ANNUAL REPORT 2017

偉祿集團控股有限公司
REALORD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 1196

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lin Xiaohui *(Chairman)*
Su Jiaohua *(Chief Executive Officer)*
Lin Xiaodong

Independent Non-executive Directors

Yu Leung Fai
Fang Jixin
Li Jue

AUDIT COMMITTEE

Yu Leung Fai *(Chairman)*
Fang Jixin
Li Jue

REMUNERATION COMMITTEE

Li Jue *(Chairman)*
Lin Xiaohui
Yu Leung Fai

NOMINATION COMMITTEE

Lin Xiaohui *(Chairman)*
Yu Leung Fai
Fang Jixin

COMPANY SECRETARY

Chan Chu Kin

LEGAL ADVISER

Michael Li & Co.

INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Merchants Bank
United Overseas Bank Limited
Hong Kong Branch

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 2403-2410
24/F, Jardine House
1 Connaught Place
Central, Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

STOCK CODE

1196

COMPANY WEBSITE

http://www.realord.com.hk

FIVE YEAR FINANCIAL HIGHLIGHTS

Results

	2017 HK$'000 (Audited)	Year ended 31 December 2016 HK$'000 (Audited)	2015 HK$'000 (Represented)[2]	2014 HK$'000 (Unaudited)	Period from 1 April to 31 December 2014 HK$'000 (Audited)	Year ended 31 March 2014 HK$'000 (Represented)[1]
Revenue	**762,959**	209,784	207,732	105,761	89,184	80,076
Profit/(Loss) from operations	**197,100**	228,022	50,036	(6,380)	3,286	(6,570)
Finance costs	**(30,819)**	(19,847)	(1,690)	(156)	(101)	(177)
Profit/(Loss) before income tax	**166,281**	208,175	48,346	(6,536)	3,185	(6,747)
Income tax expense	**(55,060)**	(128,078)	(15,707)	(10,637)	(6,258)	(5,285)
Profit/(Loss) for the year/period from continuing operations	**111,221**	80,097	32,639	(17,173)	(3,073)	(12,032)
(Loss)/Profit for the year/period from discontinued operations	**–**	–	–	(21,411)	(3,743)	(412)
Profit/(Loss) for the year/period	**111,221**	80,097	32,639	(38,584)	(6,816)	(12,444)

Assets and Liabilities

	2017 HK$'000 (Audited)	As at 31 December 2016 HK$'000 (Audited)	2015 HK$'000 (Audited)	2014 HK$'000 (Audited)	As at 31 March 2014 HK$'000 (Audited)
Property, plant and equipment	**102,527**	78,649	86,764	9,820	140,761
Investment properties	**1,344,575**	1,106,525	552,900	135,730	123,040
Prepaid lease payments	**5,323**	–	–	–	2,644
Goodwill	**28,497**	2,100	2,100	–	–
Other intangible asset	**4,400**	4,400	4,400	–	–
Other assets	**–**	–	–	–	1,100
Finance lease receivables	**4,688**	6,401	6,546	–	–
Available-for-sale investments	**11,789**	13,844	13,844	7,344	–
Deferred tax assets	**–**	188	31	137	590
Prepayments and deposits	**11,630**	36,460	13,878	–	–
Current assets	**662,063**	359,279	456,574	331,834	379,011
Total assets	**2,175,492**	1,607,846	1,137,037	484,865	647,146
Current liabilities	**205,976**	48,893	49,725	20,462	112,754
Interest-bearing bank borrowings	**255,525**	250,288	186,825	100,000	13,618
Loans from the ultimate holding company	**378,688**	241,596	–	–	–
Deferred tax liabilities	**231,305**	168,972	46,075	32,939	34,980
Total liabilities	**1,071,494**	709,749	282,625	153,401	161,352
Net assets	**1,103,998**	898,097	854,412	331,464	485,794

1 The figures were represented upon the reclassification of discontinued operations resulting from the disposal of Brilliant Stage Holdings Limited.

2 The figures were restated upon the reclassification of property investment segment as reportable operating segment.

CHAIRMAN'S STATEMENT

Dear Shareholders,

It is my pleasure to report the financial results of the Group for the year ended 31 December 2017.

