORT OF THE DIRECTOR

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2017 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 74 to 186.

TRANSFER TO RESERVES

Profit attributable to shareholders of the Company (the "Shareholders") before dividend of approximately RMB228,781,000 (2016: RMB228,894,000) have been transferred to reserves. Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 35(a) to the consolidated financial statements respectively.

The Company's reserves available for distribution to Shareholders as at 31 December 2017 were approximately RMB1,700,301,000 (2016: RMB1,624,515,000. The Directors recommended the payment of a final dividend of HK5.0 cents per Share (2016: HK2.5 cents) in respect of the year ended 31 December 2017, subject to the approval by Shareholders at the forthcoming annual general meeting of the Company.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group's total capital expenditures on property, plant and equipment amounted to approximately RMB34,065,000 (2016: RMB23,101,000), which was used for the acquisition of property, plant and equipment. Details of these acquisitions and other movements in property, plant and equipment are set out in note 13 to the consolidated financial statements.

BORROWINGS

Particulars of borrowings of the Group during the year are set out in note 30 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 35(c) to the consolidated financial statements.

DIRECTORS

The Directors of the Company during the year under review were as follows:

Executive Directors

Mr. Chan Yuen Ming, Chairman
Mr. Shao Kwok Keung, Chief Executive Officer
Mr. Xiu Zhi Bao, Head of Planning and Finance Department
Mr. Yan Wei
Mr. Tian Zheng

Independent non-executive Directors

Mr. Wong Che Man Eddy
Mr. Lam Kin Hung Patrick
Mr. Fung Ka Kin

In accordance with article 105(A) of the Company's articles of association, not less than one-third of the Directors shall retire from office by rotation at each annual general meeting of the Company. Any Director who retires under this article shall then be eligible for re-election as Director. Mr. Yan Wei, Mr. Tian Zheng and Mr. Fung Ka Kin will retire as Director. Mr. Fung Ka Kin, being eligible, will offer himself for re-election as Director at the Annual General Meeting. Mr. Yan Wei, Mr. Tian Zheng will not offer themselves for re-election as Directors at the Annual General Meeting

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming Annual General Meeting of the Company has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

REPORT OF THE DIRECTOR

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the senior management of the Group by band for the year ended 31 December 2017 is set out below:

Remuneration bands	Number of senior management
Nil to HK$1,000,000	1
HK$1,000,001 to HK$1,500,000	2
HK$1,500,001 to HK$2,000,000	—
HK$2,000,001 to HK$2,500,000	—
HK$2,500,001 to HK$3,000,000	—
HK$3,000,001 to HK$3,500,000	1
HK$3,500,001 to HK$4,000,000	—
HK$4,000,001 to HK$4,500,000	—
HK$4,500,001 to HK$5,000,000	—
	4

Further details of the Directors' remuneration and the five highest paid employees for the year are set out in notes 11 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2017 and up to the date of this report, there was or is permitted indemnity provision (within the meaning in Section 469 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) in the articles of association of the Company being in force. The Company has maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover certain legal actions brought against its directors and officers arising out of corporate activities.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company, which were not contract of service with any Director or any person engaged in full time employment of the Company, were entered into or existed during the year.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2017, the interests and short positions of the Directors and chief executives of the Company in any of the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules, were as follows:

Name of Director	Entity in which interest are held	Capacity/ Nature of interest	Number and class of securities Held (Note 1)	Approximate percentage of shareholding (Note 5)
Mr. Chan Yuen Ming ("Mr. Chan")	The Company	Interest of a controlled corporation (Note 2)	615,315,546 ordinary Shares (L)	30.77%
		Beneficial owner	1,000,000 ordinary Shares (L)	0.05%
Mr. Shao Kwok Keung ("Mr. Shao")	The Company	Beneficial owner (Note 3)	9,000,000 ordinary Shares (L)	0.45 %
Mr. Xiu Zhi Bao ("Mr. Xiu")	The Company	Beneficial owner (Note 4)	7,000,000 ordinary Shares (L)	0.35%

Notes:

(1) The letter "L" denotes a long position in the shares or underlying shares of the Company or any of its associated corporations and the letter "S" denotes a short position in the shares or underlying shares of the Company or any of its associated corporations.

(2) These Shares were held by Creative Sector Limited, the entire issued share capital of which was owned by Mr. Chan, an executive Director. Mr. Chan was deemed to be interested in all the Shares in which Creative Sector Limited was interested by virtue of the SFO.

(3) On 10 June 2015, a total of 9,000,000 share options (each share option entitling the holder to subscribe for one Share) were granted to Mr. Shao under the share option scheme of the Company. As at 31 December 2017, all these share options remained outstanding.

(4) On 10 June 2015, a total of 7,000,000 share options (each share option entitling the holder to subscribe for one Share) were granted to Mr. Xiu under the share option scheme of the Company. As at 31 December 2017, all these share options remained outstanding.

(5) Calculated on the basis of 1,999,723,216 Shares in issue as at 31 December 2017.

REPORT OF THE DIRECTOR

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register maintained by the Company pursuant to section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2017, the interests and short positions of each person other than a Director or chief executive of the Company, in the Shares or underlying Shares of the Company as recorded in the register kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity/ Nature of interest	Number and class interest of securities Held (Note 1)	Approximate percentage of shareholding (Note 6)
Creative Sector Limited	Beneficial owner	615,315,546 ordinary Shares (L)	30.77%
Dundee Greentech Limited	Beneficial owner (Note 2)	362,000,000 ordinary Shares (L)	18.10%
Yu Hsuan-Jung (余宣蓉)	Interest of a controlled corporation (Note 2)	362,000,000 ordinary Shares (L)	18.10%
Li Hiu Yeung	Beneficial owner (Note 3)	184,056,000	9.20%
Light Group Field Sci-Tech Limited	Beneficial owner (Note 3)	148,000,000	7.40%
Freeman Financial Corporation Limited ("FFCL")	Beneficial owner (Note 4)	154,847,601	7.74%
Tianan Property Insurance Co., Ltd.	Beneficial owner (Note 5)	117,000,000 ordinary Shares (L)	5.85%
Oriental (Asia) Investment Holding Limited	Beneficial owner (Note 6)	109,375,000 ordinary Shares (L)	5.47%
Li Bi	Interest of a controlled corporation (Note 6)	109,375,000 ordinary Shares (L)	5.47%

Notes:

(1) The letter "L" denotes a person's long position in the Shares or underlying Shares and the letter "S" denotes a person's short position in the Shares or underlying Shares.

(2) As at 31 December 2017, the entire issued share capital in Dundee Greentech Limited was owned by Ms. Yu Hsuan-Jung. Mr. Yu was deemed to be interested in all the Shares in which Dundee Greentech Limited was interested by virtue of the SFO.

(3) As at 31 December 2017, the entire issued share capital in Light Group Field Sci-Tech Limited was owned by Dr. Li Hiu Yeung. Dr. Li was deemed to be interested in all the Shares in which Light Group Field Sci-Tech Limited was interested by virtue of the SFO.

(4) Based on the DI Notice filed by FFCL under Part XV of the SFO in respect of its interests in Shares and underlying Shares as of 20 July 2017, being the last DI Notice filed by it in respect of its interests in Shares and underlying Shares by 31 December 2017, these Shares were beneficially held by Freeman Union Limited ("FUL"), which was wholly owned by Freeman United Investments Limited ("FUIL"). FUIL was wholly owned by Ambition Union Limited which was in turn owned as to 76% by Freeman United Investment Limited and 24% by Freeman Corporation Limited ("FCL"). FCL was wholly owned by Freeman Financial Investment Corporation, which was in turn wholly owned by Freeman Financial Corporation Limited. Freeman Financial Corporation Limited was deemed to be interested in all the Shares in which FUL was interested by virtue of the SFO.

(5) Based on the DI Notice filed by Tianan Property Insurance Co., Ltd. under Part XV of the SFO in respect of its interests in Shares and underlying Shares as of 3 June 2015, being the last DI Notice filed by it in respect of its interests in Shares and underlying Shares by 31 December 2017, Tianan Property Insurance Co., Ltd. had long position in 117,000,000 Shares in the capacity of beneficial owner.

(6) Based on the DI Notice filed by each of Oriental (Asia) Investment Holdings Limited and Ms. Li Bi under Part XV of the SFO in respect of their respective interests in Shares and underlying Shares as of 24 March 2016, being the last DI Notice filed by each of them in respect of their respective interests in Shares and underlying Shares by 31 December 2016, Oriental (Asia) Investment Holdings Limited had long position in 109,375,000 Shares (all being derivative interests) in the capacity of beneficial owner. Ms. Li Bi was deemed to be interested in all the Shares in which Oriental (Asia) Investment Holdings Limited (a company wholly-owned by Ms. Li Bi) was interested by virtue of the SFO.

(7) Calculated on the basis of 1,999,723,216 Shares in issue as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying Shares of the Company that were recorded in the register kept by the Company under Section 336 of the SFO.

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

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

REPORT OF THE DIRECTOR

ISSUE OF SECURITIES

Issue of consideration shares pursuant to the Patent Licence Agreement

The consideration for the grant of the sub-licence of the Patents by Dr. Li to the Group under the Patent Licence Agreement is HK$470,000,000. Pursuant to the Patent Licence Agreement, HK$410,000,000 of the consideration shall be settled by the Company's issue of a total of 164,000,000 consideration shares (at the price of HK$2.50 per consideration share). The consideration shares shall be issued in the following manner: 1) HK$200,000,000 had be settled by the allotment and issue of the first batch consideration shares (being 80,000,000 shares) to Dr. Li and/or his nominee on 22 July 2016 and 2) HK$210,000,000 had been settled by the issue of the second batch consideration shares (being 84,000,000 shares) to Dr. Li and/or his nominee on 20 July 2017. The closing price of the shares of the Company as quoted on the Stock Exchange on the 11 May 2016, being the last trading date for the shares of the Company before the date of the Patent Licence Agreement, was HK$2.48.

On 20 July 2017, 84,000,000 Shares was issued and allotted as part of the consideration for the grant of sub-licence for certain patents pursuant to an agreement dated 12 May 2016 entered into between China All Access (Holdings) Limited, China All Access Science And Engineering Technology Development Limited, 珠海新概念航空航天器有限公司 (New Concept Aircraft (Zhuhai) Co., Ltd.) and Dr. Li Hiu Yeung (as amended and supplemented by the supplemental agreement dated 13 June 2016) at the issue price of HK$2.50 per Share.

Please refer to the Company's announcements dated 12 May 2016 and 13 June 2016, and the circular of the Company, 27 June 2016 and 20 July 2017 for further details.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 December 2017 and up to the date of this report, the Group had undertaken the following acquisitions and disposals of subsidiaries or associated companies:

Deemed acquisition of shares in China Lide Holdings Limited ("China Lide") and exercise of put option for the acquisition of interest in China Lide by investor.

On 4 January 2016, China Lide and China All Access Investment Limited ("CAA Investment"), being two of the wholly owned subsidiaries of the Company, entered into the subscription agreement with an investor, pursuant to which the investor agreed to subscribe for shares of China Lide, representing about 25.0% of the enlarged issued share capital of China Lide, for cash at the subscription price of HK$40,400,000.

Under the subscription agreement, CAA Investment has granted the put option to the investor, pursuant to which the parties have agreed that, if the proposed spin-off is not consummated on or before 31 December 2016, the investor may require CAA Investment to acquire all (but not part) of the relevant shares in China Lide then legally and beneficially owned by the investor in cash.

On 24 April 2017, China Lide and CAA Investment entered into the supplemental deed with the investor, pursuant to which the parties agreed that the last day for the proposed spin-off to be consummated has been extended to 30 June 2017, and consequently, the put option period has been extended from the period of 90 days after 31 December 2016 to 90 days after 30 June 2017 and the put option completion date has been changed from 30 April 2017 to 31 October 2017.

On 27 September 2017, the investor exercised the put option to require CAA Investment to acquire all of the put option shares, being 3,333 shares of HK$0.1 each in the share capital of China Lide and representing about 25.0% of the issued share capital of China Lide at a total consideration of HK$48,834,192. Upon completion, China Lide became an indirect wholly-owned subsidiary of the Company.

Please refer to the Company's announcement dated 4 January 2016, 20 April 2017, and 27 September 2017 for further details of this deemed acquisition.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in note 33 to the consolidated financial statements and in the section headed "Share option scheme" in this report of the directors, at no time during the year were there rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or minor (natural or adopted), or were such rights exercised by them; nor was the Company or any of the subsidiaries of the Company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was conditionally approved by resolutions of the shareholders of the Company on 28 August 2009. Eligible participants of the Share Option Scheme include: (i) any employee (whether full time or part time, including any executive director) of the Company, its subsidiaries or invested entity; (ii) any non-executive directors (including independent non-executive directors) of the Company, its subsidiaries or invested entity; (iii) any supplier or customer of the Group or any invested entity; (iv) any person or entity that provides research, development or other technological support to the Group or any invested entity; (v) any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or any invested entity; (vi) any advisor (professional or otherwise) or consultant to any area of business or business development of the Group or any invested entity; (vii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and (viii) any company wholly owned by one or more eligible participants as referred to in (i) to (vii) above. Subject to the earlier termination of the Share Option Scheme in accordance with its rules, the Share Option Scheme shall remain in force for a period of ten years commencing on 28 August 2009.

REPORT OF THE DIRECTOR

The maximum number of Shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the Shares in issue from time to time. The maximum number of Shares issuable upon the exercise of options granted under the Share Option Scheme and any other share option scheme adopted by the Group (including both exercised or outstanding options) to each grantee within any 12-month period is limited to 1% of the Shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting. Share options granted to a Director, chief executive or substantial Shareholder of the Company, or to any of their associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive Directors of the Company. In addition, any share options granted to a substantial Shareholder or an independent non-executive Director of the Company, or to any of their associates (as defined under the Listing Rules), in excess of 0.1% of the Shares in issue at any time and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to Shareholders' approval in advance in a general meeting.

The total number of Shares which may be issued upon the exercise of all options (excluding for this purpose options which have lapsed) which may be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 121,682,400 Shares, representing 10% of the Shares in issue as at 28 June 2012 (i.e. the date that the 10% general scheme limit of the Share Option Scheme was refreshed by an ordinary resolution passed by the Shareholders at an extraordinary general meeting of the Company) and approximately 6.63% of the Shares in issue as at the latest practicable date prior to the issue of this report.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, which period may commence from the date of the offer of the share options, and end on a date which is not later than ten years from the date of grant of the share options subject to the provisions for early termination thereof.

The exercise price of the share options is determinable by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as quoted on the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Shares as quoted on the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer; and (iii) the nominal value of a Share. Share options do not confer rights on the holders to dividends or to vote at Shareholders' meetings of the Company.

On 10 June 2017, a total of 50,000,000 share options (each share option entitling the holder to subscribe for one Share) were granted to eligible participants including two Directors and the rest were employees of the Group.

Details of the movements in the Company's outstanding share options granted under the Share Option Scheme for the year ended 31 December 2017 were as follows:

Grantee	Number of Shares in respect of share options							
	Outstanding as at 1 January 2017	Granted during the year ended 2017	Exercised during the year ended 2017	Lapsed or cancelled during the year ended 2017	Outstanding as at 31 December 2017	Exercisable Period	Exercise price per share (HK$)	Closing price per share on the trading day immediately before the date of grant (HK$)
A. Directors								
Shao Kwok Keung	3,000,000	–	–	–	3,000,000	10 June 2016 to 9 June 2019	3.05	3.01
	3,000,000	–	–	–	3,000,000	10 June 2017 to 9 June 2019	3.05	3.01
	3,000,000	–	–	–	3,000,000	10 June 2018 to 9 June 2019	3.05	3.01
Xiu Zhi Bao	2,333,333	–	–	–	2,333,333	10 June 2016 to 9 June 2019	3.05	3.01
	2,333,333	–	–	–	2,333,333	10 June 2017 to 9 June 2019	3.05	3.01
	2,333,334	–	–	–	2,333,334	10 June 2018 to 9 June 2019	3.05	3.01
B. Employees								
In aggregate	11,333,333	–	–	2,850,000	8,483,333	10 June 2016 to 9 June 2019	3.05	3.01
	11,333,333	–	–	2,850,000	8,483,333	10 June 2017 to 9 June 2019	3.05	3.01
	11,333,334	–	–	2,850,000	8,483,334	10 June 2018 to 9 June 2019	3.05	3,01
Total	50,000,000	–	–	8,550,000	41,500,000			

REPORT OF THE DIRECTOR

ENVIRONMENTAL POLICIES AND PERFORMANCES

The current environmental protection laws and regulations promulgated by the PRC government impose a progressive scale of fees for the discharge of waste materials and require the payment of fines for pollution and the closure of any facility which causes serious environmental problems. Production plants are required to have environmental protection facilities designed to operate simultaneously with the production facilities. Due to the nature of the businesses of the Group, a certain level of noise, certain amount of waste water and solid waste production materials will be produced during the production processes. Therefore, the Group is required to satisfy tests carried out from time to time by relevant local environmental regulatory authorities for smoke emissions, noise level, solid waste disposal and waste water discharges. Non-compliance with any environmental laws, rules or regulations may, depending on the seriousness of the violation, result in an order for rectification from the authorities, penalties, or an order for cessation of production. Please refer to the Environmental, Social and Governance Report set out on pages 35 to 51 for details.

CONTRACTS OF SIGNIFICANCE

Except as disclosed in note 43 to the consolidated financial statements and under "Disclosure pursuant to Rule 13.21 of the Listing Rules" below, no Director or an entity connected with a Director had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, subsisted at the end of the year or at any time during the year.

Except as disclosed in note 43 to the consolidated financial statements, no contract of significance (whether it is in relation to provision of services to the Group or not) had been entered into between the Company or any of its subsidiaries and the controlling shareholders (as defined in the Listing Rules) of the Company or any of its subsidiaries.

REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Board has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters in relation to the annual report of the Group for the year ended 31 December 2017.

The audit committee of the Board has reviewed the annual report of the Group for the year ended 31 December 2017.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding the Company's securities.

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTOR

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained a sufficient public float as required under the Listing Rules.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK5.0 cents per Share for the year ended 31 December 2017 (2016: HK2.5 cents per Share). The proposed final dividend will be paid to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on 24 October 2018, if the proposal is approved by the Shareholders at the forthcoming Annual General Meeting to be held on 13 June 2018. It is expected that the final dividend will be paid on or about 31 October 2018.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining members who are qualified for attending the forthcoming Annual General Meeting, the register of members of the Company will be closed from 8 June 2018 to 13 June 2018 (both days inclusive), during which period no transfer of the Shares will be effected. In order to qualify for attending the Annual General Meeting or any adjournment thereof, all share transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office (the "Branch Share Registrar") of the Company, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong with effect by no later than 4:00 p.m. on 7 June 2018.

For the purpose of determining members who are qualified for the proposed final dividend for the year ended 31 December 2017 which is subject to approval by the Shareholders at the forthcoming Annual General Meeting, the register of members of the Company will be closed from 22 October 2018 to 24 October 2018 (both days inclusive), during which period no transfer of the Shares will be effected. In order to qualify for the proposed final dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Branch Share Registrar at the above address by no later than 4:00 p.m. on 19 October 2018.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

As disclosed in the announcement of the Company dated 23 August 2016, on 23 August 2016, the Company and Mr. Chan Yuen Ming ("Mr. Chan") entered into a note purchase agreement (the "Note Purchase Agreement") with Prosper Talent Limited (the "Prosper Talent"), pursuant to which the Company has agreed to issue, and Prosper Talent has agreed to purchase from the Company, US$70,000,000 guaranteed notes (the "Prosper Talent Notes") due 2017. Pursuant to the Note Purchase Agreement, Mr. Chan shall also provide a personal guarantee in favour of Prosper Talent to secure, among others, the due and punctual observance and performance by the Company under the Note Purchase Agreement and other documents in connection with the transaction contemplated under the Note Purchase Agreement.

REPORT OF THE DIRECTOR

Pursuant to the Note Purchase Agreement, the following specific performance obligations are imposed on Mr. Chan that, during the term of the Note Purchase Agreement and the Prosper Talent Notes:

(a) He shall remain as the chairman and an executive director of the Board;

(b) He shall legally and beneficially own the entire issued share capital of Creative Sector; and

(c) He shall procure that Creative Sector shall not, without the prior written consent of Prosper Talent, transfer or agree to transfer any Shares held by Creative Sector.

Any breach of the above specific performance obligations may constitute a breach under the Note Purchase Agreement and also an event of default under the Prosper Talent Notes, pursuant to which Prosper Talent may require the Prosper Talent Notes to be repaid immediately pursuant to the terms and conditions of the Prosper Talent Notes.

On 24 August 2017, a supplemental deed was entered into, among others, the Company, Mr. Chan and Prosper Talent to amend the Note Purchase Agreement and the terms and conditions of note such that, among others, the maturity date of the notes and date of repayment would be extended from August 2017 to various dates up to August 2018 but the above specific performance obligations remain unchanged.

As at the latest practicable date prior to the printing of this annual report, the above specific performance obligations continued to subsist.

AUDITORS

The Company has appointed HLB Hodgson Impey Cheng Limited as auditor of the Company for the year ended 31 December 2017. HLB Hodgson Impey Cheng Limited will retire as the Company's auditor at the end of the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-appointment. A resolution will be proposed for approval by Shareholders at the forthcoming annual general meeting of the Company to re-appoint HLB Hodgson Impey Cheng Limited as the Company's auditor for the year ending 31 December 2018.

By Order of the Board
China All Access (Holdings) Limited
Mr. Chan Yuen Ming
Chairman

Hong Kong, 29 March 2018

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. ABOUT THIS REPORT

Upholding the core value of "Integrity Foremost, Application Oriented" (信為先，用為本), the vision of "Technology paves the way to smart life" (讓科技開啟智慧生活) and adhering as one of China's most renowned brands in the integrated information and communication industry, the Group actively performs the enterprises' environmental and social responsibilities.

The Group has developed its sustainability strategy with aims to create sustainable values for its stakeholders and to lower its impact on the environment and society. In order to carry out the sustainability strategy from top to bottom, the Board of Directors (the "Board") of the Group has ultimate responsibility for ensuring the effectiveness of the Group's environmental, social and governance ("ESG") policies. The Board has established dedicated teams to manage ESG issues within each business division of the Group. Designated staff has been assigned to enforce and supervise the implementation of the relevant ESG policies. The Group is also committed to constantly reviewing and adjusting the Group's sustainability policies to satisfy the ever-changing needs of its stakeholders. Details of its management approach in the environmental and social aspects can be found in different sections of this ESG Report. The Group believes that sustainability is essential to the long-term development of the Group.

II. REPORTING PERIOD AND SCOPE OF THE REPORT

This ESG Report covers the environmental and social performance within the operational boundaries of the Group including data and activities of the Group's office in Hong Kong and Beijing, and two manufacturing facilities in Shenzhen. The reporting period of this ESG Report is the financial year from 1 January 2017 to 31 December 2017 ("FY2017"), unless specifically stated otherwise. This ESG Report is prepared in English.

III. STAKEHOLDER ENGAGEMENT

With the goal to strengthen the sustainability approach and performance of the Group, the Group has put in tremendous efforts to listen to both its internal and external stakeholders. The Group actively collects feedback from its stakeholders to maintain a high standard of sustainability within the Group, while also building a trustful and supporting relationship with them. The Group connects with its stakeholders through their preferred communication channels as listed in the table below.

Stakeholders	Expectations and concerns	Communication Channels
Government and regulatory authorities	—Compliance with laws and regulations —Support economic development	—Supervision on complying with local laws and regulations —Routing reports and taxes paid
Shareholders	—Return on investments —Corporate governance —Business compliance	—Regular reports and announcements —Regular general meetings —Official website
Employees	—Employees' compensation and benefits —Career development —Health and safety working environment	—Performance reviews —Regular meetings and trainings —Emails, notice boards, hotline, caring activities with management
Customers	—High quality products and services —Protect the rights of customers	—Customer satisfaction survey —Face-to-face meetings and on-site visits —Customer service hotline and email
Suppliers	—Fair and open procurement —Win-win cooperation	—Open tendering —Suppliers' satisfactory assessment —Face-to-face meetings and on-site visits —Industry seminars
General public	—Involvement in communities —Business compliance —Environmental protection awareness	—Media conferences and responses to enquiries —Public welfare activities —Face-to-face interview

Materiality Assessment

The Group undertakes annual review in identifying and understanding its stakeholder's main concerns and material interests for the ESG Report. In FY2017, the Group engaged its stakeholders to conduct a materiality assessment survey. Specifically, both internal and external stakeholders were selected based on their influence and dependence on the Group. Stakeholders with high level of influence and dependence on the Group were selected by the management of the Group and invited to express their views and concerns on a list of sustainability issues via an online survey. Hence, the Group is able to prioritise the issues for discussion according to the survey. The result from the materiality assessment survey has been mapped and presented as below.

The Group has analysed the environmental and social issues in the survey accordingly. With respect to this ESG Report, the Group has identified mitigation measures to protect natural resources, and observing and protecting intellectual property rights as issues of highest importance to both the Group and its stakeholders. This review has helped the Group to prioritise its corresponding sustainability issues and highlight the material and relevant aspects, so as to align them with stakeholders' expectations.

Stakeholders Feedback

As the Group strives for excellence, stakeholders' feedback is always welcomed, especially on topics listed as the highest importance in the materiality assessment and its ESG approach and performance. Readers are also welcome to share your views with the Group at SPRG-CAA@sprg.com.hk.

IV. ENVIRONMENTAL SUSTAINABILITY

The Group is committed to the long-term sustainability of the environment and community in where it operates. The Group has complied with relevant environmental laws and regulations set out in Hong Kong and the People's Republic of China ("the PRC"). The Group stringently controls its emissions and consumption of resources in daily operations.

This section primarily discloses the policies and practices of the Group along with the quantitative data on emissions, use of resources, the environment and natural resources during FY2017.

A.1. Emissions

The Group currently operates two factories in Shenzhen to produce solar facilities and communication application, and owns offices in Shenzhen and Hong Kong. The Group strictly complies with relevant laws and regulations set out in the PRC and Hong Kong, including the Environmental Protection Law of the PRC (中華人民共和國環境保護法) and the Waste Disposal Ordinance (廢物處置條例).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to making its integrated information and communication products in ways that protect the environment, managing the manufacturing line, eliminating and reducing the emissions including solid wastes, waste water and greenhouse gases. The Group strictly controlled the chemical used in manufacturing process and guaranteed that there will be minimal hazardous chemical in production line. For the offices, the emissions are insignificant than those of the production sites.

During FY2017, the Group commissioned independent environmental consultants to inspect its discharge of industrial wastewater, gas emissions and noise produced. The Group has never received any complaint on the environmental pollution issues from surrounding residents and regulators. The emission results are generally within the applicable emission guidelines. All the emission data are illustrated in Table 1.

Manufacturing facilities in Shenzhen

The Group conducted regular treatments on the wastes during the manufacturing process, and kept meticulous monitoring and controlling on the emissions especially air emission, waste water, solid waste and noise control, in order to guarantee the emissions are all complied with the corresponding discharge standards of the PRC in FY2017.

Wastewater

The wastewater generated from the manufacturing operations includes industrial wastewater and domestic wastewater. The amount of domestic wastewater is minimal and is managed by the office manager. Industrial wastewater emission is in strict compliance with the Law of the PRC on Prevention and Control of Water Pollution (中華人民共和國水污染防治法) and relevant local laws. Industrial wastewater is discharged to the sewage disposal plant for further treatment after confirming the eligibility of all the emission indexes.

To reduce the amount of wastewater, the Group strictly controls and monitors the wastewater and has implemented different measures such as turning off vacant production machine and increasing the recycle rate for cooling.

Solid waste

The main solid waste from the production process is the leftover materials and offcuts from the manufactured products and domestic garbage produced from the daily operations in offices. The hazardous solid waste from the production segment amounted to 0.4 tonnes in FY2017, which has been carefully dealt with and monitored according to the internal regulations. All the hazardous wastes generated during the production are emitted under the compliance with corresponding emission standards.

The Group has been continuously performing the separate collection method on daily domestic garbage to ensure the reuse of the recyclable waste. Apart from the daily domestic garbage, the Group has carefully collected the waste packaging materials by category, such as paper, cardboard and used boxes for centralised recycling and re-usage purpose.

Air emissions

Air emissions of the Group mainly come from the use of vehicles. Since the Group uses diesel and gasoline for powering vehicles, the exhaust gases generated are mainly sulphur oxides ("SOx"), nitrogen oxides ("NOx") and Particulate Matters ("PM").

All the exhaust gases are emitted after ensuring the compliance with relevant emission regulations. Online monitor facilities have also been implemented to test whether the emitted gases meet the emission regulations. Meanwhile, anti-dust equipment has been implemented and professional inspecting companies have been irregularly invited to run environmental inspection.

Greenhouse gases ("GHGs")

The Greenhouse gases ("GHGs") emissions from the manufacturing process are mainly generated from its purchased electricity. The GHGs emissions are positively correlated with electricity consumption. To reduce the amount of carbon emission, the Group has implemented several practical measures on saving energy as further described in the next section "Use of Resources".

Noise

The noise sources of manufacturing process mainly include the transportation of raw materials, fans and mechanical noise. The noise during daytime and night fully meets the national noise control requirements. To lower the manufacturing noise, the Group has refreshed the production facilities. The Group received no complaint on noise issue in FY2017.

Offices in Hong Kong and the PRC

Offices in Hong Kong and the PRC has generated much less emissions than the manufacturing operations. The wastewater and solid waste are dealt by the property manager and air emissions are insignificant. The Group is committed to keeping the daily operations in a waste reduction and energy saving manner. The Group collects domestic wastes separately and makes appropriate reuse on the recyclable materials. Also, proper electricity consumption manner has been advocated to minimise the GHGs emissions.

Table 1 Total emissions of the Group by category in FY2017

Item	Type of emissions		Unit	Amount	Intensity (Per employee)
Air emissions	Vehicles	SOx	kg	1.3	–
		NOx	kg	22.8	–
GHG emission	Scope 1	Stationary combustion	Tonnes CO_2-e	18.2	–
		Mobile combustion	Tonnes CO_2-e	217.2	0.3
	Scope 2	Purchased electricity	Tonnes CO_2-e	2,470.3	2.8
	Total		Tonnes CO_2-e	2,705.6	3.1
Hazardous wastes	Solid waste		kg	400	0.5
Non-hazardous waste	Non-hazardous solid waste		kg	2,000	2.4
	Non-hazardous wastewater		M^3	32,218	38.4

During the year under review, the Group was not in violation of any relevant laws and regulations that have a significant impact on the Group in terms of emissions.

A.2. Use of Resources

The Group complied with the relevant laws and regulations with regards to its use of resources, including but not limited to Energy Conservation Law of the PRC (中華人民共和國節約能源法) and Provisions on the Management of Water Conservation in Cities (城市節約用水管理規定) during the year under review. Resources used by the Group mainly include electricity, natural gas, diesel, gasoline and water. The Group has also consumed some packaging materials.

The Group strives to save energy and resources through persistent implementation of internal policies and advanced technologies in order to ensure that the resources are consumed in a responsible manner.

Water

The water consumption of the Group comes from domestic water usage and production water usage. The industrial water consumption is significantly larger than the domestic water consumption. The Group has educated its employees to save water in the daily working hours. The amount of domestic water consumed is minimal and need-based. To improve the utilisation efficiency of water resources, the Group has formulated the internal regulation as below:

- Perform regular propaganda and education work on saving every drop of water among its staff;
- Place "Saving Water Resource" posters in prominent places to encourage water conservation;
- Collect used water for cooling purposes, floor cleaning, toilet washing and yard washing if possible;
- Carry out regular leakage tests on water tap, washers and other defects in the water supply system;
- Adapt advanced technology to increase recycling rate;
- Strengthen the inspection on water taps, water pipes and water storage system to avoid leakage;
- Fix dripping taps immediately; and
- Turn off the water supply system at night and on holidays.

Electricity

The Group keeps a detailed record of its electricity consumption. All subsidiaries of the Group stringently comply with the Group's policy of saving energy. The Group is committed to saving electricity from both production lines and daily operation in office by executing the following measures:

- Switch off the vacant lights and air-conditioning;
- Maintain a constant temperature of the air-conditioners;
- Replace the central air-condition in the production process;
- Place "Saving Electricity, turn off the Light when Leaving" posters in prominent places to remind employees;
- Keep the office equipment clean (such as refrigerator, air-conditioner and paper shredder) and ensure that they run efficiently;
- Remove unnecessary production facilities;
- Replace old equipment with new electricity-saving equipment;
- Turn off the computers, copy machines and drinking machines after work;
- Replace high electricity consumption lamps with LED lights for office lighting; and
- reduce lighting at well-lighted areas and turn off lights after work uniformly.

Energy

The Group consumed gasoline, natural gas and diesel in FY2017. The Group encourages energy saving through simple measures, such as making the best use of room to avoid unnecessary transport and replacing old production equipment with new ones. Apart from these, the Group also highly encourages its staff to take public transportation or environmental-friendly buses instead of driving to work. The Group is dedicated to making contribution to the reduction of GHG emissions.

Other resources

Other resources consumed by the Group is packaging materials, paper and stationary. The packaging materials consumed from the manufacture segment are plastic and paper. However, the amount of paper and stationary consumed from the offices are insignificant. The Group has implemented active strategies to save the resources as following:

- Collect the paper consumption data by department and purchase accordingly every month;
- Replace pen holders every three month;
- Encourage double sided print in black and white and set print limit;
- Recycle the single sided paper or draft paper;
- Promote automation system and implement paperless electronic file transfer mode;
- Use environmentally-friendly paper to print annual report; and
- Place recycle tray beside copy machine to recycle paper.

Table 2 Total resource consumption of the Group by category in FY2017

Types of Resources		Unit	Amount	Intensity (Per employee)
Energy consumption	Gasoline	L	82,892.8	98.8
	Diesel	L	7,819	9.3
	Natural Gas	m^3	8,689	10.4
Electricity		kWh	4,682,615	5,581.2
Water consumption		m^3	28,402	33.9
Packaging material	By plastic	tonnes	18.8	—
	By paper	tonnes	10.1	—

A.3. *The Environment and Natural Resources*

The Group has strictly complied with the relevant laws and regulations, namely Law of the PRC on Circular Economy Promotion (中華人民共和國循環經濟促進法) and Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法), in relation to the environment and the use of natural resources during the year under review.

To eliminate the impact on the environment, the Group has implemented various measures in daily operations. For example, the Group has replaced old central air-condition with the newest energy-saving water-cooled central air-condition in the production area. Besides, the Group has replaced traditional lights with LED lights that perform better lighting and save energy.

V. SOCIAL SUSTAINABILITY

Employment and Labour Practices

B.1. Employment

The Group treasures employee's talent and sees it as the key to success and maintaining the sustainability of the Group. The Group strives to provide its employees with a safe and suitable platform for developing their career, professionalism and advancement.

Law compliance

The human resources policies of the Group strictly adhere to the applicable employment laws and regulations in Hong Kong and the PRC, including the Employment Ordinance (僱傭條例), the Mandatory Provident Fund Schemes Ordinance (強制性公積金計劃條例), Minimum Wage Ordinance (最低工資條例), Labour Law of the PRC (中華人民共和國勞動法), Company Law of the PRC (中華人民共和國公司法) and Labour Contract Law of the PRC (中華人民共和國勞動合同法). The Group has also complied with the laws and regulations in respect to the employees' social security schemes that are enforced by the local government, such as the social security benefits (including the provision of pension, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund) in the PRC and Mandatory Provident Fund Scheme and Medical Insurance Scheme in Hong Kong. The human resources department of the Group and its subsidiaries are responsible for reviewing and updating the relevant Group policies regularly in accordance with the latest laws and regulations.

Recruitment and promotion

Talent acquisition is vital in ensuring the sustainable development of the business. The Group prepares the "Year Recruitment Plan" and adopts a variety of initiatives to facilitate the recruitment of staff, such as internet, institutions' recruitment seminars and agents, to attract talented employees. All the recruitment procedures are transparent to ensure the fairness. To attract high-calibre candidates, the Group offers fair, competitive remuneration and benefits based on the individuals' past performance, personal attributes, job experiences and career aspiration. The Group also references market benchmarks and internal budget in determining its remuneration and benefit policies.

The Group ensures all the employees are treated fairly and get development and promotion opportunities when appropriate.

Compensation and dismissal

The Group constantly reviews its compensation packages and performs probationary and regular evaluations according to the overall market environment, profitability of the Group and employee's performance in the past. This ensures that employees are recognised by the Group appropriately with respect to their efforts and contributions. The Group gives bonus to employees according to their performance, and set share point scheme as a long-term incentive plan for key management staff. By improving the remuneration system and career paths, the Group expects to establish a comprehensive incentive system based on physical, mental, emotional and growth motivations to carry forward the harmonious and stable employment relationship.

Meanwhile, any appointment, promotion or termination of employment contract would be based on reasonable and lawful grounds along with internal policies, such as staff handbooks. The Group strictly prohibits any kind of unfair or unreasonable dismissals.

Working hours and rest period

The Group has formulated its own internal policies based on local employment laws to determine working hours and rest period for employees. In addition to basic paid annual leave and statutory holidays prescribed by the employment laws of the local governments, employees may also be entitled to additional leave entitlements such as marriage leave, maternity leave and compassionate leave. Besides, employees who work at non-working hours can receive additional pay or compensation leave.

Equal opportunity and anti-discrimination

As an equal opportunity employer, the Group is committed to creating a fair, respectful and diverse working environment by formulating Equal Opportunity Policy (平等就業政策) in all its human resources and employment decisions. For instance, training and promotion opportunities, dismissals and retirement policies are based on factors irrespective of the employees' age, sex, marital status, pregnancy, family status, disability, race, colour, descent, national or ethnic origins, nationality, religion or any other non-job related factors in all business units of the Group. The equal opportunity policy allows zero tolerance in relation to any workplace discrimination, harassment or vilification in accordance with local ordinances and regulations, such as Disability Discrimination Ordinance (殘疾人歧視條例) and Sex Discrimination Ordinance (性別歧視條例). Employees are encouraged to report any incidents involving discrimination to the human resources department of the Group. The Group shoulders the responsibility for assessing, dealing with, recording and taking any necessary disciplinary actions in relation to such incidents.

Other benefits and welfare

The Group provides additional benefits and welfare such as medical subsidies and hospitalisation scheme to employees. For those employees working at a manufacturing facilities, additional employee benefits include the provision of well-equipped dormitories and meals are provided. The Group also hosts a series of activities, such as the Year-End Party and Guess Lantern Riddles at Mid-Autumn Festival, for its employees to enhance the sense of belongings and relieve stress, which exemplified the Group's corporate culture of enhancing the spirit of solidarity and cohesion among its employees.

In terms of internal communication, the effective two-way communication between the general staff and managerial staff is highly encouraged within the Group. The employees maintain timely and smooth communication with each other and the management through a variety of ways including emails, regular meetings and social networks. Maintaining a barrier-free employer-employee relationship helps create a productive and pleasant working environment.

During the year under review, the Group was in compliance with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

B.2. Health and Safety

To provide and maintain good working conditions and a safe and healthy working environment for its employees, the Group has established internal safety and health policies, which are in line with various laws and regulations stipulated by the HKSAR Government and the State Council of the PRC. The specific laws and regulations include Occupational Safety and Health Ordinance (職業安全及健康條例), Production Safety Law of the PRC (中華人民共和國安全生產法) and Occupational Disease Prevention Law of the PRC (中華人民共和國職業病防治法). Besides, the Group strictly follows several operating health and safety standards including GB/T29639-2013, GBZ 1-2010, GB12011-2009, GB2811-2007 and sets up internal manuals such as Environment and Safety Monitor and Control Process (環境及健康安全監測控制程序) in order to provide a healthy and safe working environment to employees. The Quality Management Department has performed annual evaluation on the compliance of laws and regulations for senior managers' review.

Under those manuals, the Group keeps a record on the hidden dangers and accidents, and evaluates the accomplishment on danger control. In addition, the Group prohibits smoking and drinking while enhancing the safety awareness of employees. Regular safety meetings and trainings are held to all employees in the operating areas. The Group has always been committed to providing a safe and healthy environment by incorporating a range of occupational health and safety measures for all the employees in the offices and production sites.

The Group has complied with relevant laws to provide protection equipment such as masks and earplugs and has adopted alternate working system with an aim to protect employees from occupational hazards. Employees involved in special type of work shall possess required work permits and wear shielding shoes and safety helmet. The Group has hosted emergency exercise (including safety drill, emergency management and hazardous material handling) annually and set safety signs to enhance employees' safety awareness. The Group targets to achieve accident-free workplace environment.

In FY2017, no work-related fatalities and no lost days due to work injury occurred in the Group's related activities. During the year under review, the Group was not in violation of any of the relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that have a significant impact on the Group.

B.3. Development and Training

The Group offers comprehensive training and development programmes to its staff in order to strengthen their work-related skills and knowledge. The purpose is to improve the Groups' overall operational efficiency and productivity through the intranet platform. Development Division has established under the Human Resources Department to provide trainings including induction training, professional skill training and safety training. In FY2017, the Group has held a range of occupational training and development programmes to employees.

For newly recruited staff, the Group provides training regarding to their roles, positions, Group policies and cultures. The employees have to pass the induction training before becoming a former employee. For other employees, the training usually regards to professional improvement and management improvement. The trainings for employees are professional-oriented to fulfil the training hours required by the professional certification institute. The Group aims to foster a learning culture that strengthens its employees' professional knowledge.

The Group also encourages outstanding employees to attend external trainings for enhancing their competitiveness and expanding their capability through continuous learning. The Group may arrange external training organisations and trainers to provide job-related trainings to its employees. For those who passed professional training and obtain relevant certificate, the employees can apply for reimbursement and receive corresponding exam leave.

The Group aims to foster a learning culture that could strengthens its employees' professional knowledge, so as to benefit the Group as employees are expected to achieve better working performance after receiving appropriate training. Employees' performances in the trainings are considered in the employees' performance evaluations.

B.4. Labour Standards

The Group strictly abides by the Employment Ordinance (僱傭條例), Labour Law of the PRC (中華人民共和國勞動法), Provision on the Prohibition of Using Child Labour of the PRC (中華人民共和國禁止使用童工規定), Law of the PRC on the Protection of Minors (中華人民共和國未成年人保護法) and other related labour laws and regulations in Hong Kong and the PRC to prohibit any child and/or forced labour employment.

To combat against illegal employment on child labour, underage workers and forced labour, the Group's human resources staff requires job applicants to provide valid identity documents before confirmation of employment to ensure that the applicants are lawfully employable. The human resources department of the Group is responsible to monitor and ensure compliance with the latest relevant laws and regulations that prohibit child labour and forced labour. In the recruitment process, the provision of personal information must be true and effective. If there is any concealment of the facts, the Group has the right to terminate the employment in accordance with relevant laws and regulations.

The Group has also established internal policies to deal with child labour. When child labour is found, the manager should inform the Group within 24 hours in written form and pay all the salary for the child labour. The Group should guard the child labours to the original places of residence to parents or guardians and bear all the relevant fee. If there's any injury or disease, the Group should afford all the charges before the child labours' recovery. The Group promises child labours in written form that they can be on duty when the age fulfils government's requirement. The Group strictly prohibits any irresponsible dismissal of child labour and eliminate such evert in the future.

During the year under review, the Group was not in violation of any of the relevant laws and regulations, in relation to the prevention of child and forced labour that have a significant impact on the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATING PRACTICES

B.5. Supply Chain Management

As a socially responsible enterprise, it is critical and vital for the Group to maintain and manage a sustainable and reliable supply chain that has minimal negative repercussions on the environment and society. The Group achieves this goal by conducting comprehensive evaluation of potential and existing suppliers. The principal raw materials used in the production of its products are LCD panels, driver IC, backlight, polarizer, glass cover, tough IC and auxiliary materials. The suppliers of the Group are gathered in Guangdong Province, especially in Shenzhen, and others are located at Jiangxi Province, Jiangsu Province, Zhejiang Province and Taiwan.

In relation to existing suppliers, its quality control force formed from cross-disciplinary departments will conduct regular and coordinated assessments on the suppliers based on an established scoring mechanism. The assessments are based on criteria such as the suppliers' price, product quality, transportation and delivery capacity, reputation, financial situation, aftersales service, complaint mechanism and environmental and social responsibility, to ensure the performance of the suppliers and to confirm their products meet our stringent manufacturing standards. The Group has regularly reviewed its list of qualifying suppliers.

The Group has established internal policies for searching potential suppliers. When searching for potential suppliers, the Group has taken the following aspects into consideration:

- Advantaged business scale in the industry;
- Certification for quality management system (ISO9001);
- Experience in manufacturing integrated information and communication product;
- Cooperation wellness;
- Adaptation of product (when the industry is in a relevant low level);
- Production experience of two years or above;
- Cost;
- Principle of proximity for structural component, packaging materials and other non-wearable materials with low value;
- Certificate for QC080000 or other relevant certification if necessary; and
- The recognition of factories, agent and merchant.

After searching for potential suppliers, the sourcing engineer runs basic production and agent evaluation and issue Application for Import of New Supplier Form (新供方導入申請表). A site assessment team led by souring engineer and composed by staffs from relevant department will assess the potential suppliers through Supplier Evaluation Report (供應商／外協廠稽核報告), ISO9001 quality standard and the special requirement for corresponding materials and perform environmental evaluation separately after the assessment of relevant departments and the vice president. Approved suppliers are required to sign the quality commitments and other agreement issued by the Group and added to the Qualified Supplier List (合格供應商清單).

The cooperation philosophy of the Group with suppliers is win-win cooperation. The union of Quality Department, R&D Department, Logistics Department and Warehouse Department conducts CQDST evaluation to suppliers every month, which includes cost, quality, delivery, service and technology. The suppliers fail in the CQDST evaluation for three month will be suspended. Besides, the Group has established Supplier Risk Identification and Management Principle (供應商風險識別及管控規範) and set half-year bids to manage the share of each supplier to lower the risk in supply chain.

The Group attaches great importance to the communication with the suppliers to build internal trust. To facilitate better cooperation and communication with suppliers and maintain a long-term strategic cooperation relation, the Group regularly provides quality management training and give advices on production risk management and handing quality deficiency to its supplier during supplier meeting. To ensure sufficient supply, the Group has kept close contact with the suppliers and reserved products in advance. Therefore, the suppliers are reliable after long-term cooperation. Given the solid and steady relationships with its suppliers, the Group did not experience any material delays in receiving supplies from its suppliers in past years. To enhance the effectiveness of the Group's risk management in terms of environmental and social aspects, the Group does its best to engage with suppliers that could lessen the environmental impacts engendered in the sourcing activities of the Group. For any non-compliance with our requirements, the Group would propose suppliers to take corrective actions immediately to rectify the deficiencies.

B.6. Product Responsibility

In order to protect the legitimate rights and interests of consumers and strengthen the supervision on the quality of products, the Group has complied with related laws and regulations on products safety and health including Law of the PRC on Product Quality (中華人民共和國產品質量法), Law of the PRC on the Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法), and Law of the PRC on the Protection of Production Safety (中華人民共和國安全生產法).

During the year under review, the Group was not in violation of any relevant laws and regulations regarding health and safety, advertising, labelling and privacy matters of its products that may have a significant impact on the Group. As a leading participant in the integrated information and communication industry in the PRC, the Group has attached great importance on product responsibility and quality. The quality management system adheres to internationally recognised technical specification on ISO14001, OHSAS18001 and ISO9001.

The Quality Assurance Department of the Group is responsible for handling comprehensive quality control and assurance issues from development stage to finished product and after-sale services. In the manufacturing process, apart from the products' functional testing and visual inspection, the Quality Assurance Department is responsible for arranging reliability testing, including extreme temperature and humidity test, electrostatic shock test and drop test, and other ordinary automated testing procedures. These tests can reliably simulate the real conditions where products are used by customers and identify any manufacturing and design defects.

If there are any defective products, the Group is responsible for contacting customer who has purchased the product, collecting the sample products from customers for quality testing and analysis and requiring distributors to recall disqualified products if necessary.

The Quality Assurance Department has customer service managers to closely listen to customers' feedback and addresses most after-sales concerns, including any product complaints and product recalls. If there is any complaint, the customer service managers will inform the Group and gather relevant staffs to rectify the mistake and prevent such accidents in the future according to the internal regulation.

The Group has issued internal guideline to ensure all the sales materials providing accurate and precise descriptions and information to customers which comply with the relevant laws and regulations for local operations such as Advertising Law of the PRC (中華人民共和國廣告法). Any misrepresentation or exaggeration advertisements are strictly prohibited. The Administrative Department has closely monitored released marketing materials and product labelling to prevent inappropriate or exaggerated advertisement. If there is any violence with the internal guidelines, the Group would carry out corrective action immediately. In addition, the internal guidelines have been regularly updated with the latest regulations released by the government.

The Group has been dedicated to protecting and enforcing intellectual property rights which is crucial to the sustainable business growth in the integrated information and communication industry. The intellectual property right (IPR) management team has been established to monitor IPR related risks surrounding all group functions, including R&D, human resources, procurement, sales, production, finance and other functions to ensure that the IPR risk level is controlled within an acceptable range.

The Group has generally entered into agreement with business partners to protect the IPR of the Group by using the intellectual property on the sales only. The Group also prohibits business partners to participate in any activities that may infringe upon the Group's interest. The employees have also been responsible to maintain business secrets and other proprietary intellectual properties confidentially.