RESULTS

During the year under review, the Group recorded a total revenue of approximately HK$763.0 million and profit attributable to equity holders of approximately HK$93.3 million. Basic earning per share was HK$8.11 cents, based on the weighted average of 1,150,237,699 shares in issue during the year. The improvement of the results of the Group was mainly attributable to the fair value gains on investment properties for the year of approximately HK$155.7 million and profit contribution from environment protection business of approximately HK$52.3 million.

DIVIDENDS

The Directors do not recommend the payment of interim and final dividend (2016: Nil) for the year ended 31 December 2017. Total dividend for the year is nil (2016: Nil).

OUTLOOK

In view of (i) the fierce competition in the commercial printing industry in 2017 as evidenced by the price wars with competitors during the year and the number of commercial printing companies newly set up in 2017; (ii) the uncertainties for the success rate of the existing IPO engagements; and (iii) that the capital investment for the business development of the IPO services being not proportional to the benefits generated to the Group during the year, the Directors had accepted a management buyout in respect of the commercial printing business and had entered into an agreement to dispose of the subsidiary engaged in the commercial printing business in November 2017. Later in December 2017, amendments to the listing requirements with respect to listing requirements for the new listing applicants of the Main Board and the Growth Enterprise Market were announced by the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and the Directors consider that such amendments have served to clarify the expected standards of the Stock Exchange in respect of the financial requirements of the new listing applicants, and thus settled the worries of the Group as to the market conjectures about a more stringent regime to be implemented by the Stock Exchange.

Accordingly, the Directors resolved to continue the commercial printing business while keep reviewing and assessing the risks, benefits and prospects thereof along the operations. The Directors had entered into a termination agreement in this regard in January 2018.

The Group has set up a retail store in Hong Kong in May 2017 for the motor vehicles parts business. The Group is now considering to set up a retail store in Guangzhou, the People's Republic of China (the "PRC") with a view to enhancing the sales and distribution network of the motor vehicle parts business.

On 23 May 2016, the Group entered into an agreement with 5 other independent third parties, pursuant to which the parties agreed to set up a security company (the "Security Company") in Guangzhou Pilot Free Trade Zone, Nanshan area in the PRC, to carry out securities businesses in the PRC. Pursuant to the agreement, upon establishment of the Security Company, the Group agreed to subscribe for 350,000,000 shares of the Security Company in cash, representing 10% equity interests thereof, at an aggregate subscription price of RMB350 million. The establishment of the Securities Company is subject to the necessary approvals by the relevant PRC authorities including but not limited to the China Securities Regulatory Commission (the "CSRC"). The application for the approval was filed to the CSRC in July 2016 and is under review as at the reporting date. In respect of the finance lease and operating lease services in the PRC, the Group has commenced minimal scale of operation in 2017 and it is expected to maintain a similar scale of operation in 2018 subject to the market situation.

Due to the continuously low economic growth, the operating environment of the hangtag business has been challenging during the year under review and the Directors foresee that customers' demand of hangtags, labels, shirt paper boards and plastic bags would remain sluggish.

In January 2018, the Group entered into a conditional acquisition agreement to acquire Realord Ventures Limited and Manureen Ventures Limited, the principal assets of which include properties in Shenzhen, the PRC. The Directors are of the view that the acquisition would largely enhance the Group's portfolio of investment properties and strengthen the property investment business of the Group by creating additional stream of stable rental income and potential capital gain for the Group.

The Group has also initiated works to enable the redevelopment of the Qiankeng property and the Zhangkenjing property for a year. The Zhangkenjing property was acquired by the Group in September 2015. In February 2017, the Group has made an application to the PRC government authority to change the land use of the Zhangkenjing property from industrial use to residential apartments and office use for redevelopment purpose. In accordance with the notice from the government authority, the application is being processed and reviewed by the relevant authorities. The Qiankeng property was acquired by the Group in June 2016 and the application for change of the land use of the Qiankeng property from industrial use to public housing and residential use was also made to 深圳市龍華區住房及建設局 in May 2017. The Company is uncertain about when the approvals will finally be granted but it expects that it should be granted in 2018, subject to government schedules, and thereafter the redevelopment works will commence.

On 5 September 2016, the Group and Fortune Victory Asia Corporation ("Fortune Victory"), an independent third party, entered into an acquisition agreement, pursuant to which the Group has conditionally agreed to acquire, and Fortune Victory has conditionally agreed to sell 60% of the issued share capital of Realord Environmental Protection Industrial Company Limited ("Realord Environmental Protection") at a maximum consideration of HK$60,000,000. Realord Environmental Protection in turn holds the entire equity interest in 廣西梧州市通寶再生物資有限公司 (Guangxi Wuzhou City Tong Bao Renewable Materials Limited*) ("Tong Bao"), which is principally engaged in the business of sourcing, dismantling and trading of scrap materials. The acquisition was completed on 28 February 2017 and the Group has engaged in the Environmental Protection Segment since then. Pursuant to the acquisition agreement, among other things, 750,000 consideration shares shall be allotted and issued by the Company to the vendor as part of the consideration if the qualified profit of Realord Environmental Protection sub-group for the financial year ended 31 December 2016 was not less than HK$15,000,000. Based on the audited consolidated financial statements of Realord Environmental Protection for the year ended 31 December 2016 prepared in accordance with the Hong Kong Financial Reporting Standards, the qualified profit of Realord Environmental Protection for the year ended 31 December 2016 amounted to approximately HK$29,257,000. Accordingly, the target profit for the financial year ended 31 December 2016 has been fulfilled and the relevant consideration shares were allotted and issued to the vendor in September 2017.

It is the Group's plan to develop a processing plant for recycling and production of copper and aluminium ingots (the "Processing Plant") in 梧州進口再生資源加工園區 (Wuzhou Import Renewable Resources Processing Park*) located in Wuzhou, Guangxi Province, the PRC, with target annual production capacity of 100,000 tonnes. The Group will start the construction of the Processing Plant once the acquisition of the land for such purpose is completed. It is expected that the land acquisition will be completed in mid-2018 and the construction will commence in the third quarter of 2018. The Board believes that the Processing Plant will become a driver for a long-term growth of the Group's business.

APPRECIATION

On behalf of the Board of Directors, I would like to thank all our staff for their dedication and contributions and our customers, suppliers, business associates and shareholders for their continuous support at the present business environment.

By Order of the Board
Lin Xiaohui
Chairman

Hong Kong, 31 March 2018

The principal activities of the Group during the year under review included the provision of financial printing, digital printing and other related services (the "Commercial Printing Segment"), sale of hangtags, labels, shirt paper boards and plastic bags (the "Hangtag Segment"), distribution and sale of motor vehicle parts (the "Motor Vehicle Parts Segment"), provision of securities brokerage services and margin financing (the "Financial Services Segment"), trading of electronic products and computer components (the "Trading Segment"), property investment (the "Property Investment Segment") and Sourcing, dismantling and trading of scrap materials (the "Environmental Protection Segment"). The Environmental Protection Segment was a new segment of the Group as a result of the acquisition of Realord Environmental Protection Industrial Company Limited ("Realord Environmental Protection") during the year under review.

FINANCIAL REVIEW

Overview

During the year under review, the Group recorded a total revenue of approximately HK$763.0 million, representing a huge increase of approximately 263.7% as compared to that of the last year of approximately HK$209.8 million. The Group recorded a profit of approximately HK$111.2 million for the year as compared to a profit of HK$80.1 million for the last year.

The Group noted a huge increase in revenue of approximately 263.7% during the year under review, which was primarily due to the Group consolidating the operating performance attributable to the Environmental Protection Segment amounted to approximately HK$572.4 million since the acquisition of Realord Environmental Protection. Revenue arising from the Commercial Printing Segment, Financial Services Segment and Property Investment Segment during the year, which were approximately HK$70.0 million, HK$10.8 million and HK$20.2 million respectively, were relatively stable as compared to that of the last year. However, the increase in revenue of the Group was partially offset by the decrease in revenue in the Motor Vehicle Parts Segment and the Hangtag Segment. Due to the deteriorating operating environment of the Hangtag Segment, the revenue of this segment decreased significantly by 69.4% from HK$8.5 million in 2016 to HK$2.6 million in 2017. Motor Vehicle Parts Segment recorded a decrease in revenue by approximately 13.6% to HK$86.9 million during the year under review, which was attributable to the Group tightened its credit control policy.