The Group is committed to abiding by the Personal Data (Privacy) Ordinance (個人資料(隱私)條例), and Law on Protection of Consumer Rights and Interests of the PRC (中華人民共和國消費者權益保護法) to ensure customer's information is under strict protection. Information collected would only be used for the purpose for which it has been collected and customers would be told about how the data collected would be used in business. The Group prohibits the provision of consumer information to a third party without authorisation from the customers. Customers remain the rights to review and revise their data, and remain the rights to opt out from any direct marketing activities. All collected personal data is treated confidentially and is kept securely, accessible by designated personnel only. Through the internal training and confidential agreements with employees, the Group emphasise on confidentiality obligations and the legal consequences for the breaches of obligations.

During the year under review, the Group has not in violation of any relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided.

B.7. Anti-corruption

To maintain a fair, ethical and efficient business and working environment, the Group strictly adheres to the local laws and regulations relating to anti-corruption and bribery, irrespective of the area or country where the Group conducts its business, such as Law of the PRC on Anti-money Laundering (中華人民共和國反洗錢法) and the Prevention of Bribery Ordinance (防止賄賂條例).

The Group has formulated and strictly enforced its anti-corruption policies and comprehensive internal operating manuals to prevent any corruption. The Group has no tolerate to any kind of corruption. All employees are expected to discharge their duties with integrity and self-discipline, and are required to abstain from engaging in bribery, extortion, fraud and money laundering activities or any activities which might exploit their positions against the Group's interests.

The Group has no tolerance to any corruption and has set whistle-blowing policy to report any corruption. Relevant evaluation, consultation, investigation and punishment have been written in the Whistle-blowing policy. Whistle-blowers can report verbally or in writing to the risk management and internal audit department or the senior management of the Group for any suspected misconduct with full details and supporting evidence. The management will conduct investigations against any suspicious or illegal behaviour to protect the Group's interests. The Group advocates a confidentiality mechanism to protect the whistle-blowers against unfair dismissal or victimisation through security regimes.

During the year under review, the Group was not in violation of any of the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

COMMUNITY

B.8. Community Investment

The Group understands well the importance of making a positive contribution to the communities in which it operates, and sees the interests of such communities as one of its social responsibilities. It is the Group's policy to encourage the participation in employees' caring activities and community care projects to gain an understanding of the needs of the communities in which it operates. Participation in such projects helps the Group formulate policies and objectives, which are in line with the interests of these communities reciprocally.

The Group has emphasised on the employees' activities to increase the coherence of the Group. In FY2017, the Group has held a series of activities relating to culture, sports and others to fulfil employees' need. Through those activities, the relationships between employees have been improved and the working efficiency has been increased.

To maintain the stabilization of the local community, the Group has actively participated into local community activities including garbage collection and voluntary traffic control. Besides these, the Group has also been involved into the community public training and has been entitled Top 100 enterprises in Nanshan District of Shenzhen and the Green Channel Enterprises of Shenzhen.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to enhancing corporate governance and transparency of the Group by applying the principles and complying with the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The audit committee of the Board is delegated by the Board with the corporate governance functions set out in code provision D.3.1 of the CG Code and is responsible for reviewing the Company's compliance with the CG Code and making recommendations to the Board.

Save as disclosed below, during the year ended 31 December 2017, the Company was in due compliance with the code provisions of the Corporate Governance Code (the "CG code") as set out in Appendix 14 to the Listing Rules.

Pursuant to E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. Chan Yuen Ming, an executive Director and the chairman of the Board, did not attend the annual general meeting of the Company held on 15 June 2017 due to other business engagements and instead, Mr. Shao Kwok Keung, an executive Director and the chief executive officer of the Company, took the chair at the annual general meeting. The Board considers that the arrangement is appropriate as Mr. Chan, as chairman of the Board, is responsible for the Group's overall business development and strategy whereas Mr. Shao, as chief executive officer, is responsible for the corporate management of the Company. The Board will regularly review the effectiveness of the segregation of roles to ensure its appropriateness under the Group's prevailing circumstances.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). The Company has made specific enquiry with all the Directors and all of them confirmed that they had fully complied with the required standards set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the year ended 31 December 2017.

BOARD OF DIRECTORS

(A) Composition of the Board

During the year ended 31 December 2017, the composition of the Board was as follows:

Name of Directors	Other positions in the Company
Executive Directors:	
Mr. Chan Yuen Ming	Chairman of the Board ("Chairman")
Mr. Shao Kwok Keung	Chief Executive Officer ("CEO") Member of the Remuneration Committee Member of the Nomination Committee
Mr. Xiu Zhi Bao	Head of Planning and Finance Department
Mr. Yan Wei	Vice President of the Company
Mr. Tian Zheng	Vice President of the Company

Name of Directors	Other positions in the Company
Independent Non-Executive Directors:	
Mr. Wong Che Man Eddy	Chairman of the Audit Committee Member of the Remuneration Committee Member of the Nomination Committee
Mr. Lam Kin Hung Patrick	Chairman of the Nomination Committee Member of the Audit Committee
Mr. Fung Ka Kin	Chairman of the Remuneration Committee Member of the Audit Committee

There are no relationship, including financial, business, family or other material relationships, between members of the Board and between the Chairman and the CEO.

(B) Responsibility of the Board

The Board is responsible for leading the Company by setting the overall strategies and objectives, designing the business development plans, monitoring and controlling its operating and financial performance and making key decisions. The tasks of day-to-day management and operations of the Group are entrusted to the executive Directors and the senior management who are closely supervised by the Board to ensure compliance with the Company's policy and objectives.

(C) Directors' Attendance at Board and General Meetings

During the year ended 31 December 2017, the Company held seven Board meetings (excluding Board committee meetings) and one general meeting. The attendance of each Director at these meetings, by name, is set out below:

Name of Directors	Attendance/Number of board meetings held	Attendance/Number of general meetings held
Executive Directors		
Mr. Chan Yuen Ming	7/7	0/1
Mr. Shao Kwok Keung	7/7	1/1
Mr. Xiu Zhi Bao	7/7	0/1
Mr. Yan Wei	7/7	0/1
Mr. Tian Zheng	7/7	0/1
Independent Non-executive Directors		
Mr. Wong Che Man Eddy	7/7	1/1
Mr. Lam Kin Hung Patrick	7/7	0/1
Mr. Mr. Fung Ka Kin	7/7	1/1

The individual attendance record of the Directors at meetings of the remuneration committee, nomination committee and audit committee of the Board are set out in the section headed "Board Committees" of this corporate governance report.

(D) Independence of the Independent Non-executive Directors

The Company has received written confirmation from each of the independent non-executive Directors regarding his independence with reference to the requirements of Rule 3.13 of the Listing Rules. Based on these confirmations, the Company considers that each of the independent non-executive Directors to be independent.

(E) Terms of Appointment of the Independent Non-executive Directors

Each of the independent non-executive Directors is appointed for an initial term of two years renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of his appointment, unless terminated by not less than three months' notice in writing served by either the Company or the relevant Independent Non-executive Director expiring at the end of the initial term or at any time thereafter. In accordance with the articles of association of the Company (the "Articles of Association"), at each annual general meeting of the Company, at least one-third of all the Directors (including the Independent Non-executive Directors) shall retire from office by rotation at least once every three years and each of the retiring Director shall be eligible for re-election at the annual general meeting of the Company at which he retires.

(F) *Continuous Professional Development of Directors*

To ensure the Directors' contribution to the Board remains informed and relevant and in compliance with code provision A.6.5 of the CG Code, the Company shall arrange and fund suitable training for Directors to develop and refresh their knowledge and skills. During the year under review, the Directors participated in the kinds of training in compliance with code provision A.6.5 of the CG Code as follows:

Name of Directors	Kind of Training
Executive Directors	
Mr. Chan Yuen Ming	A,B
Mr. Shao Kwok Keung	A,B
Mr. Xiu Zhi Bao	A,B
Mr. Yan Wei	A,B
Mr. Tian Zheng	A,B
Independent Non-executive Directors	
Mr. Pun Yan Chak	A,B
Mr. Wong Che Man Eddy	A,B
Mr. Lam Kin Hung Patrick	A,B
Mr. Mr. Fung Ka Kin	A,B

A: Reading materials on legal and regulatory updates

B: Attending seminar, training and/or conferences relevant to the Group's business or Directors' duties

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles and duties of the Chairman and CEO of the Company are separate and performed by different individuals. The Chairman of the Board, Mr. Chan Yuen Ming, is responsible for the Group's overall business development and strategic planning. Mr. Shao Kwok Keung, the CEO, is responsible for the corporate management of the Company.

BOARD COMMITTEES

In compliance with the Listing Rules and principles of good corporate governance, the Company has established the remuneration committee (the "Remuneration Committee"), the nomination committee (the "Nomination Committee") and the audit committee (the "Audit Committee") of the Board to assist the Board in the overall supervision of the management of the Company.

(A) Remuneration Committee

The Company established the Remuneration Committee pursuant to a resolution of all Directors passed on 28 August 2009.

The Remuneration Committee currently comprises three members, namely, Mr. Fung Ka Kin (Chairman of the Remuneration Committee and an independent non-executive Director), Mr. Wong Che Man Eddy (independent non-executive Director) and Mr. Shao Kwok Keung (executive Director).

The role and function of the Remuneration Committee are set out in its written terms of reference. The written terms of reference are published on the websites of the Stock Exchange and the Company. The principal duties of the Remuneration Committee include (1) making recommendations to the Board on the Company's policy and structure for the remuneration of the Directors and the senior management,(2) making recommendations to the Board on the remuneration packages of each executive Director and member of the senior management, (3) making recommendations to the Board on the remuneration packages of non-executive Directors, (4) ensuring that no Director or any of his associate is involved in deciding his own remuneration and (5) reviewing and approving compensation arrangements relating to dismissal or removal of Directors.

During the year ended 31 December 2017, the Remuneration Committee had held two meetings to review and make recommendations to the Board regarding the remuneration of the Directors and the senior management. The attendance record of each member of the Remuneration Committee at its meeting is set out below:

Name of Directors	Attendance/Number of meetings held
Executive Director:	
Mr. Shao Kwok Keung	2/2
Independent Non-executive Directors:	
Mr. Fung Ka Kin (Chairman of the Remuneration Committee)	2/2
Mr. Wong Che Man Eddy	2/2

(B) Nomination Committee

The Company established the Nomination Committee pursuant to a resolution of all Directors passed on 28 August 2009.

The Nomination Committee currently comprises three members, namely, Mr. Lam Kin Hung Patrick (chairman of the Nomination Committee and an independent non-executive Director), Mr. Wong Che Man Eddy (independent non-executive Director) and Mr. Shao Kwok Keung (Executive Director). The role and function of the Nomination Committee are set out in its written terms of reference. The written terms of reference are published on the websites of the Stock Exchange and the Company. The principal duties of the Nomination Committee include (1) reviewing the structure, size and composition of the Board on a regular basis, (2) identifying suitably qualified candidates for directorship, (3) making recommendations to the Board on the selection of nominated individuals for directorship and matters related to appointment or re-appointment of Directors, (4) assessing the independence of the Independent Non-executive Directors (5) succession planning for Directors, and (6) reviewing the Board's diversity policy.

The Nomination Committee follows a set of procedures when recommending candidates for directorship.

The following criteria are considered in selecting a candidate:

- Integrity, objectivity, and intelligence of the person, with reputations for sound judgement and open mind, and a demonstrated capacity for thoughtful group decision-making;
- Qualification and career experience; and
- Understanding of the Company and its corporate mission.

When a candidate is proposed for directorship of the Company, he or she shall be evaluated on the basis of the criteria set out in the procedures mentioned above. Selection of the suitable candidate is based on a majority vote. Each committee member will be asked to express his or her view before voting. After voting, the chairman of the Nomination Committee will report its recommendations to the Board.

To ensure that the Board has a balance of skills and experience appropriate for the requirements of the business of the Group, the Company has adopted a board diversity policy as set out below.

(i) Policy statement: In determining the optimum composition of the Board, differences in the skills, regional and industry experience, background, race, gender and other qualities of Directors will be taken into account. All Board appointments will be based on merit while taking into account diversity.

(ii) Measurable objectives: The Nomination Committee shall develop measurable objectives for implementing this policy and make recommendations to the Board. The Nomination Committee shall also review the progress of achieving these objectives as may be adopted by the Board from time to time.

Based on the business needs of the Group, the following measurable objectives have been set for implementing the policy:

(a) a prescribed proportion of Board members shall be non-executive Directors or independent non-executive Directors;

(b) a prescribed proportion of Board members shall have attained bachelor's degree or above;

(c) a prescribed proportion of Board members shall have obtained accounting or other professional qualifications;

(d) a prescribed proportion of Board members shall have more than seven years of experience in the industry he is specialised in; and

(e) a prescribed proportion of Board members shall have China-related work experience.

(iii) Implementation and monitoring: The Nomination Committee shall review the Board's composition including the skills, knowledge, experience and diversity of perspectives and the effectiveness of the board diversity policy and its measurable objectives at least annually. Based on its review, the Nomination Committee considers that the Company has achieved the measurable objectives set for implementing the board diversity policy of the Company.

During the year ended 31 December 2017, the Nomination Committee had held two meetings to review the structure, size and composition of the Board and the board committees. The attendance record of each member of the Nomination Committee at its meeting is set out below:

Name of Directors	Attendance/Number of meetings held
Executive Director:	
Mr. Shao Kwok Keung	2/2
Independent Non-executive Directors:	
Mr. Lam Kin Hung Patrick (Chairman of the Remuneration Committee)	2/2
Mr. Wong Che Man Eddy	2/2

(C) Audit Committee

The Company established the Audit Committee pursuant to a resolution of all Directors passed on 28 August 2009. The Audit Committee currently comprises three members, all being independent nonexecutive Directors, namely, Mr. Wong Che Man Eddy (chairman of the Audit Committee), Mr. Fung Ka Kin and Mr. Lam Kin Hung Patrick. The role and function of the Audit Committee are set out in its written terms of reference. The Audit Committee is delegated with the corporate governance functions under code provision D.3.1 of the CG Code. Please refer to the written terms of reference of the Audit Committee published on the websites of the Company and the Stock Exchange for further details.

The principal duties of the Audit Committee include:

On external audit:

- Making recommendations to the Board on appointment, reappointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- Reviewing and monitoring the external auditors' independence as well as the objectives and effectiveness of the audit process in accordance with applicable standards;
- Discussing with the external auditor before the audit commences the nature and scope of the audit and reporting obligations and ensuring co-ordination where more than one audit firm is involved; and
- Developing and implementing policy on the engagement of the external auditor to provide non audit services.

On financial information of the Company:

- Monitoring integrity of the interim and annual financial statements and interim and annual reports and accounts, and reviewing significant financial reporting judgements contained therein before submission to the Board, with a focus on the fairness and reasonableness of any connected transaction;
- Reviewing the Group's financial and accounting policies and practices;
- Reviewing the external auditors' management letter, any material queries raised by the auditor to the management in respect of accounting records, financial accounts or system of control and management response;
- Considering any significant or unusual items that are, or may need to be, reflected in the interim and annual reports and accounts and giving due consideration to any matters that have been raised by the Board; and
- Meeting with the external auditor of the Company at least once a year, and to discuss any problems or reservations arising from the interim and final audits, and any matters the auditors my wish to discuss (in the absence of the management where necessary).

CORPORATE GOVERNANCE REPORT

On internal control and risk management:

- Reviewing the Group's financial controls and its internal control and risk management system;
- Discussing with the Group's management the system of risk management and internal control and ensuring that the management has discharged its duty to have effective systems, including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and its training programs and budget;
- Considering any findings of major investigation of risk management and internal control matters as delegated by the Board or on its own initiative and management's responses thereto;
- Ensuring co-ordination between the internal and external auditors and that the internal audit function is adequately resourced and has appropriate standing within the Group; and
- Reporting to the Board on the matters raised in the CG Code.

On corporate governance functions:

- Reviewing the effectiveness of the Group's corporate governance policies and practices and to make recommendations to the Board;
- Ensuring that appropriate monitoring systems are in place to ensure compliance against the relevant internal controls systems, processes and policies;
- Reviewing and monitoring the Group's communication policy with its shareholders;
- Reviewing and monitoring the training and continuous professional development of directors and senior management of the Group;
- Reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements; and
- Reviewing the Company's compliance with the CG Code and disclosure in the corporate governance Report.

During the year ended 31 December 2017, the Audit Committee held three meetings to review the annual and interim results of the Company, the internal control and risk management of the Company and the corporate governance of the Company. The attendance record of each member of the Audit Committee at its meeting is set out below:

Name of Directors	Attendance/Number of meetings held
Independent Non-executive Director:	
Mr. Wong Che Man Eddy (Chairman of the Audit Committee)	3/3
Mr. Lam Kin Hung Patrick	3/3
Mr. Fung Ka Kin	3/3

AUDITORS' REMUNERATION

For the year ended 31 December 2017, the fees for services rendered by HLB Hodgson Impey Cheng Limited is set out below:

	Fees (RMB'000)
Audit services	5,346
Interim review	1,237
Other services	40
	6,623

COMPANY SECRETARY

The Company Secretary (Mr. Au Ki Lun) is responsible for facilitating the procedures of the Board of Directors of the Company and communications among Directors, between Directors and shareholders and among the management. A brief biography of the Company Secretary is set out in the section headed "Biography of Directors and Senior Management" of this annual report (page 20).

In 2017, the Company Secretary received more than 15 hours of training to upgrade his professional skills and expertise.

INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining a sound and effective internal control system for the Company to safeguard the investments of the shareholders and assets of the Company at all times.

The Board has conducted a review on the internal control system of the Group for the financial year ended 31 December 2017, details of which are set forth below:

(A) Internal Control System

The principal functions of the internal control system are to help achieve the Group's business objectives, safeguard assets and maintain proper accounting records for the provision of reliable financial information. The system is designed to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage rather than eliminate risks of failure when business objectives are being sought.

The following key processes have been adopted by the Board in reviewing the adequacy and integrity of the internal control system for the Group:

(1) Monitoring mechanisms and corporate culture

There are periodic meetings of the Board attended by the Directors. The Board committees and the management of the Company represent the main platform by which the Company's performance and behavior are monitored. The day-to-day business operations are entrusted to the CEO and the management team. Under the supervision of the CEO, the heads of all departments are empowered with the responsibilities to manage their respective operations.

The Board is responsible for setting the business direction and for overseeing the Group's operations with the aid of the various Board committees.

(2) Enterprise risk management framework

The Board recognises that an effective risk management framework will allow the Group to identify, evaluate and manage the risks that affect the achievement of the Group's objectives within defined risk parameters in a timely and effective manner.

The management of the Group is responsible for identifying the risks affecting the Group and evaluating the effectiveness of the existing controls to determine whether mitigation action shave to be formulated accordingly. Regular internal meetings are conducted by the Group's management to facilitate the exchange of views between the management team members on any issues which may give rise to external risks and internal risks. Upon identification of any risk, the management of the Group formulates action plan and assigns responsible person to execute the plan. In addition, the management is obliged to report to the Board on the progress and the result of all matters relating to the risks identified by the management.

(B) Internal Audit

The Group has engaged independent contractor Shinewing Risk Services Limited which is responsible for, among others, conducting independent reviews of the adequacy and effectiveness of the Group's internal audit. In addition, the Risk Control Department of the Group has regularly reports its review results to the Board through the Audit Committee.

(C) Weaknesses in the Internal Control System that Result in Material Losses

During the financial year under review, no weaknesses in internal control that resulted in material losses were identified. The management will continue to take adequate measures to strengthen the control environment in which the Company operates.

The improvement of internal control system is an on-going process and the Board maintains an on-going commitment to strengthen the Group's control environment and processes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Each of the Directors understands and acknowledges his responsibility for the preparation of the consolidated financial statements of the Company which give a true and fair view of the state of affairs of the Company and the Group in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements pursuant to the Hong Kong Companies Ordinance.

This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an on-going concern.

The auditors' statement about its reporting responsibilities on the financial statements is set out in the Independent Auditors' Report set out in pages 67 to 73 of this annual report.

COMPLIANCE AND ENFORCEMENT OF THE NON-COMPETE UNDERTAKING FROM CONTROLLING SHAREHOLDERS

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

CORPORATE GOVERNANCE REPORT

To protect the Group from potential competition, Mr. Chan Yuen Ming and Creative Sector Limited, being controlling shareholders of the Company (the "Controlling Shareholders"), have given an irrevocable non-compete undertaking (the "Non-compete Undertaking") in favour of the Company on 28 August 2009 pursuant to which each of the Controlling Shareholders has, among other matters, irrevocably and unconditionally undertaken with the Company on a joint and several basis that each of the Controlling Shareholders shall, and shall procure that their respective associates (other than the Group) shall, among other matters, not to, directly or indirectly, invest in, be engaged in or participate in any business or activity which would or might compete with the business of the Group. Details of the Non-compete Undertaking have been set out in the sub-paragraph headed "Non-Compete Undertaking" of the paragraph headed "Continuing Connected Transactions" under the section headed "Our relationship with SkyComm Group and our Controlling Shareholders" of the prospectus of the Company dated 4 September 2009 in respect of its initial public offering.

The Company has received the annual confirmations from each of the Controlling Shareholders in respect of their respective compliance with the terms of the Non-compete Undertaking.

In order to properly manage any potential or actual conflict of interests between the Company and the Controlling Shareholders in relation to the compliance and enforcement of the Non-compete Undertaking, the Company has adopted the following corporate governance measures:

a) the independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the Non-compete Undertaking by the Controlling Shareholders;

b) the Company will disclose any decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Non-compete Undertaking either through annual report or by way of announcement;

c) the Company will disclose in the corporate governance report of its annual report on how the terms of the Non-compete Undertaking have been complied with and enforced; and

d) in the event that any of the Directors and/or their respective associates has material interest in any matter to be deliberated by the Board in relation to the compliance and enforcement of the Non-compete Undertaking, he/she may not vote on the resolutions of the Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

The Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Controlling Shareholders and their respective associates and the Group and to protect the interests of the shareholders of the Company, in particular, the minority shareholders.

SHAREHOLDERS' RIGHTS

1. Procedures for shareholders to convene an extraordinary general meeting

The following procedures for shareholders ("Shareholders", each a "Shareholder") of the Company to convene an extraordinary general meeting ("EGM") of the Company are prepared in accordance with Article 64 of the Articles of Association:

(1) One or more Shareholders (the "Requisitionist(s)") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice, to require an EGM to be called by the Directors for the transaction of any business specified in such requisition.

(2) Such requisition shall be made in writing to the Board or the company secretary of the Company and deposited at the Company's head office and principal place of business in Hong Kong at Level 65, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

(3) The EGM shall be held within two months after the deposit of such requisition.

(4) If the Directors fail to proceed to convene such meeting within 21 days of the deposit of such requisition, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the Requisitionist(s) by the Company.

2. Procedures for raising enquiries

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, Union Registrars Limited, with contact details as follows:

Address:	Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong
Email:	enquiry@unionregistrars.com
Tel:	(852) 2849 3399
Fax:	(852) 2849 3319

Shareholders may raise enquiry in respect of the Company at the following designated contact, correspondence address, email address and enquiry hotlines of the Company:

Attention:	Mr. Au Ki Lun (Company Secretary)
Address:	Level 65, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.
Email:	oujilun@chinaallaccess.com
Tel:	(852) 3579 2368
Fax:	(852) 3579 2328

3. *Procedures for putting forward proposals at Shareholders' meetings*

(i) Proposal for election of a person other than a Director as a Director:

Pursuant to Article 110 of the Articles of Association, a Shareholder wishes to propose a person other than a Director for election as a Director at a general meeting (the "Election Proposal") should lodge, at least seven clear days before the date of the general meeting, (i) a written notice setting out the Election Proposal; and (ii) a written notice signed by the person to be proposed of his willingness to be elected, at either (a) the head office and principal place of business of the Company in Hong Kong at Room 805, Greenfield Tower, Concordia Plaza, 1 Science Museum Road, Tsimshatsui, Kowloon, Hong Kong, or (b) the branch share registrar and transfer office of the Company in Hong Kong, i.e. Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

Shareholders should follow the detailed procedures published on the Company's website in relation to making such Election Proposal.

(ii) Other Proposals:

If a Shareholder wishes to make other proposal (the "Proposal") at a general meeting, he/she may lodge a written request, duly signed, at the Company's the head office and principal place of business in Hong Kong at Level 65, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong marked for the attention of the Company Secretary. The identity of the Shareholder and his/her request will be verified with the Company's branch share registrar in Hong Kong and upon confirmation by the branch share registrar that the request is proper and in order and made by a Shareholder, the Board will in its sole discretion decide whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires approval in an annual general meeting of the Company;

(2) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution in an extraordinary general meeting of the Company;

(3) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of an ordinary resolution in an extraordinary general meeting of the Company.

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
HLB Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF CHINA ALL ACCESS (HOLDINGS) LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China All Access (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 74 to 186, 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 profit or loss and other 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 *Auditors' 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.