An increase in profit attributable to the equity holders was noted in 2017. The increase in profit was mainly due to consolidating revenue arising from the Environmental Protection Segment of approximately HK$572.4 million (2016: Nil) and the fair value gains on investment properties of approximately HK$155.7 million (2016: HK$270.5 million), which was partly offset by the deferred taxation imposed on the fair value gains of approximately HK$48.8 million (2016: HK$125.1 million) as well as the finance costs of approximately HK$30.8 million (2016: HK$19.8 million). The increase in finance costs was mainly due to the increase in bank borrowings and loans from the ultimate holding company during the year.

Financial review

Commercial Printing Segment

The Commercial Printing Segment contributed a revenue of approximately HK$70.0 million, representing 9.2% of the Group's total revenue during the year. There was a slight decrease in revenue by 3.7% to approximately HK$70.0 million as compared to that of the last year of approximately HK$72.7 million. Moreover, due to the increase in the operation cost, this segment generated an operating loss of approximately HK$8.1 million as compared to the operating profit of approximately HK$0.9 million for the last year.

Motor Vehicle Parts Segment

The Motor Vehicle Parts Segment contributed a revenue of approximately HK$86.9 million, representing 11.4% of the Group's total revenue during the year. The revenue from the Motor Vehicle Parts Segment recorded a decrease by 13.6% to approximately HK$86.9 million as compared to the revenue of the last year of approximately HK$100.6 million. In addition, due to the increase in administrative expenses and finance cost for expansion of the operation, the operating profit decreased to approximately HK$0.6 million for the year as compared to approximately HK$5.0 million for the last year.

Financial Services Segment

The Financial Services Segment generated a revenue of approximately HK$10.8 million, representing 1.4% of the Group's total revenue during the year. The Financial Services Segment recorded a similar level of revenue of approximately HK$10.8 million as compared to approximately HK$10.9 million for the last year. The revenue level is stable and the segment recorded an operating profit of approximately HK$2.8 million for the year as compared to approximately HK$2.4 million for the last year.

Hangtag Segment

The Hangtag Segment contributed a revenue of approximately HK$2.6 million, representing 0.3% of the Group's total revenue during the year. The revenue from the Hangtag Segment decreased by 69.4% as compared to the revenue of the last year of approximately HK$8.5 million. The decrease was mainly resulted from less orders received from customers, which were mainly from the garment industry. Through implementation of cost control measures, included outsourcing the manufacturing processes, the segment became breakeven for the year as compared to the operating loss of approximately HK$0.4 million for the last year.

Environmental Protection Segment

The Group commenced the operations in the Environmental Protection Segment subsequent to the completion of acquisition of Realord Environmental Protection in February 2017, which engaged in sourcing, dismantling and trading of scrap materials in the PRC. The Environmental Protection Segment generated a revenue of approximately HK$572.4 million, representing 75.0% of the Group's total revenue since the Group consolidating result of Realord Environmental Protection during the year. The segment recorded an operating profit of approximately HK$52.3 million during the year.

Property Investment Segment

The Property Investment Segment recorded a revenue of approximately HK$20.2 million during the year, representing 2.6% of the total revenue of the Group. The revenue from this business increased by 18.8% to approximately HK$20.2 million as compared to approximately HK$17.0 million in the last year. The increase was due to more rental income resulted from the acquisition of the properties located at Qiankeng Industrial Zone during early 2016, which contributed additional revenue to the business during the year. Due to the reduced fair value gains on investment properties recorded during the year amounted to approximately HK$155.7 million (2016: HK$270.5 million), the profit from this business decrease to approximately HK$169.2 million during the year as compared to the profit of approximately HK$282.4 million in the last year.

Others

The Group has invested in listed securities in Hong Kong for trading purpose. The financial assets of the Group recorded a net realised profit of approximately HK$2.0 million and net unrealised profit of approximately HK$40.3 million during the year. As at 31 December 2017, the fair value of the financial assets amounted to approximately HK$56.0 million.

Liquidity, Financial Resources and Capital Structure

The Group generally finances its operations with internally generated cash flow, cash reserve, banking facilities and facility provided by the ultimate holding company. The Group is financially sound with healthy cash position. Its cash and bank balances, restricted cash and pledged time deposits as at 31 December 2017 amounted to approximately HK$61.5 million (2016: HK$56.0 million) in aggregate.

Its gearing ratio as at 31 December 2017 was 59.2% (2016: 54.8%), based on the interest-bearing borrowings of approximately HK$634.2 million (2016: HK$491.9 million) and total equity of the Group of HK$1,070.4 million (2016: HK$898.1 million).

The Directors consider that the Group's cash holding, liquid assets, future revenue, available banking facilities and the facility provided by the ultimate holding company will be sufficient to fulfill the present working capital requirements of the Group.

Foreign Exchange

Most of the transactions of the Group were denominated in Hong Kong dollars, US dollars, Euro, Japanese Yen and Renminbi; while the Group held cash of approximately RMB25.8 million reserved for operating and treasury purpose as at 31 December 2017.

The Group is exposed to foreign exchange risk arising from exposure in the US dollars, Euro, Japanese Yen and Renminbi against Hong Kong dollars. The management has continuously monitored the level of exchange rate exposure and will adopt financial hedging instruments for hedging purpose when necessary. The Group did not use any financial instruments for hedging purpose as at 31 December 2017.

Financial Guarantees and Charges on Assets

As at 31 December 2017, corporate guarantees amounting to approximately HK$301.5 million were given to banks by the Company for the provision of general banking facilities granted to its subsidiaries. Besides, the general banking facilities were secured by legal charges on certain properties and leasehold land and buildings owned by the Group with a total revalued value of approximately HK$440.1 million and HK$72.2 million respectively.

As at 31 December 2016, corporate guarantees amounting to approximately HK$291.5 million were given to banks by the Company for the provision of general banking facilities granted to its subsidiaries. Besides, the general banking facilities were secured by legal charges on certain properties owned by the Group with a total revalued value of approximately HK$442.1 million.

THE BUSINESS REVIEW AND OUTLOOK

Set out below is the business review and outlook of each segment of the Group's business:

Commercial Printing Segment

In view of (i) the fierce competition in the commercial printing industry in 2017 as evidenced by the price wars with competitors during the year and the number of commercial printing companies newly set up in 2017; (ii) the uncertainties for the success rate of the existing IPO engagements; and (iii) that the capital investment for the business development of the IPO services being not proportional to the benefits generated to the Group during the year under review, the Directors had accepted a management buyout in respect of the commercial printing business and had entered into an agreement to dispose of the subsidiary engaged in the commercial printing business in November 2017. Later in December 2017, amendments to the listing requirements with respect to listing requirements for the new listing applicants of the Main Board and the Growth Enterprise Market were announced by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and the Directors consider that such amendments have served to clarify the expected standards of the Stock Exchange in respect of the financial requirements of the new listing applicants, and thus settled the worries of the Group as to the market conjectures about a more stringent regime to be implemented by the Stock Exchange.

Accordingly, the Directors resolved to continue the commercial printing business while keep reviewing and assessing the risks, benefits and prospects thereof along the operations. The Directors had entered into a termination agreement in this regard in January 2018.

Motor Vehicle Parts Segment

The Group has set up a retail store in Hong Kong in May 2017 for the Motor Vehicles Parts Segment. The Group is now considering to set up a retail store in Guangzhou, the People's Republic of China (the "PRC") with a view to enhancing the sales and distribution network of the Motor Vehicle Parts Segment.

Financial Services Segment

On 23 May 2016, the Group entered into an agreement with 5 other independent third parties, pursuant to which the parties agreed to set up a security company (the "Security Company") in Guangzhou Pilot Free Trade Zone, Nanshan area in the PRC, to carry out securities businesses in the PRC. Pursuant to the agreement, upon establishment of the Security Company, the Group agreed to subscribe for 350,000,000 shares of the Security Company in cash, representing 10% equity interests thereof, at an aggregate subscription price of RMB350 million. The establishment of the Securities Company is subject to the necessary approvals by the relevant PRC authorities including but not limited to the China Securities Regulatory Commission (the "CSRC"). The application for the approval was filed to the CSRC in July 2016 and is under review as at the reporting date. In respect of the finance lease and operating lease services in the PRC, the Group has commenced minimal scale of operation in 2017 and it is expected to maintain a similar scale of operation in 2018 subject to the market situation.