INDEPENDENT AUDITORS' REPORT

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on intangible assets and goodwill Refer to notes 14 and 15 to the consolidated financial statements. The Group's intangible assets of approximately RMB361,362,000 and goodwill of approximately RMB93,892,000 relating to, the business operation of solar electrical system with patents and the business operation of display and touch modules respectively. Management performed impairment assessment on intangible assets and goodwill and concluded that there is no impairment loss recognised in respect of intangible assets and goodwill. This conclusion was based on value in use model that required significant management judgement with respect to the discount rate and underlying cash flows, in particular future revenue growth and capital expenditure. Independent external valuations were obtained in order to support management's estimates.	Our audit procedures in relation to management's impairment assessment on intangible assets and goodwill include: • evaluating the independent valuers' competence, capabilities and objectivity; • assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the relevant industry and using our valuation experts; • challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and • checking, on sampling basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on trade and other receivables Refer to note 20 to the consolidated financial statements. As at 31 December 2017, the Group had trade and other receivables with carrying amounts of approximately RMB3,974,103,000. The determination as to whether a trade and other receivable is collectable involved high level of management's judgement. In determining whether there is objective evidence of impairment loss, management has considered specific factors including the aging analysis of the balances, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties.	Our audit procedures in relation to management's impairment assessment on trade and other receivables include: • evaluating management's impairment assessment including testing, on sampling basis, the underlying data used by management to assess the collectability of trade and other receivables, such as aging analysis of trade receivable and payments from customers; • testing the key aged balances where no provision was recognised to check if there were any objective evidences of impairment. These include checking, on sampling basis, of payments received subsequent to the end of the reporting period and reviewing historical payment patterns; • selecting, on sampling basis, of the significant trade and other receivables balances where allowance for doubtful debts was recognised and understanding the rationale behind management's judgement. In order to evaluate these judgements, we checked the aging analysis of these balances, the customers' historical payment patterns and payments subsequent to the end of the reporting period; and • assessing the overall allowance for doubtful debts, we also considered the consistency of the management's application of policy for recognising allowance for doubtful debts with the prior years. We considered the management's conclusion to be consistent with the available information.

INDEPENDENT AUDITORS' REPORT

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from provision of products and services in information and communication technology ("ICT")	
Refer to notes 3 and 5 to the consolidated financial statements. We identified revenue recognised from provision of products and services in ICT as a key audit matter as the revenue recognised is quantitatively significant to the consolidated statement of profit or loss and material revenue transactions may occur close to the end of the reporting period which require management's effort in verifying appropriate cut-off for goods transferred and/or services rendered. Revenue from provision of products and services in ICT is recognised when the products are delivered and title was passed and/or the services are rendered. The accounting policy for revenue recognition is disclosed in note 3 to the consolidated financial statements. The Group recognised revenue of approximately RMB2,375,904,000 from provision of products and services in ICT for the year ended 31 December 2017, which is disclosed in the consolidated statement of profit or loss and note 5 to the consolidated financial statements.	Our audit procedures in relation to revenue recognition from provision of products and services in ICT include: • obtaining an understanding of the revenue recognition process regarding provision of products and services in ICT; • performing test of details, on sampling basis, by comparing the details and amounts of the transactions selected with the details and amounts shown on the underlying documentation including the journal vouchers and sales invoices; • checking the terms set out in the relevant agreements; and assessing whether the, (i) significant risks and rewards of ownership of the products (revenue is substantially recognised from sales of goods); and/or (ii) services, of the revenue recognised have been transferred to the customers/are rendered respectively by reviewing the relevant documents, including the relevant notices such as delivery notices and acknowledgement to receipts, on sampling basis; and • testing the recognition of material sales transactions close to the end of the reporting period to assess whether those sales transactions were recognised in appropriate accounting period in accordance with the Group's revenue recognition policy. We found that the amounts and timing of the revenue recognition from provision of products and services in ICT were supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "Other Information").

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 THE DIRECTORS OF THE COMPANY AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' 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 auditors' 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.

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

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

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

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

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

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

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

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

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

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Yu Chi Fat.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Yu Chi Fat
Practising Certificate Number: P05467

Hong Kong, 29 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017
(Expressed in Renminbi)

	Notes	2017 RMB'000	2016 RMB'000
CONTINUING OPERATIONS			
Revenue	5	**2,688,395**	3,071,866
Cost of sales		**(2,224,192)**	(2,484,839)
Gross profit		**464,203**	587,027
Other revenue	7	**118,180**	14,499
Other net gain/(loss)	7	**12,675**	(5,160)
Distribution costs		**(12,775)**	(16,306)
Administrative expenses		**(208,848)**	(290,311)
Research and development expenses		**(13,105)**	(33,039)
Profit from continuing operations		**360,330**	256,710
Finance income	8	**82,098**	66,257
Finance costs	8	**(194,511)**	(207,613)
Gain on disposal of a subsidiary	38	**6,971**	—
Share of results of associates		**1,809**	(193)
Profit before taxation	8	**256,697**	115,161
Income tax expense	9	**(24,490)**	(37,591)
Profit for the year from continuing operations		**232,207**	77,570
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	10	**—**	153,484
Profit for the year		**232,207**	231,054
Profit for the year attributable to:			
Owners of the Company		**228,781**	228,894
Non-controlling interests		**3,426**	2,160
		232,207	231,054

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017
(Expressed in Renminbi)

	Notes	2017 RMB'000	2016 RMB'000
Attributable to owners of the Company arises from:			
Continuing operations		**228,781**	86,950
Discontinued operations		**—**	141,944
Profit for the year		**228,781**	228,894
Earnings per share			
From continuing and discontinued operations			
Basic (RMB)	12	**0.117**	0.123
Diluted (RMB)	12	**0.117**	0.120
From continuing operations			
Basic (RMB)	12	**0.117**	0.047
Diluted (RMB)	12	**0.117**	0.047

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017
(Expressed in Renminbi)

	2017 RMB'000	2016 RMB'000
Profit for the year	**232,207**	231,054
Other comprehensive (loss)/income for the year (after tax and reclassification adjustments):		
Items that will not be reclassified to profit or loss:		
Surplus on revaluation of property, plant and equipment	**—**	9,400
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements	**(30,971)**	14,446
Other comprehensive (loss)/income for the year	**(30,971)**	23,846
Total comprehensive income for the year	**201,236**	254,900
Total comprehensive income for the year attributable to:		
Owners of the Company	**197,046**	253,555
Non-controlling interests	**4,190**	1,345
Total comprehensive income for the year	**201,236**	254,900

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017
(Expressed in Renminbi)

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	13	**92,242**	77,614
Intangible assets	14	**381,386**	458,125
Goodwill	15	**93,892**	92,735
Prepaid land lease	16	**—**	70,236
Investment property	18	**27,668**	24,867
Other receivables	20	**—**	10,000
Prepayments	21	**—**	196,013
		595,188	929,590
Current assets			
Inventories	19	**156,235**	512,882
Trade and other receivables	20	**3,974,103**	3,182,490
Prepayments	21	**442,829**	350,881
Loans receivable	22	**125,385**	1,087,281
Discounted bills receivable	23	**58,100**	11,832
Bills receivable	24	**63,284**	47,989
Factored trade receivables	25	**—**	549,755
Available-for-sale financial assets	26	**10,000**	—
Restricted cash	27	**325,765**	497,551
Bank deposits with original maturities over three months		**1,040,985**	1,065,441
Cash and cash equivalents	28	**204,420**	48,573
		6,401,106	7,354,675

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017
(Expressed in Renminbi)

	Notes	2017 RMB'000	2016 RMB'000
Current liabilities			
Trade and other payables	29	**870,629**	1,342,068
Deferred income		**7,748**	12,192
Borrowings	30	**860,515**	1,248,739
Convertible bonds	31	**964,252**	—
Bank advances on discounted bills receivable	23	**58,100**	11,832
Bank advances on factored trade receivables	25	**—**	549,755
Income tax payable		**72,055**	228,456
		2,833,299	3,393,042
Net current assets		**3,567,807**	3,961,633
Total assets less current liabilities		**4,162,995**	4,891,223
Non-current liabilities			
Borrowings	30	**157,977**	50,992
Convertible bonds	31	**—**	948,356
Deferred income		**7,105**	7,184
Deferred tax liabilities	32	**7,398**	9,252
		172,480	1,015,784
NET ASSETS		**3,990,515**	3,875,439

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017
(Expressed in Renminbi)

	Notes	2017 RMB'000	2016 RMB'000
CAPITAL AND RESERVES			
Share capital	35	**16,993**	16,267
Reserves		**3,973,522**	3,869,059
Equity attributable to owners of the Company		**3,990,515**	3,885,326
Non-controlling interests		**—**	(9,887)
TOTAL EQUITY		**3,990,515**	3,875,439

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 March 2018 and signed on behalf by:

Mr. Chan Yuen Ming
Chairman and Executive Director

Mr. Shao Kwok Keung
Chief Executive Officer and Executive Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017
(Expressed in Renminbi)

		Attributable to owners of the Company											
	Notes	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Share-based compensation reserve RMB'000	Statutory general reserve RMB'000	Translation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016		15,468	1,442,505	104	164,155	424,433	–	78,200	(56,439)	1,225,542	3,293,968	223,983	3,517,951
Profit for the year		–	–	–	–	–	–	–	–	228,894	228,894	2,160	231,054
Other comprehensive income		–	–	–	–	9,400	–	–	15,261	–	24,661	(815)	23,846
Total comprehensive income		–	–	–	–	9,400	–	–	15,261	228,894	253,555	1,345	254,900
Conversion of convertible bonds		111	31,350	–	–	–	–	–	–	–	31,461	–	31,461
Redemption of convertible bonds		–	–	–	–	(4,475)	–	–	–	4,475	–	–	–
Non-controlling interests arising on change in ownership interests in subsidiaries without loss of control	36(a)	–	–	–	–	–	–	–	–	11,330	11,330	22,517	33,847
Disposal of subsidiaries	38	–	–	–	–	–	–	–	–	–	–	(257,732)	(257,732)
Acquisition of patents by equity shares		–	–	–	–	370,058	–	–	–	–	370,058	–	370,058
Issuance of consideration shares		688	179,828	–	–	(180,516)	–	–	–	–	–	–	–
Share-based payment expenses		–	–	–	–	–	15,673	–	–	–	15,673	–	15,673
Appropriation of reserve		–	–	–	–	–	–	11,873	–	(11,873)	–	–	–
Dividend approved and paid in respect of prior year	35(b)	–	(90,719)	–	–	–	–	–	–	–	(90,719)	–	(90,719)
Balance at 31 December 2016 and at 1 January 2017		**16,267**	**1,562,964**	**104**	**164,155**	**618,900**	**15,673**	**90,073**	**(41,178)**	**1,458,368**	**3,885,326**	**(9,887)**	**3,875,439**
Profit for the year		–	–	–	–	–	–	–	–	228,781	228,781	3,426	232,207
Other comprehensive (loss)/income		–	–	–	–	–	–	–	(31,735)	–	(31,735)	764	(30,971)
Total comprehensive (loss)/income		–	–	–	–	–	–	–	(31,735)	228,781	197,046	4,190	201,236
Issuance of consideration shares		726	188,412	–	–	(189,138)	–	–	–	–	–	–	–
Share-based payment expenses		–	–	–	–	–	11,540	–	–	–	11,540	–	11,540
Lapse of share options		–	–	–	–	–	(2,710)	–	–	2,710	–	–	–
Appropriation of reserve		–	–	–	–	–	–	5,137	–	(5,137)	–	–	–
Acquisition of additional interests in subsidiaries	36(b)	–	–	–	–	–	–	–	–	(61,178)	(61,178)	6,391	(54,787)
Disposal of a subsidiary	38	–	–	–	–	–	–	–	–	–	–	(694)	(694)
Dividend approved and paid in respect of prior year	35(b)	–	(42,219)	–	–	–	–	–	–	–	(42,219)	–	(42,219)
Balance at 31 December 2017		**16,993**	**1,709,157**	**104**	**164,155**	**429,762**	**24,503**	**95,210**	**(72,913)**	**1,623,544**	**3,990,515**	**–**	**3,990,515**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017
(Expressed in Renminbi)

	Notes	2017 RMB'000	2016 RMB'000
Operating activities			
Cash generated from operations	28	**1,111,581**	201,654
Tax paid:			
— Hong Kong Profits Tax paid		**(5,514)**	(2,611)
— PRC Enterprise Income Tax paid		**(178,280)**	(8,153)
Net cash generated from operating activities		**927,787**	190,890
Investing activities			
Purchase of property, plant and equipment	13	**(34,038)**	(23,101)
Purchase of intangible assets	14	**—**	(51,617)
Proceeds from disposal of property, plant and equipment		**1,686**	2,111
Proceed from change in shareholdings in subsidiaries		**—**	33,847
Net cash inflow from disposal of subsidiaries	38	**10,998**	454,395
Net cash inflow from acquisition of subsidiaries	39	**55,216**	—
Addition to structured deposits, net		**(235,000)**	(170,000)
Advance to entrusted loans		**(280,000)**	(100,000)
Repayment from entrusted loans		**200,000**	110,000
Withdrawal of bank deposits with original maturities over three months, net		**24,387**	27,559
Investment in available-for-sale financial assets		**(10,000)**	—
Interest received from bank deposits		**32,715**	35,536
Interest received from structured deposits		**17,538**	18,412
Interest received from entrusted loans and other receivables		**25,987**	20,128
Net cash (used in)/generated from investing activities		**(190,511)**	357,270

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017
(Expressed in Renminbi)

	Notes	2017 RMB'000	2016 RMB'000
Financing activities			
Proceeds from borrowings		280,178	1,155,997
Repayment of borrowings		(679,649)	(1,678,277)
Interest paid		(105,193)	(139,089)
Acquisition of additional interests in subsidiaries		(49,347)	—
Redemption of convertible bonds		—	(34,288)
Dividends paid to owners of the Company	35(b)	(42,219)	(90,719)
Net cash used in financing activities		(596,230)	(786,376)
Net increase/(decrease) in cash and cash equivalents		141,046	(238,216)
Cash and cash equivalents at the beginning of the reporting period	28	48,573	275,065
Effect of foreign exchange rate changes		14,801	11,724
Cash and cash equivalents at the end of the reporting period	28	204,420	48,573

The accompanying notes form an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017
(Expressed in Renminbi unless otherwise indicated)

1. GENERAL INFORMATION

China All Access (Holdings) Limited (the "Company") was incorporated in the Cayman Islands on 4 December 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands ("Cayman Companies Law"). The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 September 2009.

At 31 December 2017, the directors of the Company consider the immediate parent and ultimate holding company of the Company to be Creative Sector Limited, a company incorporated in the British Virgin Islands (the "BVI") with limited liability.

The functional currency of the Company is Hong Kong dollar ("HK$"). The consolidated financial statements are presented in Renminbi ("RMB") because the principal activities of the Company's subsidiaries (collectively with the Company referred to as the "Group") are carried out in the People's Republic of China (the "PRC"), and all values are rounded to the nearest thousand (RMB'000) unless otherwise indicated.

The principal activity of the Company is investment holding and details principal activities of the Company's subsidiaries are set out in note 40 to the consolidated financial statements.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied, for the first time, the following new and revised standards and interpretations (collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning from 1 January 2017. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle relating to Amendments to HKFRS 12 *Disclosure of Interests in Other Entities*

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

(Expressed in Renminbi unless otherwise indicated)

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

Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

Amendments to HKAS 7 *Disclosure Initiative*

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

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

New and revised HKFRSs in issue but not yet effective

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

HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures[2]
HKAS 40 (Amendments)	Transfers of Investment Property[1]
HKFRSs (Amendments)	Annual Improvements to HKFRS 2014-2016 Cycle except HKFRS 12 (Amendments)[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle[2]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[1]
HKFRS 4 (Amendments)	Applying HKFRS 9 *Financial Instruments* with HKFRS 4 *Insurance Contracts*[1]
HKFRS 9	Financial Instruments[1]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.
4 Effective for annual periods beginning on or after a date to be determined.

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

HKFRS 9 Financial Instruments

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

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

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

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss ("FVTPL"), HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39 *Financial Instruments: Recognition and Measurement*, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss;

- for non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows and discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amounts of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification. Currently the Group revises the effective interest rate for non-substantial modification of financial liabilities with no gain/loss being recognised in profit or loss; and

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

HKFRS 9 Financial Instruments *(Continued)*

Key requirements of HKFRS 9 which are relevant to the Group are: *(Continued)*

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

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

Classification and measurement:

- Debt securities classified as available-for-sale ("AFS") financial assets carried at cost less impairment: these securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the Group plans not to elect the option for designating these securities to be measured at FVTOCI and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss.

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

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group. However, the directors of the Company do not anticipate that the application of the expected credit loss model of HKFRS 9 will have material impact to the opening retained earnings as at 1 January 2018.

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

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

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

The application of HKFRS 15 may result in the identification of more separate performance obligations for some of the relevant projects, depending on the nature of individual customer contracts during the reporting period. The primary impact on revenue reporting will be that when the Group determines that there are separate performance obligations in these projects, revenues will be recognised separately for the hardware/software and service components on a relative standalone selling price basis at a point in time or over time. In addition, the Group has to determine if it acts as principal or agent for each of the performance obligations identified depending on whether the Group controls the specified goods or services before they are transferred to the customer. These changes could affect the amount, timing and pattern of the revenue recognition. The profit recognised by the Group over the full contract period is not expected to be materially affected.

In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

The directors of the Company intend to apply the limited retrospective method with cumulative effect of initial application recognised in opening balance of retained earnings at 1 January 2018.

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

HKFRS 16 Leases

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

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

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

At 31 December 2017, the Group has non-cancellable operating lease commitments of approximately RMB9,116,000 as disclosed in note 41(b) to the consolidated financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

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

HKFRS 16 Leases (Continued)

In addition, the Group currently considers refundable rental deposits paid of approximately RMB4,140,000 and refundable rental deposits received of approximately RMB17,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

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

Except as described above, the directors of the Company do not anticipate that the application of other new and revised HKFRSs in issue but not yet effective will have a material impact on the Group's financial performance and financial positions.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the disclosure requirements of the Hong Kong Companies Ordinance.

(b) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for investment property, as explained in the accounting policies below.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation *(Continued)*

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017
(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

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

Changes in ownership interests in existing subsidiaries without loss of control

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, together with the fair value of any contingent consideration payable.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities acquired is recorded as goodwill. Where the fair values of the identifiable net assets and contingent liabilities acquired have been determined provisionally, or where contingent or deferred consideration is payable, adjustments arising from their subsequent finalisation are not reflected in the statement of profit or loss if (i) they arise within 12 months of the acquisition date and (ii) the adjustments arise from better information about conditions existing at the acquisition date (measurement period adjustments). Such adjustments are applied as at the date of acquisition and if applicable, prior period amounts are restated.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Business combinations *(Continued)*

All changes that are not measurement period adjustments are reported in income other than changes in contingent consideration not classified as financial instruments, which are accounted for in accordance with the appropriate accounting policy, and changes in contingent consideration classified as equity, which is not remeasured.

(e) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Interests in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(f) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recognised at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Associates *(Continued)*

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

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(g) Goodwill

Goodwill arising on acquisition of business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any, and is presented separately in consolidated statement of the financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the CGU may be impaired. For goodwill arising on an acquisition during the reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of the reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis based on the carrying amount of each asset in the CGU. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of the gain or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Asset held under a finance lease is depreciated over its expected useful lives on the same basis as owned asset. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, asset is depreciated over the shorter of the lease term and their useful lives.

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

—	Buildings held for own use	Over the lease term or 50 years
—	Leasehold improvements	Over the lease term or 10 years
—	Electronic equipment	3-5 years
—	Office equipment	5 years
—	Computer software	5 years
—	Motor vehicles	5-10 years
—	Machinery equipment	5-10 years

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) 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.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses, if any. Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses, if any. Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

—	Technology know-how	3-5 years
—	Customer relationship	9 years
—	Backlog	1-2 years
—	License agreement (including patents)	3-12 years
—	Trademark	5 years

The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Intangible assets that allocate the amortisation using unit of production method are on the basis of the expected pattern of consumption of the expected future economic benefits embodied in the asset. The method is applied consistently from period to period, unless there is a change in the expected pattern of consumption of those future economic benefits. The future economic benefits embodied in an asset are absorbed in producing other assets. In this case, the amortisation charge constitutes part of the cost of the other asset and is included in its carrying amount.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Intangible assets *(Continued)*

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset.

(j) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of tangible and intangible assets other than goodwill *(Continued)*

Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34 *Interim Financial Reporting*. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Investment property

Investment property is property held to earn rental. On initial recognition, investment property are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property is included in profit or loss for the period in which they arise.

An owner-occupied property is transferred from property, plant and equipment to investment property at fair value when it is evidenced by the end of owner-occupation. The difference between the carrying amount and the fair value at the date of transfer is recognised in other comprehensive income and accounted for as a revaluation increase or decrease in accordance with HKAS 16 *Property, Plant and Equipment*. On the subsequent sale or retirement of assets, the capital reserve is transferred directly to retained earnings.

(l) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. 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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified into the following specified categories: AFS financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

AFS financial assets

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

Debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method are recognised in profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, loans receivable, discounted bills receivable, factored trade receivables, bills receivable, restricted cash, bank deposits with original maturities over three months and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any identified impairment losses.

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

Impairment of financial assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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

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

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

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

In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss, if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Classification as financial liabilities or equity

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

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables (exclude receipt in advance), borrowings, convertible bonds, bank advances on discounted bills receivable and bank advances on factored trade receivables) are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds contain equity component

The component parts of the convertible bonds are classified separately as financial liability and equity (recognised as 'capital reserve') in accordance with the substance of the contractual arrangements and the definition of a financial liability and an equity instruments. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible bonds contain equity component *(Continued)*

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effect, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at maturity date of the convertible bonds, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity component in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Convertible bonds contain debt and derivative components

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial instruments *(Continued)*

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payment to reimburse the holder for a loss it incurs because debtor fails to make payment when due in accordance with the terms of a debt instruments.

Financial guarantee contracts issued by the Company are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition

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

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

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial instruments *(Continued)*

Derecognition *(Continued)*

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

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand which are not restricted as to use, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) *Employee benefits* *(Continued)*

(ii) Defined benefit retirement plan obligations

Payments to Mandatory Provident Fund Scheme (the "MPF Scheme") and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

The Group operates a MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employers' contributions subject to a cap of monthly relevant income of HK$30,000. The Group's contributions to the scheme are expensed as incurred and vested in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

The employees employed by the Group's subsidiaries in PRC are members of state-managed retirement benefit schemes operated by the government of the PRC. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the government of the PRC is to make the specified contributions under the schemes.

(iii) Share-based payments

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in share-based compensation reserve.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Taxation

Income tax expense for the year comprises current tax and movements in deferred tax assets and liabilities.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and 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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) *Taxation* *(Continued)*

Deferred tax *(Continued)*

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

Current and deferred tax for the year

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

(q) *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(r) *Contingent liabilities and contingent assets*

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. When inflow is virtually certain, an asset is recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of value added tax or other sales taxes, returns and allowances and trade discounts. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Integrated system revenue in respect of a turnkey project is recognised upon completion of each of the separately specified stages of the project provided that the customer has issued an inspection certificate to indicate its acceptance of the services and works provided.

Revenue from system operation management, application upgrade and system maintenance services is recognised once the relevant service has been rendered to customers.

Rental income from operating lease is recognised on a straight-line basis over the lease term.

Interest income is recognised as it accrues using the effective interest method.

(t) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the group will comply with the conditions attaching to them. Grants that compensate the group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Leases

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Asset held under a finance lease is initially recognised as asset of the Group at its fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments.

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(v) Translation of foreign currencies

Items included in the financial statements of group entity are measured in the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the date of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(x) Related parties

(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 of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

(i) the entity and the Group 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;

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Related parties *(Continued)*

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

(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); or

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

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(z) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated statement of profit or loss, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

4. ACCOUNTING JUDGEMENTS AND ESTIMATES

Critical accounting judgement

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

(i) Fair value of investment property

The Group's investment property is stated at fair value based on the valuation performed by an independent firm of surveyors. In determining the fair value, the surveyors have based on methods of valuation which involve certain estimates. In relying on the valuation report, the management has exercised its judgement and is satisfied that the methods of valuation are reflective of the current market conditions. Should there be changes in assumptions due to change in market conditions, the fair value of the investment property will change in future.

(ii) Deferred tax on investment property

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment property that is measured using the fair value model, the management have reviewed the Group's investment property portfolio and concluded that the Group's investment property is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Therefore, in measuring the Group's deferred tax on investment property, the management have determined that the presumption that the carrying amount of investment property measured using the fair value model is recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred tax on changes in fair value of investment property as the Group are not subject to any income taxes on disposal of investment property.

Key sources of estimation uncertainty

The methods, estimates and judgements the directors of the Company used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. Key sources of estimation uncertainty are as follows:

(i) Impairment of property, plant and equipment

The Group reviews the carrying amounts of the assets at the end of each reporting period to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cash flow to assess the differences between the carrying amount and value in use and provided for impairment loss. Any change in the assumptions adopted in the cash flow forecasts would increase or decrease in the provision of impairment loss and affect the Group's results in future years.

4. ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(ii) Impairment of trade receivables

Impairment losses for bad and doubtful debts are assessed and provided for based on the directors of the Company' regular review of aging analysis and evaluation of collectability. A considerable level of judgement is exercised by the directors of the Company when assessing the credit worthiness and past collection history of each individual customer. An increase or a decrease in the impairment loss would affect the Group's results in future years.

(iii) Net realisable value of inventories

The Group reviews the carrying amounts of the inventories at the end of each reporting period to determine whether the inventories are carried at lower of cost and net realisable value. Management estimates the net realisable value based on current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's results in future years.

(iv) Impairment of intangible assets and goodwill

Determining whether intangible assets and goodwill have been impaired requires an estimation of the value in use of the CGU to which they have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. Any change in the estimates would increase or decrease in the provision of impairment loss and affect the Group's results in future years.

(v) Income tax

The Group is subject to Hong Kong Profits Tax and PRC Enterprise Income Tax. Judgement is required in determining the provision for income tax. There are transactions during the ordinary course of business, for which calculation of the ultimate tax determination is uncertain. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Recognition of deferred tax depends on the management's expectation of future taxable profit that will be available. The outcome of their actual utilisation may be different.

5. REVENUE

The principal activities of the Group are the provision of products and services in Information and Communication Technology ("ICT") segment, new energy ("New Energy") segment and investment activities. ICT consists of project design, sourcing terminals from external suppliers, development and distribution of terminals and equipment, designing applications pursuant to customer specifications, installation and testing, and application service provision including system operations management, application upgrade and system maintenance. New Energy consists of research and development, installation and application of service for increasing the luminous flux per unit area for photovoltaic plants. Investment activities represent revenue generated from interest from facilitating capital to supply stream.

	2017 RMB'000	2016 RMB'000
Continuing operations:		
ICT	**2,375,904**	2,937,909
New Energy	**177,346**	—
Investment activities	**135,145**	133,957
	2,688,395	3,071,866

6. SEGMENT REPORTING

The Group manages its businesses by divisions which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments:

— ICT: including but not limited to the services provided in the field of unified communications and integration of telecommunications, computers as well as necessary enterprise software, middleware, storage, and audio-visual systems, which enable users to access, store, transmit, and manipulate information. During the year, the Group has engaged in (1) system design, installation, testing, software development, provision of application services for satellite and wireless communication, (2) distribution of satellite receivers and equipment, and (3) research and development, manufacture and distribution of wireless terminals and equipment, including display modules, casings and keyboards.

— New Energy: including but not limited to development, investment, operation and management of solar power plants. During the year, the Group has engaged in research and development, installation and application of devices for increasing the luminous flux per unit area for photovoltaic plants.

— Investment activities: revenue generated from interest earned from provision of facilitating capital to supply steam and investment returns generated from direct investment and high yield treasury products.

6. SEGMENT REPORTING *(Continued)*

(a) *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

All assets and liabilities are allocated to the reportable segments with the exception of other corporate assets and liabilities, certain communication equipment which is jointly used by all reportable segments, convertible bonds, income tax payable and deferred tax liabilities.

Revenue and expenses are allocated to the reportable segments with reference to profit earned by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, assistance provided by one segment to another, including sharing of assets, is not measured.

The measure used for reporting segment profit is "segment operating profit". Segment operating profit includes the gross profit generated by the segment, certain distribution costs, administrative expenses and finance costs directly attributable to the segment. Items that are not specifically attributable to individual segments, such as partial other revenue, partial other net gain/(loss), other corporate administrative expenses, finance income, partial finance costs, gain on disposal of a subsidiary and share of results of associates, are excluded from segment operating profit.

In addition to receiving segment information concerning segment operating profit, management is provided with segment information concerning revenue, assets and liabilities used by the segments in their operations.

	ICT		New Energy		Investment activities		Total	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Reportable segment revenue (Note)	**2,375,904**	2,937,909	**177,346**	–	**135,145**	133,957	**2,688,395**	3,071,866
Segment operating profit	**201,852**	453,070	**59,162**	–	**135,145**	133,957	**396,159**	587,027
Other revenue							**4,348**	14,499
Other net gain/(loss)							**5,378**	(5,160)
Finance income							**82,098**	66,257
Finance costs							**(154,588)**	(207,613)
Gain on disposal of a subsidiary							**6,971**	–
Share of results of associates							**1,809**	(193)
Other corporate expenses							**(85,478)**	(339,656)
Profit before taxation							**256,697**	115,161

Note: Segment revenue reported above represents revenue generated from external customers. There were no inter-segment revenue in both years.

6. SEGMENT REPORTING *(Continued)*

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

	2017 RMB'000	2016 RMB'000
Assets		
Reportable segment assets:		
— ICT	**5,422,625**	5,487,943
— New Energy	**492,776**	458,125
— Investment activities	**818,545**	1,865,102
Reportable segment assets	**6,733,946**	7,811,170
Unallocated assets	**262,348**	473,095
Total assets	**6,996,294**	8,284,265
Liabilities		
Reportable segment liabilities:		
— ICT	**1,454,238**	3,002,775
— New Energy	**37,966**	—
— Investment activities	**—**	—
Reportable segment liabilities	**1,492,204**	3,002,775
Unallocated liabilities	**1,513,575**	1,406,051
Total liabilities	**3,005,779**	4,408,826

6. SEGMENT REPORTING *(Continued)*

(b) Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

	ICT		New Energy		Investment activities		Unallocated		Total	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Depreciation and amortisation	**32,985**	32,803	**33,243**	16,472	**–**	–	**1,309**	6,781	**67,537**	56,056
Impairment loss recognised in respect of trade receivables	**8,736**	78,917	**–**	–	**–**	–	**–**	–	**8,736**	78,917
Reversal of impairment loss recognised in respect of trade receivables	**(91,879)**	–	**–**	–	**–**	–	**–**	–	**(91,879)**	–
Write-down of obsolete inventories	**7,995**	1,125	**–**	–	**–**	–	**–**	–	**7,995**	1,125
Reversal of write-down of obsolete inventories	**–**	(38,740)	**–**	–	**–**	–	**–**	–	**–**	(38,740)
Finance costs	**39,923**	–	**–**	–	**–**	–	**154,588**	207,613	**194,511**	207,613
Addition to non-current assets (Note)	**34,192**	22,876	**5**	421,675	**1,026**	–	**–**	225	**35,223**	444,776

Note: Addition to non-current assets represents addition to property, plant and equipment, intangible assets and goodwill.

Information about major customers

Revenue from customers amounting to 10% or more of the Group's revenue is set out below.

	2017 RMB'000	2016 RMB'000
Customer A[1]	**636,869**	797,312
Customer B[2]	**274,378**	—
Customer C[1]	**N/A[3]**	384,711
Customer D[1]	**N/A[3]**	398,445

1 Revenue generated from Customer A, Customer C and Customer D are attributable to ICT.

2 Revenue generated from Customer B is attributable to ICT and New Energy.

3 The corresponding revenue did not contributed over 10% of the total revenue from continuing operations during the year ended 31 December 2017.

No other customers contributed 10% or more to the Group's total revenue from continuing operations for both years.

6. SEGMENT REPORTING *(Continued)*

(c) *Geographical segments*

Substantially all of the Group's activities are based in the PRC and majority of the Group's revenue and operational assets are derived from and located in the PRC for both years.

7. OTHER REVENUE AND NET GAIN/(LOSS)

	2017 RMB'000	2016 RMB'000
Continuing operations:		
Other revenue		
Government subsidy	17,802	12,155
Reversal of impairment loss recognised in respect of trade receivables	91,879	—
Waiver of loan interest payables	3,911	—
Others	4,588	2,344
	118,180	14,499
Other net gain/(loss)		
Loss on disposal of property, plant and equipment	(1,169)	(315)
Exchange gain/(loss), net	2,031	(3,161)
Gain on remeasurement of pre-existing interest in an associate to acquisition date fair value	8,391	—
Gain on fair value change of investment property	4,585	343
Others	(1,163)	(2,027)
	12,675	(5,160)

8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after:

(a) Finance income

	2017 RMB'000	2016 RMB'000
Continuing operations:		
Interest income from entrusted loans	25,835	20,047
Interest income from bank deposits	23,238	31,172
Interest income from structured deposits and other receivables	33,025	15,038
	82,098	66,257

(b) Finance costs

	2017 RMB'000	2016 RMB'000
Continuing operations:		
Interest on borrowings	93,386	92,036
Interest on discounted bills receivable	3,774	5,232
Imputed interest on convertible bonds (note 31)	80,741	96,419
Interest on factored trade receivables	12,905	7,384
Bank charges	3,705	3,553
Net loss on early redemption of convertible bonds	—	2,704
Change in fair value of derivative component of convertible bonds	—	285
	194,511	207,613

8. PROFIT BEFORE TAXATION *(Continued)*

(c) Other items

	2017 RMB'000	2016 RMB'000
Continuing operations:		
Cost of inventories sold	**2,159,970**	2,317,914
Depreciation of property, plant and equipment	**16,326**	16,095
Amortisation of intangible assets	**50,254**	38,897
Amortisation of prepaid land lease	**957**	1,064
Write-down of obsolete inventories (included in cost of sales)	**7,995**	1,125
Reversal of write-down of obsolete inventories (included in cost of sales)	**—**	(38,740)
Impairment loss recognised in respect of trade receivables	**8,736**	78,917
Auditors' remuneration:		
— Audit service	**5,346**	4,500
— Non-audit services	**1,277**	1,841
	6,623	6,341
Operating lease charges in respect of leased premises	**21,615**	12,927
Gross rental income from investment property	**(124)**	(99)
Less: Direct operating expenses from investment property that generated rental income during the year	**93**	84
Direct operating expenses from investment property that did not generate rental income during the year	**59**	43
	28	28

(d) Staff costs (excluding directors' remuneration)

	2017 RMB'000	2016 RMB'000
Continuing operations:		
Salaries, wages and other benefits	**118,371**	137,973
Share-based payment expenses	**8,150**	9,609
Retirement benefit scheme contributions	**10,255**	9,189
	136,776	156,771

9. INCOME TAX EXPENSE

Income tax expense in the consolidated statement of profit or loss represents:

	2017 RMB'000	2016 RMB'000
Continuing operations:		
Current tax — Hong Kong Profits Tax		
Provision for the year	15,770	2,611
Over-provision in prior years	(13,137)	—
	2,633	2,611
Current tax — PRC Enterprise Income Tax		
Provision for the year	26,517	37,137
Over-provision in prior years	(2,806)	(6,372)
	23,711	30,765
Deferred tax		
(Credit)/charge for the year	(1,854)	4,215
	24,490	37,591

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years, except for 河北諾特通信技術有限公司 (Hebei Noter Communication Technology Co., Limited*) ("Hebei Noter"), 北京全通諾特通信技術有限公司 (Beijing All Access Noter Communication Technology Co., Limited*) ("Beijing All Access"), 深圳市立德通訊器材有限公司 (Shenzhen Lead Communications Limited*) ("Shenzhen Lead") and 深圳市康銓機電有限公司 (Shenzhen Kangquan Mechanical and Electrical Co., Limited*) ("Shenzhen Kangquan") which qualified as High and New Technology Enterprises and entitled to the preferential tax rate of 15% from 2015 to 2017, 2015 to 2017, 2017 to 2020 and 2016 to 2019 respectively.

* *for identification purposes only*

9. INCOME TAX EXPENSE *(Continued)*

Reconciliation between income tax expense and profit before taxation:

	2017 RMB'000	2016 RMB'000
Continuing operations:		
Profit before taxation	**256,697**	115,161
Tax calculated at tax rates applicable to the jurisdictions concerned	**67,011**	26,087
Tax effect of tax concession	**(26,693)**	(13,326)
Tax effect of non-taxable income	**(22,899)**	(8,407)
Tax effect of non-deductible expenses	**27,107**	39,352
Tax effect of estimated tax losses not recognised	**8,400**	257
Tax effect of utilisation of estimated tax losses not recognised	**(12,493)**	—
Over-provision in prior years	**(15,943)**	(6,372)
	24,490	37,591

10. DISCONTINUED OPERATIONS

On 14 August 2015, the Group entered into a sale agreement to dispose of a subsidiary for a total consideration of RMB702,000,000, namely Shenzhen Xing Fei Technology Co., Ltd (together with its subsidiaries, the "Xingfei Group"), which carried out a part of the Group's wireless data communication application solutions and services operations. The disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The transaction was completed on 21 January 2016. Details of the assets and liabilities disposed of, and the calculation on the profit or loss on disposal are disclosed in note 38 to the consolidated financial statements.

The results of the discontinued operations are as follow:

	Period from 1 January 2016 to 21 January 2016 RMB'000
Revenue	403,729
Cost of sales	(374,360)
Gross profit	29,369
Other revenue	44
Other net loss	(17)
Distribution costs	(204)
Administrative expenses	(704)
Research and development expenses	(447)
Profit from discontinued operations	28,041
Finance costs	(463)
Gain on disposal of Xingfei Group	160,824
Profit before taxation	188,402
Income tax	(34,918)
Profit for the period from discontinued operations	153,484

10. DISCONTINUED OPERATIONS *(Continued)*

The cash flows of the discontinued operations are as follow:

	Period from 1 January 2016 to 21 January 2016 RMB'000
Net cash used in operating activities	(3,329)
Net cash used in financing activities	(463)
Net cash outflows	(3,792)

The calculation of basic and diluted earnings per share for discontinued operations for the year ended 31 December 2016 is based on the profit for the period from discontinued operations attributable to owners of the Company of approximately RMB141,944,000 and the weighted average number of shares of approximately 1,867,779,000 in issue throughout the year.

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Directors' remuneration disclosed pursuant to applicable Listing Rules and the disclosure requirement of the Hong Kong Companies Ordinances, is as follows:

	For the year ended 31 December 2017				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Share-based payment expenses RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors					
Chan Yuen Ming	**104**	**2,994**	**—**	**16**	**3,114**
Shao Kwok Keung	**104**	**2,318**	**1,907**	**16**	**4,345**
Xiu Zhi Bao	**104**	**512**	**1,483**	**54**	**2,153**
Yan Wei	**104**	**208**	**—**	**10**	**322**
Tian Zheng	**104**	**208**	**—**	**10**	**322**
Independent non-executive directors					
Wong Che Man, Eddy	**260**	**—**	**—**	**—**	**260**
Lam Kin Hung, Patrick	**260**	**—**	**—**	**—**	**260**
Fung Ka Kin	**260**	**—**	**—**	**—**	**260**
	1,300	**6,240**	**3,390**	**106**	**11,036**

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(Continued)

	For the year ended 31 December 2016				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Share-based payment expenses RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors					
Chan Yuen Ming	103	2,772	—	15	2,890
Shao Kwok Keung	103	1,990	3,411	15	5,519
Xiu Zhi Bao	103	420	2,653	11	3,187
Yan Wei	103	204	—	11	318
Tian Zheng	103	204	—	11	318
Independent non-executive directors					
Wong Che Man, Eddy	257	—	—	—	257
Lam Kin Hung, Patrick	257	—	—	—	257
Fung Ka Kin (appointed on 1 April 2016)	193	—	—	—	193
Pun Yan Chak (resigned on 14 June 2016)	117	—	—	—	117
	1,339	5,590	6,064	63	13,056

Mr. Shao Kwok Keung is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

No emoluments have been paid to any directors or any five highest paid individuals set out below as an inducement to join or upon joining the Group or as compensation for loss of office for the current and prior years.

No directors waived or agreed to waive any emoluments during both years.

Except as disclosed in note 43 to the consolidated financial statements, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(Continued)

The five highest paid individuals included three (2016: two) directors whose emoluments are disclosed aboved. The aggregate of the emoluments in respect of the other two (2016: three) individuals are as follows:

	2017 RMB'000	2016 RMB'000
Salaries, wages and other benefits	3,590	3,955
Share-based payment expenses	1,112	1,964
Retirement benefit scheme contributions	23	99
	4,725	6,018

The aggregated emoluments of the above individuals fell within the following bands:

	Number of individual	
	2017	2016
Nil to RMB1,000,000	—	—
RMB1,000,001 to RMB2,000,000	1	3
RMB2,000,001 to RMB3,000,000	1	—

The above individuals include one (2016: one) senior management as disclosed in the section headed "Biography of Directors and Senior Management".

12. EARNINGS PER SHARE

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

For continuing and discontinued operations

	2017 RMB'000	2016 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	228,781	228,894
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds, net of tax	—	61,257
Earnings for the purpose of diluted earnings per share	228,781	290,151

	2017 '000	2016 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,953,926	1,867,779
Effect of dilutive potential ordinary shares:		
Convertible bonds	—	511,573
Contingent issuable shares	—	36,822
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,953,926	2,416,174

During the year ended 31 December 2017, both basic and diluted earnings per share are the same for continuing and discontinued operations.

As the Company's outstanding share options where applicable had an anti-dilutive effect to the basic earnings per share calculation for the years ended 31 December 2017 and 2016, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted earnings per share.

As the Company's outstanding convertible bonds where applicable had an anti-dilutive effect to the basic earnings per share calculation for the year ended 31 December 2017, the conversion of the above potential ordinary shares is not assumed in the calculation of diluted earnings per share.

12. EARNINGS PER SHARE *(Continued)*

For continuing operations

	2017 RMB'000	2016 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**228,781**	86,960

The denominators used are same as those described above for calculation of basic earnings per share from continuing and discontinued operations in both years.

During the year ended 31 December 2017, both basic and diluted earnings per share are the same for continuing operations.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings held for own use RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Computer software RMB'000	Motor vehicles RMB'000	Machinery equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost:								
At 1 January 2016	28,007	55,466	9,582	7,941	24,521	34,343	4,792	164,652
Additions	–	228	241	104	–	20,112	2,416	23,101
Surplus on revaluation recognised in other comprehensive income	9,400	–	–	–	–	–	–	9,400
Transferred to investment property (note 18)	(25,462)	–	–	–	–	–	–	(25,462)
Disposals	–	(181)	–	(1,260)	(1,659)	(3,655)	–	(6,755)
Exchange alignment	78	30	185	–	233	–	–	526
At 31 December 2016 and at 1 January 2017	**12,023**	**55,543**	**10,008**	**6,785**	**23,095**	**50,800**	**7,208**	**165,462**
Additions	**–**	**559**	**359**	**169**	**3,705**	**25,269**	**3,977**	**34,038**
Acquisition through business combination (note 39)	**–**	**–**	**28**	**–**	**–**	**–**	**–**	**28**
Disposals	**–**	**(7,569)**	**(1,052)**	**–**	**(1,981)**	**(3,491)**	**–**	**(14,093)**
Exchange alignment	**–**	**(31)**	**(36)**	**–**	**(223)**	**–**	**(161)**	**(451)**
At 31 December 2017	**12,023**	**48,502**	**9,307**	**6,954**	**24,596**	**72,578**	**11,024**	**184,984**
Accumulated depreciation:								
At 1 January 2016	4,415	47,342	5,219	6,587	7,940	3,795	3,006	78,304
Charge for the year	495	782	767	744	2,411	8,965	1,931	16,095
Elimination upon transfer to investment property (note 18)	(2,394)	–	–	–	–	–	–	(2,394)
Written back upon disposals	–	(121)	–	(1,248)	(990)	(1,970)	–	(4,329)
Exchange alignment	10	28	63	–	71	–	–	172
At 31 December 2016 and at 1 January 2017	**2,526**	**48,031**	**6,049**	**6,083**	**9,432**	**10,790**	**4,937**	**87,848**
Charge for the year	**461**	**2,825**	**286**	**653**	**2,580**	**8,252**	**1,269**	**16,326**
Written back upon disposals	**–**	**(7,059)**	**(872)**	**–**	**(1,237)**	**(2,070)**	**–**	**(11,238)**
Exchange alignment	**–**	**(29)**	**(21)**	**–**	**(76)**	**–**	**(68)**	**(194)**
At 31 December 2017	**2,987**	**43,768**	**5,442**	**6,736**	**10,699**	**16,972**	**6,138**	**92,742**
Carrying amounts:								
At 31 December 2017	**9,036**	**4,734**	**3,865**	**218**	**13,897**	**55,606**	**4,886**	**92,242**
At 31 December 2016	9,497	7,512	3,959	702	13,663	40,010	2,271	77,614

The carrying amounts of motor vehicles held under finance leases as at 31 December 2017 amounted to approximately RMB1,616,000 (2016: RMB2,063,000).

At 31 December 2017, building held for own use with carrying amount of approximately RMB9,036,000 (2016:RMB9,497,000) is pledged for the Group's borrowings (note 30 to the consolidated financial statements).

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

At 1 February 2016, building located in Hong Kong under medium-term leases with carrying amounts of approximately RMB13,668,000 was transferred to investment property as change of usage by the end of owner-occupation. A gain on revaluation of property of approximately RMB9,400,000 was recognised in capital reserve, which was determined on the basis of a valuation carried out by an independent firm of surveyors, Greater China Appraisal Limited, at fair value of RMB23,068,000.

14. INTANGIBLE ASSETS

	Technology know-how RMB'000	Customer relationship RMB'000	Backlog RMB'000	License agreement RMB'000	Trademark RMB'000	Total RMB'000
Cost:						
At 1 January 2016	81,735	67,077	510	1,223	45	150,590
Addition (Note)	–	–	–	421,675	–	421,675
Exchange alignment	–	–	–	16,630	–	16,630
At 31 December 2016 and at 1 January 2017	**81,735**	**67,077**	**510**	**439,528**	**45**	**588,895**
Exchange alignment	**–**	**–**	**–**	**(28,714)**	**–**	**(28,714)**
At 31 December 2017	**81,735**	**67,077**	**510**	**410,814**	**45**	**560,181**
Accumulated amortisation and impairment:						
At 1 January 2016	52,321	37,066	510	1,223	10	91,130
Charge for the year	17,414	5,002	–	16,472	9	38,897
Exchange alignment	–	–	–	743	–	743
At 31 December 2016 and at 1 January 2017	**69,735**	**42,068**	**510**	**18,438**	**19**	**130,770**
Charge for the year	**12,000**	**5,002**	**–**	**33,243**	**9**	**50,254**
Exchange alignment	**–**	**–**	**–**	**(2,229)**	**–**	**(2,229)**
At 31 December 2017	**81,735**	**47,070**	**510**	**49,452**	**28**	**178,795**
Carrying amounts:						
At 31 December 2017	**–**	**20,007**	**–**	**361,362**	**17**	**381,386**
At 31 December 2016	12,000	25,009	–	421,090	26	458,125

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017
(Expressed in Renminbi unless otherwise indicated)

14. INTANGIBLE ASSETS *(Continued)*

Note:

During the year ended 31 December 2016, as stated in the Company's announcements dated 12 May 2016 and 13 June 2016, the Group entered into the patent licence agreement (the "Patent Licence Agreement") with 珠海新概念航空航天器有限公司 (New Concept Aircraft (Zhuhai) Co., Ltd.*) ("Zhuhai New Concept") and Dr. Li Hiu Yeung ("Dr. Li"), the inventor of the patents in relation to, among others, the sub-licensing of the patents by Dr. Li to China All Access Science and Engineering Technology Development Limited 中國全通科學與工程技術發展有限公司 (for itself and on behalf of the Group). Pursuant to the Patent Licence Agreement, part of the consideration shall be settled by the Group by the allotment and issue of the consideration shares to Dr. Li.

Zhuhai New Concept is the sole registered holder of the patents and Dr. Li is named as the sole inventor in the relevant patent registration documents. According to the registration certificates of the patents, initial term of the patents are range from 25 March 2009 to 13 December 2029. The Group has adopted the initial term for the amortisation of the patents.

Pursuant to the Patent Licence Agreement, the consideration shall be settled by the Group to Dr. Li and/or his nominee in the following manner:

— Cash consideration of HK$60,000,000 (equivalent to approximately RMB51,617,000).

— 80,000,000 shares ("First Batch Consideration Shares") shall be allotted and issued after the Patent Licence Agreement becoming effective and within ten business days after delivery and signatory of the relevant application for shares of the Company.

— 84,000,000 shares ("Second Batch Consideration Shares") shall be allotted and issued after the Patent Licence Agreement becoming effective and within ten business days after delivery and signatory of the relevant application for shares of the Company.

More details are set out in the Company's investment circular date 27 June 2016.

The amortisation charge for the year are included in administrative expenses in the consolidated statement of profit or loss. During the year ended 31 December 2017 and 2016, the directors of the Company determine that no impairment loss was recognised in respect of intangible assets.