Hangtag Segment

Due to the continuously low economic growth, the operating environment of the Hangtag Segment has been challenging during the year under review and the Directors foresee that customers' demand of hangtags labels, shirt paper boards and plastic bags would remain sluggish.

Environmental Protection Segment

On 5 September 2016, the Group and Fortune Victory Asia Corporation ("Fortune Victory"), an independent third party, entered into an acquisition agreement, pursuant to which the Group has conditionally agreed to acquire, and Fortune Victory has conditionally agreed to sell 60% of the issued share capital of Realord Environmental Protection at a maximum consideration of HK$60,000,000. Realord Environmental Protection in turn holds the entire equity interest in 廣西梧州市通寶再生物資有限公司 (Guangxi Wuzhou City Tong Bao Renewable Materials Limited*) ("Tong Bao"), which is principally engaged in the business of sourcing, dismantling and trading of scrap materials. The acquisition was completed on 28 February 2017 and the Group has engaged in the Environmental Protection Segment since then. Pursuant to the acquisition agreement, among other things, 750,000 consideration shares shall be allotted and issued by the Company to the vendor as part of the consideration if the qualified profit of Realord Environmental Protection sub-group for the financial year ended 31 December 2016 was not less than HK$15,000,000. Based on the audited consolidated financial statements of Realord Environmental Protection for the year ended 31 December 2016 prepared in accordance with the Hong Kong Financial Reporting Standards, the qualified profit of Realord Environmental Protection for the year ended 31 December 2016 amounted to approximately HK$29,257,000. Accordingly, the target profit for the financial year ended 31 December 2016 has been fulfilled and the relevant consideration shares were allotted and issued to the vendor in September 2017.

It is the Group's plan to develop a processing plant for recycling and production of copper and aluminum ingots (the "Processing Plant") in 梧州進口再生資源加工園區 (Wuzhou Import Renewable Resources Processing Park*) located in Wuzhou, Guangxi Province, the PRC, with target annual production capacity of 100,000 tonnes. The Group will start the construction of the Processing Plant once the acquisition of the land for such purpose is completed. It is expected that the land acquisition will be completed in mid-2018 and the construction will commence in the third quarter of 2018. The Board believes that the Processing Plant will become a driver for a long-term growth of the Group's business.

Property Investment Segment

In January 2018, the Group entered into a conditional acquisition agreement to acquire Realord Ventures Limited and Manureen Ventures Limited, the principal assets of which include properties in Shenzhen, the PRC. The Directors are of the view that the acquisition would largely enhance the Group's portfolio of investment properties and strengthen the property investment business of the Group by creating additional stream of stable rental income and potential capital gain for the Group.

Trading Segment

Same as previous financial year, the Group did not conduct any transactions under this segment during the year under review due to thin margin.

Others

The Group has also initiated works to enable the redevelopment of the Qiankeng property and the Zhangkenjing property for a year. The Zhangkenjing property was acquired by the Group in September 2015. In February 2017, the Group has made an application to the PRC government authority to change the land use of the Zhangkenjing property from industrial use to residential apartments and office use for redevelopment purpose. In accordance with the notice from the government authority, the application is being processed and reviewed by the relevant authorities. The Qiankeng property was acquired by the Group in June 2016 and the application for change of the land use of the Qiankeng property from industrial use to public housing and residential use was also made to 深圳市龍華區住房及建設局 in May 2017. The Company is uncertain about when the approvals will finally be granted but it expects that it should be granted in 2018, subject to government schedules, and thereafter the redevelopment works will commence.

PRINCIPAL RISKS AND UNCERTAINTIES

Concentration risk

The five largest customers of the Group contributed approximately 56.9% of the total turnover of the Group for the year; while the five largest suppliers of the Group contributed approximately 73.5% of the total purchases of the Group for the year. The concentration of sales and purchases on certain customers and suppliers may poses risk to the Group operation in that failure in any of these customers and suppliers may have adverse financial effect on the Group.