* *for identification purposes only*

15. GOODWILL

	RMB'000
Cost:	
At 1 January 2016, at 31 December 2016, and at 1 January 2017	93,462
Arising on business combination (note 39)	1,157
At 31 December 2017	**94,619**
Accumulated impairment losses:	
At 1 January 2016, at 31 December 2016, at 1 January 2017 and at 31 December 2017	**727**
Carrying amounts:	
At 31 December 2017	**93,892**
At 31 December 2016	92,735

Impairment tests for group of CGUs containing goodwill

The directors of the Company have assessed the recoverable amounts of goodwill as at 31 December 2017 by reference to the valuation as at 31 December 2017 and 31 December 2016 performed by Greater China Appraisal Limited, an independent firm of qualified valuer using the cash flow forecast projections based on financial budget covering a five year period which approved by the directors of the Company. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2016: 3%), which do not exceed the long-term average growth rates for the business in which the group of units operates. The cash flows are discounted by using a discount rate of approximately 23.33% (2016: 22.67%). The discount rates used are pre-tax and reflect specific risks relating to the relevant operations.

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources. The directors of the Company have determined that, based on the above assessment, no impairment loss was recognised in respect of goodwill.

The carrying amount of goodwill (net of accumulated impairments) allocated to the CGU is as follows:

	2017 **'000**	2016 '000
Display and touch modules	**93,892**	92,735

16. PREPAID LAND LEASE

The prepaid land lease represents payment for the land owned by the Group in the PRC with medium term lease. The land was used for the industrial building construction. The prepaid land lease was disposed of upon disposal of the entire interest in 惠州市全通房地產開發有限公司 (Huizhou All Access Real Estate Development Co., Ltd.*) ("Huizhou Real Estate") held by the Group, during the year ended 31 December 2017 (note 38 to the consolidated financial statements).

17. INTERESTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000
Cost of investments in associates, unlisted in the PRC	**193**	228
Share of post-acquisition losses and other comprehensive losses in associates, net of dividend received	**(193)**	(228)
	—	—

At the end of the reporting period, the Group had interests in the following associates:

Name of entity	Country of incorporation/ principal place of business	Proportion of ownership interest and voting power held by the Group 2017	2016	Principal activities
Unlisted				
廣州市鴻昌隆實業有限公司 (Guangzhou Hongchanglong Enterprises Limited*)	The PRC	**35%**	35%	Inactive
深圳市偉文電氣有限公司 (Shenzhen Weiwen Electric Company Limited*)	The PRC (Note)	**—**	35%	Inactive
贛州立德電子有限公司 (Ganzhou Lide Electronic Co., Limited*) ("Ganzhou Lide")	The PRC	**N/A**	20%	Manufacturing of handset screen

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

Note: The entity was deregistered during the year ended 31 December 2017

** for identification purposes only*

17. INTERESTS IN ASSOCIATES *(Continued)*

On 19 September 2017, the shareholder that held 80% equity interests in Ganzhou Lide, being an independent third party, had withdrawn its involvement and surrendered its 80% equity interests in Ganzhou Lide and, following the resignation of two directors of Ganzhou Lide, the directors of the Company determined that the Group has obtained control over Ganzhou Lide. Upon completion of the amendment of National Enterprise Credit Information at the State Administration for Industry & Commerce of the PRC ("SAIC") and the resignation of two directors, which took place on 9 October 2017 (the "Acquisition Date"), Ganzhou Lide ceased to be an associate of the Group and became a wholly-owned subsidiary of the Group.

18. INVESTMENT PROPERTY

	2017 RMB'000	2016 RMB'000
At 1 January	24,867	—
Transfer from property, plant and equipment (note 13)	—	23,068
Gain arising on change in fair value	4,585	343
Exchange alignment	(1,784)	1,456
At 31 December	27,668	24,867

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

At 31 December 2017, investment property with carrying amount of approximately RMB27,668,000 (2016: RMB24,867,000) is pledged for the Group's borrowings (note 30 to the consolidated financial statements).

The investment property is held under medium-term lease.

18. INVESTMENT PROPERTY *(Continued)*

(a) *Fair value hierarchy*

The following table presents the fair value of the Group's investment property measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement*. The level into which a fair value measurement is classified and determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3 valuations: fair value measured using significant unobservable inputs.

	Level 1 RMB'000	**Level 2** RMB'000	**Level 3** RMB'000	**Total** RMB'000
At 31 December 2017				
Fair value on a recurring basis				
Investment property located in Hong Kong	**—**	**—**	**27,668**	**27,668**
At 31 December 2016				
Fair value on a recurring basis				
Investment property located in Hong Kong	—	—	24,867	24,867

The Group's policy is to recognise transfers between levels of fair value hierarchy at the date of the events or change in circumstances that caused the transfer. During the year ended 31 December 2017 and 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

The Group's investment property was revalued at the end of each reporting period by Greater China Appraisal Limited, an independent firm of surveyors who are not connected to the Group, who have among their staff member of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at the end of each reporting period.

In estimating the fair value of the investment property, its current use equates to the highest and best use of the investment property.

18. INVESTMENT PROPERTY *(Continued)*

(b) Valuation techniques and inputs used in Level 3 fair value measurement

The fair value of investment property is individually determined at the end of the reporting period based on and by adopting investment method. The investment method relying on the capitalisation of rental income is based upon estimates of future results and a set of assumptions specific to property to reflect its tenancy status. The fair value of investment property reflects, among other things, rental income from current term, leases term yield rate, assumptions about rental receivables during the residual period in light of existing tenancies, the assumed capitalisation rate and reversionary yield rate. Judgement by the surveyors is required to determine the principal valuation factors, including term yield rate and reversionary yield rate.

Details of valuation techniques used and key inputs to valuation on investment property which is categorised as Level 3 fair value measurement at the end of the reporting period are as follows:

	Fair value				
	2017 RMB'000	2016 RMB'000	Valuation technique	Significant unobservable inputs	Range
Property held for investment in Hong Kong	**27,668**	24,867	Investment method	(i) Reversionary yield (ii) Market price per square foot	(i) 2.6% (2016: 3.0%)

Reversionary yield is the rate taking into account the capitalisation of potential rental income, nature of the property and prevailing market condition. Market price per square foot is the market price taking into account the direct comparable market transactions to the related properties.

The fair value measurements are negatively correlated to the reversionary yield, while positively correlated to the market price per square foot.

19. INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials	**57,018**	116,585
Work in progress	**30,058**	94,224
Consigned manufacturing materials	**26,118**	1,610
Finished goods	**39,586**	300,398
Goods in transit	**3,455**	65
	156,235	512,882

Inventories are expected to be recovered within one year.

The cost of inventories sold, write-down of obsolete inventories and reversal of write-down of obsolete inventories recognised as expenses and included in 'cost of sales' amounted to approximately RMB2,159,970,000 (2016: RMB2,317,914,000), RMB7,995,000 (2016: RMB1,125,000) and nil (2016: RMB38,740,000) respectively.

20. TRADE AND OTHER RECEIVABLES

	Notes	2017 RMB'000	2016 RMB'000
Non-current portion:			
Other receivables from disposal of associates	(ii)	**—**	10,000
Current portion:			
Trade receivables		**2,279,889**	2,211,029
Less: Allowance for doubtful debts		**(70,134)**	(153,277)
		2,209,755	2,057,752
Other receivables and deposits	(i) & (iv)	**1,453,460**	884,738
Other receivables from disposal of associates	(ii)	**—**	10,000
Performance guarantee deposits		**30,888**	30,000
Entrusted loans	(iii)	**280,000**	200,000
		3,974,103	3,182,490

20. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

(i) At 31 December 2017, RMB905,000,000 (2016: RMB670,000,000) of other receivables and deposits were structured deposits placed in a commercial bank, with maturity periods of 12 months. The deposits could be withdrawn any time prior to maturity.

(ii) At 31 December 2016, other receivables from disposal of associates represent the remaining balance of consideration for the disposal of associates to Mr. Zhu Wei Min and were fully settled during the year ended 31 December 2017.

(iii) At 31 December 2017, RMB280,000,000 of entrusted loans were provided to independent third parties through a financial institution. Entrusted loans amounted to RMB230,000,000 and RMB50,000,000 are due on 28 March 2018 and 16 June 2018 respectively. The Group does not hold any collateral over this balance from these independent third parties. Subsequent to the end of the reporting period, entrusted loans amounted to RMB230,000,000 was fully refunded to the Group.

At 31 December 2016, RMB200,000,000 of entrusted loans were provided to independent third parties through a financial institution. RMB100,000,000 each is due on 23 January 2017 and 23 March 2017 respectively. The Group does not hold any collateral over this balance from these independent third parties.

The entrusted loans are interest-bearing at 12% (2016: 12%) per annum.

(iv) On 10 August 2015, the Group entered into an agreement with an independent third party to purchase building for Hebei office. The agreement was terminated during the year ended 31 December 2016 and a settlement plan was entered into between the Group and the vendor. The deposit would be refunded in full by way of a number of installments with interest bearing at fixed rate of 8% per annum.

At 31 December 2017, other receivables in relation to deposits for purchases of building amounted to RMB76,500,000 (2016: RMB171,000,000). Subsequent to the end of the reporting period, the amount of RMB76,500,000 was fully refunded to the Group in cash.

20. TRADE AND OTHER RECEIVABLES *(Continued)*

At the end of the reporting period, the aging analysis of trade receivables (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	2017 RMB'000	2016 RMB'000
Within 1 month	**862,671**	860,377
1 to 2 months	**71,546**	131,953
2 to 3 months	**28,291**	359,410
3 to 6 months	**10,397**	38,307
Over 6 months but within 1 year	**28,754**	137,102
Over 1 year	**1,208,096**	530,603
	2,209,755	2,057,752

Impairment loss in respect of trade receivables are 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 trade and other receivables directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	**153,277**	74,360
Impairment loss recognised	**8,736**	78,917
Reversal of impairment loss	**(91,879)**	—
At 31 December	**70,134**	153,277

During the year ended 31 December 2017, included in the allowance for doubtful debts are individually impaired trade receivables with a balance of approximately RMB8,736,000 (2016: RMB78,917,000) which are past due at the end of the reporting period. The allowance for doubtful debts recognised because there has been a significant change in credit quality and the amounts are considered irrecoverable.

During the year ended 31 December 2017, impairment loss with amount of approximately RMB91,879,000 (2016: nil) was reversed as a result of settlement of trade receivables by individual trade debtors. The reversal of impairment was recognised in profit or loss.

The Group may grant credit up to 18 months to its customers according to the negotiation and relationship with these customers.

Credit terms could be extended for certain well-established customers on a case-by-case basis. The Group does not hold any collateral over its customers.

20. TRADE AND OTHER RECEIVABLES *(Continued)*

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**1,954,935**	1,689,693
Less than 1 month past due but not impaired	**39,905**	157,395
1 to 3 months past due but not impaired	**30,253**	92,616
3 to 12 months past due but not impaired	**62,738**	34,959
More than 12 months past due but not impaired	**121,924**	83,089
	2,209,755	2,057,752

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group or with sound financial background. For any significant amounts past due, the Group would actively seek repayment from the debtors and the Group would enforce its legal right to the contractually due amount when considered necessary. There have been no disputes over the balances due from these customers, therefore the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

21. PREPAYMENTS

	2017 RMB'000	2016 RMB'000
Non-current portion:		
Prepayment for machineries (Note)	**—**	196,013
Current portion:		
Prepayment for material purchases	**440,194**	327,707
Other prepayments	**2,635**	23,174
	442,829	350,881

Note: During the year ended 31 December 2015, the Group entered into an agreement with an independent third party to purchase manufacturing machines. As at 31 December 2015, the Group prepaid an amount of approximately RMB221,013,000 in accordance with the agreement. During the year ended 31 December 2016, the Group and the vendor entered into a supplemental agreement to amend the agreement of the types of the machinery equipment to be acquired. A refund of approximately RMB25,000,000 was paid to the Group, resulting the prepayment for purchasing machinery equipment reduced to an amount of approximately RMB196,013,000 in accordance with the supplemental agreement.

The prepayment for machineries amounted to approximately RMB196,013,000 was refunded during the year ended 31 December 2017.

22. LOANS RECEIVABLE

	2017 RMB'000	2016 RMB'000
Loans receivable	**125,385**	1,087,281

At 31 December 2017, the loans receivable with carrying amount of approximately RMB125,385,000 (2016: RMB1,087,281,000) which are neither past due nor impaired at the end of the reporting period for which the Group believes that the amounts are considered as recoverable. These loans receivable that were neither individually nor collectively considered to be impaired relate to borrowers for whom there was no recent history of default.

At 31 December 2017, the Group does not hold any collateral over its loans receivable.

At 31 December 2016, loans receivable with an aggregate carrying amount of approximately RMB997,831,000 are secured by goods under lien with carrying amounts of approximately HK$1,223,000,000 (equivalent to approximately RMB1,093,974,000) which the directors of the Company consider they are approximate to their fair values.

The Group has a policy for allowance for bad and doubtful debts which is based on the evaluation of collectability of accounts and on management's judgement, including the current creditworthiness, collaterals and the past collection history of each client.

All of the loans receivable contain repayable on demand clause and thus classified as current assets in the consolidated statement of financial position.

At the end of each reporting period, the Group's loans receivable were individually determined to be impaired. In determining the recoverability of the loans receivable, the Group considers any change in the credit quality of the loans receivable. The directors of the Company believe that there is no impairment required for the year ended 31 December 2017 and 2016.

A maturity profile of the loans receivable at the end of the reporting periods, based on the maturity date, is as follows:

	2017 RMB'000	2016 RMB'000
On demand or within 1 year	**125,385**	997,831
On demand or 1-2 years	**—**	89,450
	125,385	1,087,281

The loans receivable bear interest at 0.5% per month (2016: 0.5% — 1% per month).

23. DISCOUNTED BILLS RECEIVABLE

At 31 December 2017, the Group has discounted its bills receivable of approximately RMB15,713,000 (2016: RMB4,070,000) to the banks and approximately RMB42,387,000 (2016: RMB7,762,000) to financial institutions with recourse. The Group remains the risks and rewards associated with the discounted bills receivable. Accordingly, the advances on the discounted bills receivable are recognised as liabilities in the consolidated statement of financial position.

24. BILLS RECEIVABLE

At 31 December 2017, bills receivable amounted to approximately RMB63,284,000 (2016: RMB47,989,000) included bank acceptance bills of approximately RMB27,258,000 (2016: RMB3,644,000) and no bills receivable had been pledged. No bills receivable (2016: RMB6,579,000) had been endorsed to other parties but not yet due.

At the end of the reporting period, the aging analysis of bills receivable based on the bills received date is as follows:

	2017 RMB'000	2016 RMB'000
Within 1 month	35,600	42,400
1 to 2 months	3,480	3,139
2 to 3 months	1,258	366
3 to 6 months	22,946	2,084
	63,284	47,989

At 31 December 2017 and 2016, the Group's bills receivable were neither past due nor impaired.

25. FACTORED TRADE RECEIVABLES

At 31 December 2016, the Group had factored trade receivables of approximately RMB549,755,000 to financial institutions with recourse. The Group retained the risks and rewards associated with the factored trade receivables. Accordingly, advances on the factored trade receivables had been recognised as liabilities in the consolidated statement of financial position. The maturity dates were within 6 months. No impairment loss was recognised in respect of the factored trade receivables.

26. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 RMB'000	2016 RMB'000
Unlisted debt securities in the PRC	**10,000**	—

Unlisted debt securities are measured at costs less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are in the opinion that the fair value cannot be measured reliably.

27. RESTRICTED CASH

	Notes	2017 RMB'000	2016 RMB'000
Guarantee deposits for bills payable	(i)	**116,680**	82,414
Pledged deposits for bank borrowings	(ii)	**203,500**	404,418
Government grants	(iii)	**5,585**	10,719
		325,765	497,551

Notes:

(i) The amount represents cash deposits in certain banks as guarantee deposits for the issuance of bills payable of equivalent amounts, as requested by the banks.

(ii) The amount represents cash deposits pledged as collateral for the borrowings with the carrying amount of approximately RMB200,000,000 (2016:RMB369,100,000).

(iii) The amount represents cash deposits in bank received from the government of the PRC which would be released upon the Group's compliance with the conditions attaching to them.

28. CASH AND CASH EQUIVALENTS

Bank balances carry interest at floating rates and placed with creditworthy banks and financial institution with no recent history of default.

Renminbi is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group's cash and cash equivalents denominated in RMB of approximately RMB189,000 (2016: RMB17,000) located in Hong Kong which are not subject to the foreign exchange control.

The Group's cash and cash equivalents denominated in HK$ and United States dollar ("US$") amounted to approximately RMB3,286,000 and RMB617,000 (2016: RMB5,025,000 and RMB64,000) respectively.

28. CASH AND CASH EQUIVALENTS *(Continued)*

Reconciliation of cash generated from operations:

	2017 RMB'000	2016 RMB'000
Profit before taxation:		
From continuing operations	**256,697**	115,161
From discontinued operations	**—**	188,402
Adjustments for:		
Exchange (gain)/loss, net	**(2,031)**	3,161
Depreciation of property, plant and equipment	**16,326**	16,095
Amortisation of intangible assets	**50,254**	38,897
Amortisation of prepaid land lease	**957**	1,064
Impairment loss recognised in respect of trade receivables	**8,736**	78,917
Reversal of impairment loss recognised in respect of trade receivables	**(91,879)**	—
Write-down of obsolete inventories	**7,995**	1,125
Reversal of write-down of obsolete inventories	**—**	(38,740)
Interest income from entrusted loans	**(25,835)**	(20,047)
Interest income from bank deposits	**(23,238)**	(31,172)
Interest income from structured deposits and other receivables	**(33,025)**	(15,038)
Change in fair value of derivative component of convertible bonds	**—**	285
Loss on disposal of property, plant and equipment	**1,169**	315
Finance costs	**194,511**	204,624
Waiver of loan interest payables	**(3,911)**	—
Gain on disposal of subsidiaries	**(6,971)**	(160,824)
Gain on remeasurement of pre-existing interest in an associate to acquisition date fair value	**(8,391)**	—
Share of results of associates	**(1,809)**	193
Government subsidy	**(17,802)**	(12,155)
Gain on fair value change of investment property	**(4,585)**	(343)
Share-based payment expenses	**11,540**	15,673
Net loss on early redemption on convertible bonds	**—**	2,704
Operating cash flows before movements in working capital	**328,708**	388,297

28. CASH AND CASH EQUIVALENTS *(Continued)*

Reconciliation of cash generated from operations: (Continued)

	2017 RMB'000	2016 RMB'000
Operating cash flows before movements in working capital	**328,708**	388,297
Decrease/(increase) in inventories	**348,652**	(288,323)
Increase in trade and other receivables	**(355,263)**	(221,365)
Decrease in prepayments	**110,264**	50,262
Decrease in loans receivable	**953,106**	102,646
Decrease in bills receivable	**58,216**	324,250
Decrease/(increase) in restricted cash	**180,709**	(77,636)
Decrease in trade and other payables	**(512,811)**	(76,477)
Cash generated from operations	**1,111,581**	201,654

29. TRADE AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Trade and bills payables	**555,440**	969,922
Other payables and accruals	**224,801**	306,195
Receipts in advance	**90,388**	65,951
	870,629	1,342,068

All of the trade payables, bills payable and other payables and accruals are expected to be settled within one year. Bills payable of approximately RMB116,680,000 (2016: RMB82,414,000) was supported by guarantee deposits of equivalent amount as requested by banks and presented as restricted cash (note 27 to the consolidated financial statements).

The credit period granted by suppliers ranging from 30 to 180 days.

At 31 December 2017, included in other payables and accruals, the total minimum lease payments of motor vehicles were approximately RMB901,000 (2016: RMB1,451,000), such amount of the present value of minimum lease payments were approximately RMB856,000 (2016: RMB1,403,000). The interest rate of such finance lease is ranged from 2.50% to 4.73% and the charge of finance lease is included in administrative expenses.

29. TRADE AND OTHER PAYABLES *(Continued)*

At the end of the reporting period, the aging analysis of trade payables and bills payable (which are included in trade and other payables) based on the invoice date is as follows:

	2017 RMB'000	2016 RMB'000
Within 1 month	**285,784**	452,972
1 to 3 months	**84,678**	311,221
3 to 6 months	**141,686**	149,297
Over 6 months but within 1 year	**28,127**	12,840
Over 1 year	**15,165**	43,592
	555,440	969,922

30. BORROWINGS

	Notes	**2017 RMB'000**	2016 RMB'000
Credit loans	(i)	**33,678**	50,000
Guaranteed loans	(ii)	**410,000**	241,555
Promissory notes	(iii)	**365,915**	628,710
Mortgage loans	(iv)	**8,899**	10,366
Pledged loans	(v)	**200,000**	369,100
		1,018,492	1,299,731

30. BORROWINGS *(Continued)*

(a) The analysis of the carrying amounts of borrowings are as follows:

Notes:

(i) At 31 December 2017, credit loans of approximately RMB33,678,000 were provided by commercial bank (2016: RMB50,000,000). The annual interest rate of the above loan was 5.25% (2016: 5.22%). The principal is repayable within one year.

(ii) At 31 December 2017, guarantee loans of approximately RMB410,000,000 (2016: RMB241,555,000) were guaranteed by the Company, subsidiaries of the Company, Mr. Chan Yuen Ming ("Mr. Chan") and the government of the PRC. The annual interest rate of above loans ranged from 0% to 7.00% (2016: 4.88% to 7.00%).

(iii) Promissory notes

(a) On 23 August 2016, the Company and Mr. Chan entered into a note purchase agreement (the "Note Purchase Agreement") with Prosper Talent Limited ("Prosper Talent"), pursuant to which the Company has agreed to issue, and Prosper Talent has agreed to purchase from the Company, US$70,000,000 guaranteed notes (the "Notes") due 2017. Pursuant to the Note Purchase Agreement, Mr. Chan shall also provide a personal guarantee in favour of Prosper Talent to secure, among others, the due and punctual observance and performance by the Company under the Note Purchase Agreement and other documents in connection with the transaction contemplated under the Note Purchase Agreement.

The interest rate will be charged at 13%.

Details are set out in the Company's announcement date 23 August 2016.

At 31 December 2017, the outstanding principal amount of the Notes was US$56,000,000 (equivalent to approximately RMB365,915,000) (2016: US$70,000,000, equivalent to approximately RMB485,590,000).

(b) On 30 December 2016, the Company and Mr. Chan entered into a note purchase agreement (the "CTM Note Purchase Agreement") with Chance Talent Management Limited ("CTM"), pursuant to which the Company agreed to issue, and CTM agreed to purchase from the Company, HK$160,000,000 guaranteed notes (the "CTM Notes") due June 2017. Pursuant to the CTM Note Purchase Agreement, Mr. Chan shall provide a personal guarantee in favour of the CTM to secure, among others, the due and punctual observance and performance by the Company under the CTM Note Purchase Agreement and other documents with the transaction contemplated under the CTM Note Purchase Agreement.

The interest rate will be charged at 12%.

Details are set out in the Company's announcement date 30 December 2016.

During the year ended 31 December 2017, the CTM Notes was fully repaid (2016: HK$160,000,000, equivalent to approximately RMB143,120,000).

30. BORROWINGS *(Continued)*

(a) *The analysis of the carrying amounts of borrowings are as follows:* *(Continued)*

Notes: *(Continued)*

(iv) At 31 December 2017, mortgage loans of approximately RMB8,899,000 (2016: RMB10,366,000) were secured by the Group's building held for own use and investment property with the amounts of approximately RMB9,036,000 and RMB27,668,000 (2016: RMB9,497,000 and RMB24,867,000) respectively. The mortgage loan with the amount of approximately HK$9,174,000 (equivalent to approximately RMB7,668,000) (2016: HK$9,631,000, equivalent to approximately RMB8,615,000) was also guaranteed by the Company. The annual interest rate of above loan charged at 1.38% to 5.39% (2016:1.38% to 5.39%).

(v) At 31 December 2017, pledged loans of RMB200,000,000 (2016: RMB369,100,000) were pledged by bank deposits of the Group with carrying amount of approximately RMB203,500,000 (2016: RMB404,418,000). The principal is due within one year with the interest rate charged at 1.7% (2016: 1.70% to 4.79%).