Credit risk

The account receivables amounted to HK$440.8 million as at 31 December 2017, which comprise amounts due from clients from Financial Services Segment amounted to HK$130.1 million; amounts due from customers from Motor Vehicle Parts Segment amounted to HK$77.3 million; amounts due from customers from Environmental Protection Segment amounted to HK$226.3 million; and amounts due from customers from other businesses amounted to HK$7.1 million.

The amounts due from clients from Financial Services Segment comprise balances receivable from cash client and margin client. The cash clients are required to place deposits before execution of any purchase transactions and are due within the settlement period which are usually within a few days from the trade date. The credit risk arising from the amounts due from cash clients is considered to be low. The amounts due from margin clients are repayable on demand and the margin clients are required to place securities and/or cash deposits as collateral. On a daily basis, the management monitored market conditions and adequacy of collateral of each margin client. Margin calls and forced liquidation are made where necessary.

The customers from Environmental Protection Segment and Motor Vehicle Parts Segment are normally granted with credit terms. The management believes that no impairment and/or allowance are considered necessary in respect of these balances as the customers have continuous settlement. However, the default of any of these clients would adversely impact the financial results and position of the Group.

Market risk

Investment properties

The Group held significant assets classified as investment properties for earning rental income and capital appreciation. Revaluation of investment properties would be conducted regularly by independent appraiser at reporting date and any surplus/deficiency was recorded as fair value gain or loss in the statement of profit or loss. Fair value of investment properties could be affected by a number of factors, such as property market condition, interest rate, political environment, etc. The change in fair value could significantly affect the financial results and position of the Group.

Financial assets

The Group held certain financials assets for trading purpose, the fluctuation in stock price of the portfolio of listed securities could significantly affect the profitability of the Group. According to the Hong Kong Financial Reporting Standard, the gain/loss on listed securities should be booked as gain or loss on fair value change on held for trading investments in the statement of profit or loss. The fluctuation in stock price could impact the Group's profitability. The directors will closely monitor the stock market and make changes to the investment portfolio in order to maximize shareholders' return.

LAWS AND REGULATIONS

Laws and regulations in relation to the financial services sector, environmental protection sector and workplace quality may have a material effect on the Group's principal activities.

Operation in regulatory sector

The Financial Services Segment of the Group operates in a highly regulated sector. The risk of non-compliance with regulatory requirements could lead to the loss of operating licenses.

The Environmental Protection Segment of the Group operates under relevant environmental protection regulations in the PRC, loss of operating licenses could result from the non-compliance with the regulatory requirements. Therefore, we make it a top priority to ensure compliance with the relevant rules and regulations, and to stay up to date on new laws and regulations. The Group has implemented policies and procedures designed to ensure compliance with the most relevant laws and regulations.

To the best of our knowledge, the Group has complied with the relevant regulations for our financial services business in Hong Kong and environmental protection business in the PRC. We did not identify any material non-compliance or breach of legislation.

Workplace Quality

The Group believes that continued business success relies on the full contribution and support of our employees. We are dedicated to promoting equal opportunities for all of our employees in different areas, including recruitment, compensation and benefits, training, staff promotion, transfer, and dismissal. All employees are assessed based on their ability, performance and contribution, irrespective of their nationality, race, religion, gender, age or family status.

The Group is committed to the health, safety and welfare of our employees. We pledge full compliance in all occupational health and safety legislations and we have implemented an effective and safe working environment for our employees.

The Group has complied with labour or other relevant legislations. We did not identify any material non-compliance or breach of legislation related to workplace quality.

Environmental Protection

The Group is committed to protecting and sustaining the environment through reduced consumption of electrical power and paper. We are committed to upholding high environmental standards to fulfill relevant requirements under applicable laws or ordinances.

We did not identify any material non-compliance or breach of relevant standards, rules and regulations on air and greenhouse gas emission, discharges into water and land, generation of hazardous or non-hazardous water, etc.

RELATIONSHIP WITH EMPLOYEES

The Group recognize employees as the most important assets of the Group. The contribution and support of employees are valued at all times. The Group regularly reviews the remuneration policies according to the market benchmarks, financial results and individual performance of employees. Other staff benefit plans are provided to enhance the employees' loyalty and satisfaction.

RELATIONSHIP WITH SUPPLIERS

Fair and Open Competition

The Group promotes fair and open competition that aims to develop long term relationships with suppliers based on mutual trust.