Carrying amounts repayable:

	2017 RMB'000	2016 RMB'000
Current portion		
Within 1 year	860,515	1,248,739
Non-current portion		
More than 1 year but not exceeding 2 years	1,060	42,537
More than 2 years but not exceeding 5 years	151,193	1,995
Over 5 years	5,724	6,460
	157,977	50,922
Total borrowings	1,018,492	1,299,731

31. CONVERTIBLE BONDS

(a) Convertible bonds that contain an equity component

The movement of the liability component of the convertible bonds recognised in the consolidated statement of financial position is set out below:

	CTM Convertible Bond RMB'000 (Note (i))	Oriental Convertible Bond RMB'000 (Note (ii))	Dundee Convertible Bond RMB'000 (Note (iii))	Total RMB'000
Face value of convertible bonds at issued date	157,240	280,249	710,446	1,147,935
Less: equity component	(4,475)	(48,307)	(143,099)	(195,881)
Liability component on initial recognition	152,765	231,942	567,347	952,054
Less: direct issue costs attributable to liability component	—	(29)	(15)	(44)
Liability component on initial recognition, net of direct issue costs	152,765	231,913	567,332	952,010
Liability component at 1 January 2016	161,560	224,481	562,821	948,862
Add: imputed finance cost	—	26,901	46,460	73,361
Redemption	(164,160)	—	—	(164,160)
Exchange alignment	2,600	25,264	62,429	90,293
Liability component at 31 December 2016 and at 1 January 2017	**—**	**276,646**	**671,710**	**948,356**
Add: imputed finance cost	**—**	**30,211**	**50,530**	**80,741**
Exchange alignment	**—**	**(19,140)**	**(45,705)**	**(64,845)**
Liability component at 31 December 2017	**—**	**287,717**	**676,535**	**964,252**

31. CONVERTIBLE BONDS *(Continued)*

(a) Convertible bonds that contain an equity component *(Continued)*

Notes:

(i) On 4 September 2013, the Company issued a tranche of convertible bond to CTM for the principal amount of HK$200,000,000 (equivalent to approximately RMB157,240,000) with a maturity of one year and interest rate of 8% per annum. The convertible bond, at the option of the bond holders, will be partly or fully converted into ordinary shares with a par value of HK$0.01 each of the Company. The initial conversion price of the convertible bond is HK$3.00 per share. On 10 September 2014, the Company, Mr. Chan and CTM entered into the Supplemental Deed pursuant to which the parties agreed to extend the maturity date of convertible bonds from 4 September 2014 to 4 September 2016. Following the completion of the amendments to the HK$350,000,000 convertible bonds due 2016 of the Company and the declaration of the interim dividends on 2 October 2015 and 31 August 2015 respectively, the conversion price of the convertible bond is adjusted to HK$2.662 per share. On 4 September 2016, the convertible bond was matured and HK$40,000,000 was subsequently repaid during the year ended 31 December 2016. The remaining of the convertible bond has been redeemed by the issuance of the promissory note (note 30(a)(iii) to the consolidated financial statements).

(ii) On 23 December 2014, the Company entered into the Subscription Agreement with ZTE (H.K.) Limited, pursuant to which the Company has conditionally agreed to issue, and ZTE (H.K.) Limited has conditionally agreed to subscribe for the convertible bonds in the principal amount of HK$350,000,000 at 100% of the face value of such principle due 2017 which may be converted into 109,375,000 conversion shares at the conversion price of HK$3.2 per conversion share (subject to adjustment). On 26 February 2015, the Company has completed the issuance and the proceeds from issuance of these convertible bonds of the net proceeds of approximately HK$349,000,000 were received. Following the completion of the placing and subscription on 8 June 2015, the conversion price of the convertible bond is adjusted to HK$3.177 per share. On 30 June 2015, ZTE (H.K.) Limited has transferred all the convertible bonds to a third party company — Oriental (Asia) Investment Holdings Limited. On 20 July 2015, the Company entered into a supplemental deed with Oriental (Asia) Investment Holdings Limited to, among others, extend the maturity date of the convertible bond from 26 February 2017 to 26 February 2018 and adjust of the conversion price to HK$2.34 per conversion shares resulting in amending of terms of convertible bond.

(iii) On 9 June 2015, the Company entered into the subscription agreement with Dundee Greentech Limited pursuant to which the Company has conditionally agreed to issue, and Dundee Greentech Limited has conditionally agreed to subscribe for, the convertible bonds in the principal amount of HK$847,080,000 (equivalent to approximately RMB710,446,000) at 100% of the face value of such principal amount, which may be converted into 362,000,000 conversion shares at the conversion price of HK$2.34 per conversion share (subject to adjustment). The conditions precedent for completion have been fulfilled and the completion took place on 10 August 2015.

At 31 December 2017, all (2016: none) of the convertible bonds were classified as current liabilities which is due to be settled within one year.

31. CONVERTIBLE BONDS *(Continued)*

(b) Convertible bonds which do not contain an equity component

The movement of the liability component and embedded financial derivative of the convertible bonds recognised in the consolidated statement of financial position is set out below:

	AEV Initial Notes (Note (i) and (iii))		AEV Additional Notes (Note (ii) and (iii))		
	Liability component RMB'000	Convertible bond embedded financial derivatives RMB'000	Liability component RMB'000	Convertible bond embedded financial derivatives RMB'000	Total RMB'000
Carrying amounts at 1 January 2016	64,982	21,943	127,867	14,942	229,734
Add: imputed finance cost	471	—	5,818	—	6,289
Conversion of convertible bonds	(23,858)	(7,603)	—	—	(31,461)
Redemption	(48,652)	(2,841)	(139,417)	(28,484)	(219,394)
Fair value losses on embedded financial derivatives	—	(12,422)	—	12,707	285
Exchange alignment	7,057	923	5,732	835	14,547
Carrying amounts at 31 December 2016, at 1 January 2017 and at 31 December 2017	**—**	**—**	**—**	**—**	**—**

31. CONVERTIBLE BONDS *(Continued)*

(b) Convertible bonds which do not contain an equity component (Continued)

Notes:

(i) On 27 June 2014, the Company issued a tranche of convertible bonds to Asia Equity Value Ltd ("AEV") for the principal amount of HK$230,000,000 (equivalent to approximately RMB181,794,000) with a maturity of 27 months and interest rate of 7.5% per annum (the "AEV Initial Notes"). The Company will redeem, in eight equal installments, the principal amount of such convertible bonds at 100% of such principal amount together with any accrued but unpaid interest thereto. The convertible bonds, at the option of the bonds holder, will be partly or fully converted into ordinary shares with a par value of HK$0.01 each of the Company. The initial conversion price of the convertible bonds is HK$3.35 per share subject to adjustments pursuant to the terms and conditions of the convertible bonds. Following the completion of the placing and subscription, the conversion price of the convertible bonds is adjusted to HK$2.17 per share.

On 26 February 2015, AEV converted 1,245,719 conversion shares of the convertible bonds (principal amount of HK$2,910,000) at HK$2.336 per conversion share. The Company further issued 3,705,704 shares of the Company at HK$2.336 per share for the repayment of coupon interest to AEV of approximately RMB6,993,000 (equivalent to approximately HK$8,657,000).

On 27 March 2015, AEV converted 4,048,583 conversion shares of the convertible bonds (principal amount of HK$10,000,000) at HK$2.47 per conversion share. The Company further issued 1,723,861 shares of the Company at HK$2.47 per share for the repayment of coupon interest to AEV of approximately RMB3,555,000 (equivalent to approximately HK$4,258,000).

On 17 July 2015, AEV converted 8,547,008 conversion shares of the AEV Initial Notes (principal amount of HK$20,000,000) at HK$2.34 per conversion share.

On 24 March 2016, AEV converted 13,248,848 conversion shares of the AEV Initial Notes (principal amount of HK$28,750,000) at HK$2.17 per conversion share.

(ii) On 6 July 2015, the Company completed the issue of the additional convertible bonds to AEV in the principal amount of HK$170,000,000 (approximately RMB134,171,000) (the "AEV Additional Notes") for a cash consideration of HK$170,000,000, representing 100% of the face value of such principal amount with an initial conversion price of HK$3.07 per share, subject to adjustments pursuant to the terms and conditions of the convertible bonds. Following the completion of the placing and subscription, the conversion price of the convertible bond is adjusted to HK$2.22 per share.

31. CONVERTIBLE BONDS *(Continued)*

(b) Convertible bonds which do not contain an equity component (Continued)

Notes: *(Continued)*

(iii) On 24 June 2016, the Company exercised the right of early redemption in accordance with the terms and conditions of the AEV Initial Notes and the AEV Additional Notes issued to AEV as amended by the deed of amendment dated 24 June 2016 and entered into among the Company, China All Access Group Limited and AEV. Pursuant to the amended terms and conditions, the Company has issued the promissory note with principal amount of HK$270,000,000 to AEV and China All Access Group Limited has executed a guarantee in favour of AEV guaranteeing the payment obligation of the Company pursuant to the promissory note. Upon completion of the early redemption on 24 June 2016, the AEV Initial Notes and the AEV Additional Notes have been cancelled. For details, please refer to the Company's announcement dated 24 June 2016. During the year ended 31 December 2016, the promissory note was fully repaid.

The convertible bonds were recognised as liability component and embedded financial derivatives as follows:

- Liability component initially recognised at its fair value, which is the residual amount after deducting the fair value of the derivative component from the net proceeds at the initial recognition, and is subsequently carried at amortised cost.

- Embedded financial derivatives, comprise the fair value of the bonds holders' option to convert the convertible bonds into ordinary shares of the Company at the conversion price; the fair value of the option of the Company to settle the interest or principal in shares if certain conditions are met; the fair value of the bonds holders' option to defer the first four quarterly installments; the fair value of the bonds holders' option to require the Company to redeem the convertible bonds.

  These embedded options are interdependent as only one of these options can be exercised. Therefore, they are not able to be accounted for separately and a single compound derivative was recognised.

32. DEFERRED TAXATION

(a) *Deferred tax assets and liabilities in the consolidated statement of financial position represent:*

(i) The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revenue recognition RMB'000	Provisions RMB'000	Intangible assets RMB'000	Tax losses RMB'000	Unrealised intra-group profits RMB'000	Total RMB'000
At 1 January 2016	4,955	(6,534)	11,180	(2,124)	(2,440)	5,037
(Credit)/charge to profit or loss	(4,955)	6,534	(1,928)	2,124	2,440	4,215
At 31 December 2016 and at 1 January 2017	–	–	9,252	–	–	9,252
Credit to profit or loss	–	–	(1,854)	–	–	(1,854)
At 31 December 2017	–	–	7,398	–	–	7,398

(b) *Unrecognised tax losses*

The Group determined that it was not probable that these tax losses and other temporary differences could be utilised in foreseeable future. At 31 December 2017, unused estimated tax losses not recognised of approximately RMB155,573,000 (2016: RMB172,525,000) will expire within five years.

(c) *Deferred tax liabilities not recognised*

The PRC Enterprise Income Tax law also imposes a withholding tax rate of 10% or 5%, unless reduced by a tax treaty or agreement, on dividends distributed by a PRC-resident enterprise to its immediate holding company outside the PRC for earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. At 31 December 2017, temporary differences relating to the post-2007 undistributed profits of the Group's foreign-invested enterprises amounted to approximately RMB1,803,226,000 (2016: RMB1,153,111,000). Deferred tax liabilities of approximately RMB180,323,000 (2016: RMB111,563,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained earnings since these earnings are not intended to be distributed in the foreseeable future.

33. SHARE OPTION SCHEMES

A share option scheme (the "Share Option Scheme") was conditionally approved by resolutions of the shareholders of the Company on 28 August 2009.

The purpose of the Share Option Scheme is to enable the Group to grant share options to eligible participants as incentives or rewards for their contribution to the Group.

On 10 June 2015, a total of 50,000,000 share options (each share option entitling the holder to subscribe for one Share) were granted to eligible participants including two directors and the rest were employees of the Group. Under the Share Option Scheme, the directors of the Company may, at their sole discretion, grant to any eligible participants options to subscribe for ordinary shares of the Company at the highest of (i) the closing price of shares of the Company on Exchange as stated in the Exchange's daily quotation sheet on the date of the offer of grant; (ii) the average closing price of the shares of the Company on Exchange as stated in the Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Company's share. The offer of a grant of options may be accepted within 21 days from the date of the offer. A nominal consideration of HK$1 is payable on acceptance of the grant of an option. The exercise period of the options granted is determinable by the directors of the Company, which commences after the date of offer with a certain vesting period and ends in any event not later than 4 years from the respective date when the share options are granted, subject to the provisions for early termination thereof.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme is an amount equivalent to 10% of the shares of the Company in issue at the date of the 2009 AGM.

The maximum number of shares to be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Group must not in aggregate exceed 30% of the relevant class of shares of the Company in issue from time to time.

The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with an aggregate value in excess of HK$5 million must be approved in advance by the Company's shareholders. The Share Option Scheme does not provide for any minimum period for holding of options or any performance targets before exercise of options.

(Expressed in Renminbi unless otherwise indicated)

33. SHARE OPTION SCHEMES *(Continued)*

The fair value was calculated using binomial model. The inputs in the model were as follows:

	2015
Fair value at measurement date	0.727
Share price	3.050
Exercise price	3.050
Expected volatility (expressed as weighted average volatility used in modelling)	37.558%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	4 years
Risk-free interest rate (based on exchange Fund Notes)	0.872

Particulars of the Company's share option scheme are set out in paragraphs headed "Share Option Scheme" in the section headed "Report of the Directors".

The following table discloses movements in the Company's share options during the year:

	Outstanding at 1 January 2016 and 2017	Lapse during the year	Outstanding at 31 December 2017	Exercise price HK$	Date of grant	Vesting period	Exercisable period
Executive Directors							
– Shao Kwok Keung	3,000,000	–	3,000,000	3.05	10 June 2015	10 June 2015 to 9 June 2016	10 June 2016 to 9 June 2019
	3,000,000	–	3,000,000	3.05	10 June 2015	10 June 2015 to 9 June 2017	10 June 2017 to 9 June 2019
	3,000,000	–	3,000,000	3.05	10 June 2015	10 June 2015 to 9 June 2018	10 June 2018 to 9 June 2019
– Xiu Zhi Bao	2,333,333	–	2,333,333	3.05	10 June 2015	10 June 2015 to 9 June 2016	10 June 2016 to 9 June 2019
	2,333,333	–	2,333,333	3.05	10 June 2015	10 June 2015 to 9 June 2017	10 June 2017 to 9 June 2019
	2,333,334	–	2,333,334	3.05	10 June 2015	10 June 2015 to 9 June 2018	10 June 2018 to 9 June 2019

(Expressed in Renminbi unless otherwise indicated)

33. SHARE OPTION SCHEMES *(Continued)*

	Outstanding at 1 January 2016 and 2017	Lapse during the year	Outstanding at 31 December 2017	Exercise price HK$	Date of grant	Vesting period	Exercisable period
Employees	11,333,333	(2,850,000)	8,483,333	3.05	10 June 2015	10 June 2015 to 9 June 2016	10 June 2016 to 9 June 2019
	11,333,333	(2,850,000)	8,483,333	3.05	10 June 2015	10 June 2015 to 9 June 2017	10 June 2017 to 9 June 2019
	11,333,334	(2,850,000)	8,483,334	3.05	10 June 2015	10 June 2015 to 9 June 2018	10 June 2018 to 9 June 2019
	50,000,000	8,550,000	41,450,000				
Weighted average exercise price	HK$3.05	HK$3.05	HK$3.05				

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 RMB'000	2016 RMB'000
Non-current assets		
Interests in subsidiaries	78,045	83,517
Intangible assets	361,362	421,090
Amounts due from subsidiaries	2,795,628	2,404,946
	3,235,035	2,909,553
Current assets		
Amounts due from subsidiaries	168,160	971,829
Prepayments	—	12,234
Other receivables	82	114
Cash and cash equivalents	90	1,121
	168,332	985,298
Current liabilities		
Amounts due to subsidiaries	33,528	35,878
Other payables and accruals	45,513	40,136
Income tax payable	6,074	11,443
Borrowings	405,915	628,710
Convertible bonds	964,252	—
	1,455,282	716,167
Net current (liabilities)/assets	(1,286,950)	269,131
Total assets less current liabilities	1,948,085	3,178,684
Non-current liabilities		
Borrowings	—	41,556
Convertible bonds	—	948,356
	—	989,912
Net assets	1,948,085	2,188,772
Capital and reserves		
Share capital	16,993	16,267
Reserves	1,931,092	2,172,505
Total equity	1,948,085	2,188,772

Signed on behalf of the board of directors by:

Mr. Chan Yuen Ming
Chairman and Executive Director

Mr. Shao Kwok Keung
Chief Executive Officer and Executive Director

35. CAPITAL, RESERVES AND DIVIDENDS

(a) Movement in components of equity

	Notes	Share Capital RMB'000 Note 35(c)	Share premium RMB'000 Note 35(d)(i)	Capital redemption reserve RMB'000 Note 35(d)(ii)	Contributed surplus RMB'000 Note 35(d)(iii)	Capital reserve RMB'000 Note 35(d)(iv)	Share-based compensation reserve RMB'000 Note 35(d)(v)	Translation reserve RMB'000 Note 35(d)(vii)	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2016		15,468	1,442,505	104	90,303	212,803	–	34,232	(53,944)	1,741,471
Profit for the year		–	–	–	–	–	–	–	15,302	15,302
Other comprehensive income		–	–	–	–	–	–	105,526	–	105,526
Total comprehensive income		–	–	–	–	–	–	105,526	15,302	120,828
Conversion of convertible bonds		111	31,350	–	–	–	–	–	–	31,461
Redemption of convertible bonds		–	–	–	–	(4,475)	–	–	4,475	–
Acquisition of patents by equity shares		–	–	–	–	370,058	–	–	–	370,058
Issuance of consideration shares		688	179,828	–	–	(180,516)	–	–	–	–
Share-based payment expenses		–	–	–	–	–	15,673	–	–	15,673
Dividend approved and paid in respect of prior year	35(b)	–	(90,719)	–	–	–	–	–	–	(90,719)
Balance at 31 December 2016 and at 1 January 2017		**16,267**	**1,562,964**	**104**	**90,303**	**397,870**	**15,673**	**139,758**	**(34,167)**	**2,188,772**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(67,702)**	**(67,702)**
Other comprehensive loss		**–**	**–**	**–**	**–**	**–**	**–**	**(142,306)**	**–**	**(142,306)**
Total comprehensive loss		**–**	**–**	**–**	**–**	**–**	**–**	**(142,306)**	**(67,702)**	**(210,008)**
Issuance of consideration shares		**726**	**188,412**	**–**	**–**	**(189,138)**	**–**	**–**	**–**	**–**
Share-based payment expenses		**–**	**–**	**–**	**–**	**–**	**11,540**	**–**	**–**	**11,540**
Lapse of share options		**–**	**–**	**–**	**–**	**–**	**(2,710)**	**–**	**2,710**	**–**
Dividend approved and paid in respect of prior year	35(b)	**–**	**(42,219)**	**–**	**–**	**–**	**–**	**–**	**–**	**(42,219)**
Balance at 31 December 2017		**16,993**	**1,709,157**	**104**	**90,303**	**208,732**	**24,503**	**(2,548)**	**(99,159)**	**1,948,085**

35. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

(i) Proposed final dividends:

	2017		2016	
		Equivalent to		Equivalent to
	HK$'000	RMB'000	HK$'000	RMB'000
Final dividend proposed after the end of the reporting period of HK5.0 cents per ordinary share (2016: HK2.5 cents per ordinary share)	99,986	83,578	47,893	42,840

The final dividend proposed after the end of the reporting period has not been recognised as liability at the end of the reporting period.

The directors of the Company recommend the payment of a final dividend of HK5.0 cents per share for the year ended 31 December 2017 (2016: HK2.5 cents per share) and to subject to shareholders' approval at the forthcoming annual general meeting of the Company.

(ii) Dividends paid to owners of the Company are as follows:

	2017		2016	
		Equivalent to		Equivalent to
	HK$'000	RMB'000	HK$'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK2.5 cents per ordinary share (2016: HK5.5 cents per ordinary share)	49,993	42,219	105,365	90,719

35. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital

	2017		2016	
	No. of shares '000	**Amount HK$'000**	No. of shares '000	Amount HK$'000
Ordinary shares of HK$0.01 each				
Authorised:				
At the beginning and the end of the reporting period	**100,000,000**	**1,000,000**	100,000,000	1,000,000
Issued and fully paid:				
At the beginning of the reporting period	**1,915,723**	**19,157**	1,822,474	18,225
Conversion of convertible bonds (Note (i))	**—**	**—**	13,249	132
Issuance of consideration shares (Note (ii))	**84,000**	**840**	80,000	800
At the end of the reporting period	**1,999,723**	**19,997**	1,915,723	19,157
		RMB'000		RMB'000
Equivalent to		**16,993**		16,267

Notes:

(i) On 24 March 2016, AEV converted 13,248,848 conversion shares of the AEV Initial Notes (principal amount of HK$28,750,000) at HK$2.17 per conversion share.

(ii) On 12 May 2016, the Group had entered into the Patent Licence Agreement to acquire the intangible assets, of which part of the consideration of to be satisfied by the issuance of consideration shares in accordance with the terms and conditions of the Patent Licence Agreement as below:

- First Batch Consideration Shares were allotted and issued by the Company to Dr. Li on 22 July 2016.

- Second Batch Consideration Shares were allotted and issued by the Company to Dr. Li on 20 July 2017.

35. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserve

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company which is governed by the Cayman Companies Law.

(ii) Capital redemption reserve

Pursuant to the provision of Cayman Companies Law, shares of a company are repurchased wholly out of the Company's profits, the amount by which the Company's issued share capital is diminished on cancellation of the shares repurchased shall be transferred to the capital redemption reserve.

(iii) Contributed surplus

The contribution surplus comprises the difference between the consolidated net assets of China All Access Group Limited over the nominal value of the shares issued by the Company in exchange as at the date of reorganisation on 28 August 2009. The contributed surplus is distributable to the shareholders of the Company.

(iv) Capital reserve

Capital reserve comprises the following:

— the liabilities waived by the controlling shareholders

— the amount allocated to the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds.

— the difference between the considerations of acquisition or disposal of equity interest from/to non-controlling interests and the carrying amount of the proportionate net assets.

(v) Share-based compensation reserve

Share-based compensation reserve comprises the fair value of share options granted which are yet to be exercised. The amount will be transferred to retained earnings when the related options are exercised, expired or forfeited.

35. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) *Nature and purpose of reserve* *(Continued)*

(vi) Statutory general reserve

The subsidiaries in the PRC are required to appropriate 10% of its after-tax profit, as determined in accordance with the PRC accounting rules and regulations, to the general reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

The statutory general reserve can be used to cover previous years' losses, if any, and may be converted into paid-up capital to shareholders in proportion to their existing shareholdings, provided that the balance after such conversion is not less than 25% of the registered capital of the PRC subsidiaries.

(vii) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of entities outside the PRC.

(e) *Distributability of reserves*

At 31 December 2017, the aggregate amount of reserves available for distribution to owners of the Company was approximately RMB1,700,301,000 (2016: RMB1,624,515,000).

(f) *Capital management*

The Group's objectives in the aspect of managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group are not subjected to externally imposed capital requirements.

The gearing ratio (calculated by dividing borrowings by total assets) as at 31 December 2017 was approximately 14.56% (2016: 15.69%).

36. SIGNIFICANT TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Disposals

On 14 August 2015, the Group entered into a sale agreement to dispose of the Xingfei Group at a total consideration of RMB702,000,000, which carried out a part of the Group's wireless data communication application solutions and services operations. The disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The disposal was completed on 21 January 2016. Details are set out in note 38 to the consolidated financial statements.

On 4 January 2016, China Lide Holdings Limited ("Lide Holdings") and China All Access Investment Limited ("CAA Investment"), the wholly-owned subsidiaries of the Company, entered into the subscription agreement (the "Subscription Agreement") with Galaxy Asia Investment Co. Ltd. ("Galaxy Asia"), pursuant to which Galaxy Asia agreed to subscribe for the subscription shares ("Option Shares"), representing about 25.0% of the enlarged issued share capital of Lide Holdings, for cash at the subscription price of HK$40,400,000 (the "Subscription Price"). Under the Subscription Agreement, CAA Investment had also granted a put option to Galaxy Asia, pursuant to the terms and conditions as set out in the Subscription Agreement, Galaxy Asia has the rights to exercise the put option and require CAA Investment to acquire the Option Shares at a total consideration of the Subscription Price plus the aggregate amount of interest accruing on the Subscription Price at 12% per annum less the aggregate amount of any dividends and/or any distribution declared in respect of the Option Shares.

The fair value of the consideration receivable from the subscription of Option Shares was approximately RMB33,847,000. The Group recognised an increase in non-controlling interests of approximately RMB22,517,000 and an increase in equity attributable to owners of the Company of approximately RMB11,330,000. Details are set out in the Company's announcement dated 4 January 2016.

(b) Acquisition

On 3 November 2017, the Group had entered into and completed a series of sale and purchase agreements with the non-controlling interests ("group of NCI") of Shenzhen Kangquan, pursuant to which the Group had agreed to acquire, and the group of NCI had agreed to sell, their respective equity interests in Shenzhen Kangquan at an aggregate consideration of RMB6,800,000. Shenzhen Kangquan is engaged in manufacturing of handset shell. As a result of the acquisition, the Group's shareholding in Shenzhen Kangquan increased from 57.5% to 100%. The Group recognised an increase in non-controlling interests of approximately RMB30,265,000 and a decrease in equity attributable to owners of the Company of approximately RMB37,065,000.

36. SIGNIFICANT TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(Continued)*

(b) Acquisition *(Continued)*

On 27 September 2017, Galaxy Asia, being the subscriber of the 25% enlarged issued share capital of Lide Holdings, had exercised the put option attached to the subscription agreement dated 4 January 2016, to require CAA Investment to acquire all of the Option Shares at a total consideration of approximately HK$48,834,000 (equivalent to approximately RMB47,987,000) pursuant to the terms and conditions as set out in the Subscription Agreement as agreed by CAA Investment, Lide Holdings and Galaxy Asia. The completion date of the exercise of put option took place on 30 September 2017. Upon completion, Lide Holdings became the wholly-owned subsidiary of the Company. The Group recognised a decrease in non-controlling interests of approximately RMB23,874,000 and a decrease in equity attributable to owners of the Company of approximately RMB24,113,000.

Details of the exercise of put option are set out in the Company's announcement dated 27 September 2017.

37. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiary is required to contribute certain percentage of its payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contribution.

The total expense recognised in profit or loss of approximately RMB10,361,000 (2016: RMB9,252,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

38. DISPOSAL OF SUBSIDIARIES

On 23 October 2017, the Group had entered into a sale and purchase agreement with an independent third party, pursuant to which the Group had agreed to sell, and the independent third party had agreed to acquire, the entire equity interest in Huizhou Real Estate held by the Group, a non-wholly owned subsidiary of the Group, at a total consideration RMB11,000,000. Huizhou Real Estate was principally engaged in real estate development in the PRC. The disposal was completed on 25 October 2017. Upon completion of the disposal of Huizhou Real Estate, the Group did not hold any equity interest in Huizhou Real Estate and Huizhou Real Estate ceased to be a subsidiary of the Group.

38. DISPOSAL OF SUBSIDIARIES *(Continued)*

The net assets of Huizhou Real Estate, at the date of disposal were as follows:

	RMB'000
Consideration received	**11,000**

Analysis of assets and liabilities over which control was lost:

	RMB'000
Net assets disposed of:	
Prepaid land lease	**69,346**
Cash and cash equivalents	**2**
Amount due to intermediate holding company	**(64,625)**
Net assets disposed of	**4,723**

Gain on disposal of a subsidiary:

	RMB'000
Total consideration	**11,000**
Net assets disposed of	**(4,723)**
Non-controlling interests	**694**
	6,971

Net cash inflow arising on disposal:

	RMB'000
Cash consideration received	**11,000**
Less: cash and cash equivalents disposed of	**(2)**
	10,998

38. DISPOSAL OF SUBSIDIARIES *(Continued)*

On 14 August 2015, the Group entered into a sale agreement to dispose of Xingfei Group for a total consideration of RMB702,000,000, which carried out a part of the Group's wireless data communication application solutions and services operations. The disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The transaction was completed on 21 January 2016.

The net assets of the Xingfei Group at the date of disposal were as follow:

	RMB'000
Consideration received	702,000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	437,559
Intangible assets	90,680
Goodwill	238,620
Interests in associates	2,255
Prepaid land leases	65,254
Available-for-sale financial assets	15,214
Deferred tax assets	9,715
Inventories	223,622
Trade and other receivables	1,461,344
Prepayments	143,774
Discounted bills receivable	179,538
Bills receivable	527,459
Cash and cash equivalents	247,605
Trade and other payables	(1,753,338)
Deferred income	(84,801)
Borrowings	(784,302)
Bank advances on discounted bills receivable	(179,538)
Income tax payable	(27,337)
Deferred tax liabilities	(14,415)
Net assets disposed of	798,908

38. DISPOSAL OF SUBSIDIARIES *(Continued)*

Gain on disposal of a subsidiary:

	RMB'000
Total consideration	702,000
Net assets disposed of	(798,908)
Non-controlling interests	257,732
	160,824

Net cash inflow arising on disposal:

	RMB'000
Cash consideration received	702,000
Less: cash and cash equivalents disposed of	(247,605)
	454,395

39. BUSINESS COMBINATION

As fully explained in note 17 to the consolidated financial statements, the Group has deemed control over Ganzhou Lide on 9 October 2017 (the "Step Acquisition"). Prior to the Step Acquisition, the Group held 20% equity interest in Ganzhou Lide, the directors of the Company had determined that the Group had significant influence over Ganzhou Lide and Ganzhou Lide was accounted for as an associate of the Group. As a result of the Step Acquisition, the Group's equity interest in Ganzhou Lide has increased from 20% to 100% and Ganzhou Lide has become a wholly-owned subsidiary of the Group, the result of Ganzhou Lide is consolidated into the Group's consolidated financial statements commencing from the Acquisition Date.

The Group accordingly remeasured the fair value of its previously held equity interest in Ganzhou Lide at the Acquisition Date and recognised the resulting gain of approximately RMB8,391,000 on remeasurement of the Group's pre-existing interest in Ganzhou Lide to Acquisition Date fair value and included such gain in the consolidated statement of profit or loss.

The fair value of the pre-existing interest in Ganzhou Lide was assessed by reference to the valuation as at Acquisition Date performed by Peak Vision Appraisals Limited, an independent firm of qualified valuer, using market approach based on the share price of a certain number of public traded companies engaged in the same or similar line of business with a control premium.

Details of the carrying amount and fair value of the Group's pre-existing interest in Ganzhou Lide at the Acquisition Date are summarised as follows:

	RMB'000
Share of net assets	**1,809**
Less: Fair value of pre-existing interest	**(10,200)**
Gain on remeasurement	**(8,391)**

39. BUSINESS COMBINATION *(Continued)*

The aggregate fair values of the identifiable assets and liabilities of Ganzhou Lide at the Acquisition Date are as follows:

	Fair values recognised at Acquisition Date RMB'000
Property, plant and equipment	28
Trade and other receivables	114,928
Prepayments	6,199
Bills receivable	73,511
Restricted cash	23,189
Cash and cash equivalents	55,216
Trade and other payables	(112,425)
Income tax payables	(1,603)
Borrowings	(150,000)
Total identifiable net assets	9,043
Goodwill	1,157
Total consideration	10,200
Satisfied by:	
Cash	—
Fair value of pre-existing interest in Ganzhou Lide	10,200
	10,200

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

No transaction costs was incurred for the Step Acquisition.

The net cash inflow in respect of the Step Acquisition amounted to approximately RMB55,216,000.

39. BUSINESS COMBINATION *(Continued)*

Impact of acquisition on the results of the Group

Included in the revenue and profit for the year of approximately RMB81,771,000 and RMB20,931,000 was attributable to the additional business generated by Ganzhou Lide respectively.

Had the Step Acquisition been effected at 1 January 2017, the revenue and the profit for the year of the Group would have been approximately RMB2,712,376,000 and RMB240,142,000 respectively. The directors of the Company consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide an reference for comparison in future period.

In determining the 'pro-forma' revenue and profit of the Group had Ganzhou Lide been acquired at the beginning of the current year, the directors of the Company have:

- calculated depreciation of property, plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after business combination.

(Expressed in Renminbi unless otherwise indicated)

40. PARTICULARS OF SUBSIDIARIES

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

Name of company	Place and date of incorporation/ business	Issued and fully paid up/ registered capital	Proportion of ownership interest and voting power held by the Company 2017	2016	Principal activity
All Access Communication Technology (Shenzhen) Limited* 全通通信技術(深圳)有限公司	The PRC/ 28 June 2013 (Note (ii))	RMB60,000,000	**100%**	100%	Development and provision of communication equipment, application services system operating management, application upgrade and system maintenance
All Access Zhisheng (Shenzhen) Investment Consultancy Co., Limited* 全通智盛(深圳)投資咨詢有限公司	The PRC/ 21 October 2013	RMB100,000	**100%**	100%	Investment holding
Beijing All Access 北京全通	The PRC/ 21 October 2009 (Note (ii))	US$30,000,000	**100%**	100%	Development and provision of communication equipment, application services system operating management, application upgrade and system maintenance
China All Access Group Limited 中國全通集團有限公司	BVI/ 12 May 2006 (Note(i))	US$10,000	**100%**	100%	Investment holding
All Access Global Limited 全通環球有限公司	Hong Kong/ 18 June 2008	HK$10,000	**100%**	100%	Investment holding
China All Access Capital Limited 中國全通資本有限公司	BVI/ 4 November 2015 (Note (i))	US$1	**100%**	100%	Investment holding
China All Access International Limited 中國全通國際有限公司	BVI/ 29 June 2016 (Note (i))	US$10,000	**100%**	100%	Investment holding

(Expressed in Renminbi unless otherwise indicated)

40. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ business	Issued and fully paid up/ registered capital	Proportion of ownership interest and voting power held by the Company 2017	2016	Principal activity
CAA Investment 中國全通投資	BVI/ 28 August 2014 (Note (i))	US$1	100%	100%	Investment holding
China All Access Ruichang Supply Chain Management (Shenzhen) Co., Limited* 全通瑞暢供應鏈管理(深圳)有限公司	The PRC/ 11 February 2014	RMB5,000,000	100%	100%	Supply chain management and cargo agency
China All Access Stockholding Limited 中國全通股份有限公司	BVI/ 28 October 2015 (Note (i))	US$1	100%	100%	Investment holding
Lide Holdings 中國立德控股有限公司	Cayman Islands/ 11 November 2015	HK$1,333	100%	75%	Investment holding
China Lide Group Limited 中國立德集團有限公司	BVI/ 17 November 2015	US$1	100%	75%	Investment holding
Ganzhou Lide 贛州立德	The PRC/ 9 December 2016	RMB80,000,000	100%	N/A	Manufacturing of handset screen
Guangdong All Access Noter Communication Technology Co., Limited* 廣東全通諾特通信技術有限公司	The PRC/ 20 April 2010 (Note (ii))	US$70,000,000	100%	100%	Development and provision of communication equipment, application services system operating management, application upgrade and system maintenance
Hebei Haoguang Communication Technology Limited* 河北浩廣通信科技有限公司	The PRC/ 2 April 2013	RMB20,000,000	100%	100%	Development and provision of communication equipment, application services system operating management, application upgrade and system maintenance

(Expressed in Renminbi unless otherwise indicated)

40. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ business	Issued and fully paid up/ registered capital	Proportion of ownership interest and voting power held by the Company 2017	2016	Principal activity
Hebei Noter 河北諾特	The PRC/ 21 August 2006 (Note (ii))	US$22,500,000	**100%**	100%	Development and provision of communication equipment, application services system operating management, application upgrade and system maintenance
Huizhou All Access Communication Technology Co., Limited* 惠州市全通通信技術有限公司	The PRC/ 22 September 2014 (Note (iii))	RMB10,000,000	**–**	100%	Development and provision of communication equipment, application services system operating management, application upgrade and system maintenance
Huizhou Real Estate 惠州全通房地產	The PRC/ 29 November 2011	RMB11,000,000	**–**	90.91%	Real estate development
Lide Global Limited 立德環球有限公司	Hong Kong/ 14 December 2015	HK$1	**100%**	75%	Investment holding
Shenzhen Lead* 深圳市立德	The PRC/ 17 June 2003 (Note (ii))	RMB262,137,000	**100%**	75%	Manufacturing of handset screen
Shenzhen Lead Innovative Energy Co., Limited* 深圳市立德創新新能源有限公司	The PRC/ 27 September 2017	RMB5,000,000	**100%**	–	Research and development, installation and application of device for photovoltaic plants
Shanghai All Access Noter Communication Technology Co., Limited* 上海全通諾特通信技術有限公司	The PRC/ 23 December 2009 (Note (ii))	US$15,000,000	**100%**	100%	Development and provision of communication equipment, application services system operating management, application upgrade and system maintenance
Shenzhen Changfei Investment Co., Limited* 深圳市長飛投資有限公司	The PRC/ 6 February 2004	RMB27,750,000	**100%**	100%	Investment holding

(Expressed in Renminbi unless otherwise indicated)

40. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ business	Issued and fully paid up/ registered capital	Proportion of ownership interest and voting power held by the Company		Principal activity
			2017	2016	
Shenzhen Kangquan 深圳康銓	The PRC/ 2 June 2003	RMB16,000,000	100%	57.5%	Manufacturing of handset shell
Shenzhen Wanyu Technologies Co., Limited* 深圳萬譽電子技術有限公司	The PRC/ 30 April 2007	RMB8,000,000	100%	57.5%	Manufacturing of handset shell
Tianjin Hailangtong Technology Co., Limited* 天津海藍通科技有限公司	The PRC/ 26 April 2011 (Note (ii))	US$10,000,000	100%	100%	Development and provision of communication equipment, application services system operating management, application upgrade and system maintenance

* *for identification purposes only*

Notes:

(i) Directly held by the Company

(ii) Wholly foreign-owned enterprise

(iii) The entity was deregistered during the year ended 31 December 2017

Except for subsidiaries stated note (i) are directly held by the Company, all other subsidiaries are indirectly held by the Company.

None of the subsidiaries had debt securities outstanding at the end of the year or at any time during the year.

Non-controlling interests

The directors of the Company consider that the non-controlling interests of the Group during the year ended 31 December 2016 were insignificant of the Group and thus are not separately presented in these consolidated financial statements. In addition, no separate financial information of these non-wholly owned subsidiaries is required to present.

41. COMMITMENTS

(a) Capital commitments

	2017 RMB'000	2016 RMB'000
Authorised and contracted, but not provided for:		
Contribution to be made in the paid up capital of an available-for-sale financial assets	–	1,000
Contribution to be made in the paid up capital of an associate	–	20,000
Acquisition for the property, plant and equipment	–	54,197
	–	75,197

(b) Lease commitments

The Group as lessee

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

	2017 RMB'000	2016 RMB'000
Within one year	**7,598**	15,673
In the second to fifth year, inclusive	**1,518**	14,981
	9,116	30,654

The Group is the lessee in respect of a number of properties. The leases typically run for an initial period of one to eight years, with an option to renew the leases when all the terms are renegotiated. None of the leases include contingent rentals.

The Group as lessor

Property rental income earned during the year was approximately RMB124,000 (2016: RMB99,000) less outgoings of approximately RMB152,000 (2016: RMB127,000).

The investment property of the Group is expected to generate annual rental yield of 0.45% (2016: 0.40%) on an ongoing basis. The investment property is held in Hong Kong and has committed tenant for one year.

41. COMMITMENTS *(Continued)*

(b) Lease commitments *(Continued)*

The Group as lessor *(Continued)*

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

	2017 RMB'000	2016 RMB'000
Within one year	**57**	261
In the second to fifth year, inclusive	**—**	114
	57	375

42. FINANCIAL GUARANTEE CONTRACT

At the end of the reporting period, the Company has issued a single guarantee, which was made by the Company, to a bank in respect of a mortgage loan granted to All Access Global Limited that expires upon full repayment of the mortgage loan on 25 February 2035.

As at 31 December 2017, the directors of the Company do not consider it is probable that a claim will be made against the Company under the guarantee. The maximum liability of the Company as at 31 December 2017 under the guarantee was the total outstanding amount of the loan of approximately HK$9,174,000 (equivalent to approximately RMB7,668,000) (2016: HK$9,631,000, equivalent to approximately RMB8,615,000).

43. MATERIAL RELATED PARTY TRANSACTIONS

(a) Material related party transactions

	Notes	2017 RMB'000	2016 RMB'000
Sales of goods and rendering of services:			
— ZTE Corporation and its subsidiaries (collectively referred to as "ZTE Group")	(i)	—	9,207
— Shenzhen Zhongxing Xin Telecommunications Equipment Company Limited (collectively referred to as "ZX Group")	(i)	—	30,663
		—	39,870
Purchases of goods and services			
— ZTE Group	(i)	—	223
— ZX Group	(i)	—	85
		—	308
Finance cost			
— ZTE Group	(i)	—	365
Rental expenses			
— Mr. Chan	(ii)	**341**	182

Notes:

(i) Upon disposal of Xingfei Group, ZTE Group and ZX Group ceased to be related parties of the Group.

(ii) Controlling shareholder of the Company.

43. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) *Key management personnel remuneration*

Remuneration for key management personnel of the Group, including amounts payable to the Company's directors as disclosed in note 11 to the consolidated financial statements, is as follows:

	2017 RMB'000	2016 RMB'000
Salaries, wages and other benefits	**12,159**	9,447
Share-based payment expenses	**4,663**	8,311
Retirement benefit scheme contributions	**158**	190
	16,980	17,948

(c) *Guarantee by related party*

At 31 December 2017, guaranteed loan of RMB200,000,000 (2016: RMB200,000,000) and promissory note with principal amount of US$70,000,000 (equivalent to approximately RMB365,915,000) (2016: HK$160,000,000 and US$70,000,000, total equivalent to approximately RMB628,710,000) were guaranteed by Mr. Chan without any charge.

44. MAJOR NON-CASH TRANSACTIONS

The Group entered into the followings major non-cash investing and financing activities which were not reflected in the consolidated statement of cash flows:

(i) On 12 May 2016, the Group entered into the Patent Licence Agreement to acquire Patent Licence at a consideration of HK$470,000,000, of which HK$410,000,000 shall be settled by the issuance of consideration shares.

On 22 July 2016, the Company allotted and issued First Batch Consideration Shares at an issue price of HK$2.50 per share as partial consideration for the acquisition of Patent Licence Agreement.

On 20 July 2017, the Company allotted and issued Second Batch Consideration Shares at an issue price of HK$2.50 per share as partial consideration for the acquisition of Patent Licence Agreement.

Details of the acquisition of Patent Licence Agreement are set out in note 14 to the consolidated financial statements, the Company's announcement dated 12 May 2016 and 14 July 2016 and the Company's investment circular dated 27 June 2016.

(ii) For the year ended 31 December 2016, the Group settled certain convertible bonds by the issuance of the promissory notes. Further details of the settlement are set out in note 30 to the consolidated financial statements.

(iii) On 20 July 2017, the Company allotted and issued Second Batch Consideration Shares at issue price of HK$2.50 per share as partial consideration for the acquisition of Patent Licence Agreement.

(iv) On 3 November 2017, the Group has acquired additional interests in Shenzhen Kangquan at an aggregate consideration of RMB6,800,000, of which amount of RMB5,440,000 was unsettled and remains in trade and other payable.

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Financial assets		
Available-for-sale financial assets	10,000	—
Loans and receivables:		
— Trade and other receivables	3,974,103	3,192,490
— Loans receivable	125,385	1,087,281
— Discounted bills receivable	58,100	11,832
— Factored trade receivables	—	549,755
— Bills receivable	63,284	47,989
— Restricted cash	325,765	497,551
— Bank deposits with original maturities over three months	1,040,985	1,065,441
— Cash and cash equivalents	204,420	48,573
	5,802,042	6,500,912
Financial liabilities		
Financial liabilities at amortised cost:		
— Trade and other payables (exclude receipt in advance)	780,241	1,276,117
— Borrowings	1,018,492	1,299,731
— Convertible bonds	964,252	948,356
— Bank advances on discounted bills receivable	58,100	11,832
— Bank advances on factored trade receivables	—	549,755
	2,821,085	4,085,791

The risks associated with these financial instruments include credit risk, liquidity risk and market risk (interest rate risk and currency risk). The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

Credit risk

The Group is exposed to credit risk, which is the risk of loss arising from a customer or counterparty that will be unable to or unwilling to meet its contractual obligations. The Group's credit risk is primarily attributable to deposits with financial institutions (including restricted cash), trade and other receivables, and structured deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect to deposits with financial institutions, the Group only places deposits with financial institutions, which management believes are of high credit rating.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Contract sums for the provision of application solutions (other than for sales of terminal equipment) are generally due and payable by instalments at different stages which comprised (i) down payment payable upon signing of contract; and (ii) remaining balance within three months after acceptance of project, subject to 5%-10% retention money, if any, to be withheld by customers in our projects until expiry of the warranty period. For sales of terminal equipment, contract sums are normally payable upon delivery of the relevant terminal equipment. The Group may grant credit up to 18 months to its customers according to the negotiation and relationship with these customers. The Group may also allow payments by instalments to certain customers with sound financial background and with no history of default. Credit terms could be extended for certain well-established customers on a case-by-case basis. The Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor. The default risk of the industry and country in which debtors operate also has an influence on credit risk but to lesser extent. At 31 December 2017, the Group has a certain concentration of credit risk as 22.6% and 52.3% (2016: 7.1% and 20.8%) of the total trade and other receivables was due from the Group's largest debtor and the five largest debtors respectively. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting impairment allowance, if any.

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

(Continued)

Liquidity risk

The following table details the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group can be required to pay:

	At 31 December 2017 Contractual undiscounted cash flow					
	Within 1 year or On demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Total carrying amount RMB'000
Trade and other payables	**780,241**	**—**	**—**	**—**	**780,241**	**780,241**
Borrowings	**893,937**	**2,867**	**150,000**	**6,523**	**1,053,327**	**1,018,492**
Convertible bonds	**1,000,639**	**—**	**—**	**—**	**1,000,639**	**964,252**
Bank advances on discounted bills receivable	**58,100**	**—**	**—**	**—**	**58,100**	**58,100**
	2,732,917	**2,867**	**150,000**	**6,523**	**2,892,307**	**2,821,085**

	At 31 December 2016 Contractual undiscounted cash flow					
	Within 1 year or On demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Total carrying amount RMB'000
Trade and other payables	1,276,117	–	–	–	1,276,117	1,276,117
Borrowings	1,314,474	44,159	2,355	7,633	1,368,621	1,299,731
Convertible bonds	–	1,070,788	–	–	1,070,788	948,356
Bank advances on discounted bills receivable	11,832	–	–	–	11,832	11,832
Bank advances on factored trade receivable	549,755	–	–	–	549,755	549,755
	3,152,178	1,114,947	2,355	7,633	4,277,113	4,085,791

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

(Continued)

Market risk

(a) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings at both variable rates and fixed rates that expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group constantly monitors its borrowing portfolio to minimise its interest rate risk.

(i) Interest rate profile

The following table details the interest rate profile of the Group's financial instruments at the end of the reporting period:

	2017 Interest rate %	2017 RMB'000	2016 Interest rate %	2016 RMB'000
Variable rate deposits				
Cash and cash equivalents	**0.001-0.30**	**204,420**	0.001-0.30	48,573
Restricted cash	**0.001-0.42**	**325,765**	0.001-1.08	497,551
Structured deposits	**1.68-2.91**	**905,000**	2.80-2.91	670,000
Fixed rate deposits				
Bank deposits with original maturities over three months	**1.85-2.10**	**1,040,985**	0.14-2.10	1,065,441
Entrusted loans	**12.00**	**280,000**	12.00	200,000
Fixed rate borrowings				
Borrowings	**0.00-13.00**	**990,823**	1.70-13.00	1,088,365
Bank advances on discounted bills receivable	**2.64-5.49**	**58,100**	2.64-4.5	11,832
Convertible bonds	**7.78-11.29**	**964,252**	7.78-11.29	948,356
Bank advances on factored trade receivable	**—**	**—**	4.35-5.00	549,755
Variable rate borrowings				
Borrowings	**1.38-4.57**	**27,669**	1.38-5.39	211,366
Total borrowings		**2,040,844**		2,809,674
Fixed rate borrowings as a percentage of total borrowings		**98.64%**		92.48%

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

Market risk *(Continued)*

(a) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At 31 December 2017, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit for the year by approximately RMB2,957,000 (2016: RMB797,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit for the year that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to cash flow interest rate risk at the end of the reporting period.

(b) Currency risk

Renminbi is not freely convertible into foreign currencies in the PRC. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China ("PBOC") or other institutions authorised to conduct foreign exchange business. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

During the year, sales and purchases made by the Group's PRC subsidiaries were mainly denominated in Renminbi, which is their functional currency. These PRC subsidiaries did not have any significant financial assets or liabilities that are denominated in a currency other than their functional currency at 31 December 2017.

The functional currency of the Company and the Group's non-PRC subsidiaries is Hong Kong dollar. Management does not expect that there will be any significant currency risk associated with financial assets or liabilities denominated in currencies other than the functional currency of the Group to which they relate at 31 December 2017 (2016: nil).

Fair value of financial instruments

The directors of the Company considered that the carrying amounts of the financial assets and financial liabilities approximate to the fair values as at 31 December 2017, except for the liability component of convertible bonds. The fair value of the liability component of convertible bonds is approximately RMB930,723,000 at 31 December 2017. The fair value of the liability component of convertible bonds is measured using discounted cash flows method in which all significant input are directly or indirectly based on observable market data which is under Level 2 of the fair value hierarchy.

46. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Dividend payable RMB'000	Interest payable RMB'000	Borrowings RMB'000	Convertible bonds RMB'000	Total RMB'000
At 1 January 2017	—	9,090	1,299,731	948,356	2,257,177
Financing cash flows	(42,219)	(105,193)	(399,471)	—	(546,883)
Dividend declared	42,219	—	—	—	42,219
Interest expenses	—	113,770	—	80,741	194,511
Acquisition through business combination	—	—	150,000	—	150,000
Foreign exchange translation	—	—	(31,768)	(64,845)	(96,613)
At 31 December 2017	**—**	**17,667**	**1,018,492**	**964,252**	**2,000,411**

Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year.

47. EVENTS AFTER THE REPORTING PERIOD

There is no significant event took place subsequent to the end of the reporting period.

48. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 March 2018.