Public Interest and Accountability

The procurement from suppliers or service providers is conducted in a manner consistent with the highest ethical standards. This helps assure high products quality at all times to gain the confidence of customers, suppliers and the public.

Procurement and Tendering Procedures

The contracting of services and the purchase of goods are based solely on need, quality and price. This ensures compliance with procurement policies and fosters positive and open competition.

RELATIONSHIP WITH CUSTOMERS AND CLIENTS

Customer Services

The Group seeks to provide efficient and courteous customer service to maintain customer satisfaction and co-operation. Customers have access to information about the operation and development of the Group through annual reports and the company website. The Group shall not make any misrepresentation, exaggeration or overstatement.

ENVIRONMENTAL AND SOCIAL POLICIES

Details of the environmental and social policies of the Group are set out in the Environmental, social and Governance Report on pages 33 to 47.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 December 2017, the Group had a total workforce of 166, of whom 113 were based in Hong Kong and 53 were based in the People's Republic of China.

Remuneration packages are generally structured by reference to market terms and individual qualifications, experience and merits. Salaries are normally reviewed on an annual basis and bonuses, if any, will be based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance.

SOCIAL RESPONSIBILITIES AND SERVICES AND ENVIRONMENTAL POLICY

Corporate Social Responsibility has become common practice. The Group cares to save energy, reduce waste during our day-to-day operations, and to protect the environment by implementing a series of measures in energy conservation and paper recycling etc.

EXECUTIVE DIRECTORS

Dr. Lin Xiaohui ("Dr. Lin"), aged 44, obtained a post-graduate diploma in business administration from the Society of Business Practitioners in December 2013, a Master degree of business administration from the City University College of Science and Technology in September 2014 and a Honorary Doctorate degree of Business Administration from the SABI University in August 2015. Since 2005, Dr. Lin has held management positions in a number of private companies in which he has shareholding interests, and these companies are mainly engaged in real estate, electronics, logistics and financial investment in Shenzhen. Dr. Lin is a member of the Committee of Shenzhen City of the Chinese People's Political Consultative Conference and a member of the Committee of Futian District, Shenzhen City of the Chinese People's Political Consultative Conference. Dr. Lin is the spouse of Madam Su and the brother of Mr. Lin Xiaodong. Dr. Lin joined the Group in June 2014.

Madam Su Jiaohua ("Madam Su"), aged 45, obtained the advanced diploma in business studies from Ashford College of Management & Technology Singapore in September 2012. Since 2005, Madam Su has held management positions in a number of private companies in which she has shareholding interests, and these companies are mainly engaged in real estate, electronics, logistics and financial investment in Shenzhen. Madam Su also served as a member of the People's Congress of Futian District, Shenzhen City since April 2012, and a member of the People's Congress of Shenzhen City since May 2015. Madam Su is the spouse of Dr. Lin. Madam Su joined the Group in June 2014.

Mr. Lin Xiaodong ("Mr. Lin"), aged 35, obtained a Bachelor of Commerce and Administration in Commercial Law and International Business from the Victoria University of Wellington, New Zealand in 2007. He has worked in the Branch Office of Shenzhen Municipal Office of the State Administration of Taxation* (深圳市國家稅務局直屬分局) from 2007 to 2009. He has undertaken various managerial roles in a company owned by Dr. Lin and Madam Su since 2009. Mr. Lin Xiaodong is the brother of Dr. Lin. Mr. Lin Xiaodong joined the Group in June 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Leung Fai ("Mr. Yu"), aged 41, has extensive experience in the corporate services field. Mr. Yu has joined the corporate and PRC services of Fung, Yu & Co. CPA Limited since 2001 and is currently the principal of the division. He holds a Degree of Bachelor of Commerce (Hon.) from the University of Toronto and a Degree of Bachelor of Laws from the University of London, and is a member of the American Institute of Certified Public Accountants, Certified Public Accountants of Australia and the Hong Kong Institute of Certified Public Accountants.

* *For identification purpose only*

Mr. Yu has also been the joint company secretary and authorized representative of China National Materials Co. Ltd. (stock code: 1893) since May 2009; the company secretary and alternative authorized representative of Beijing Media Corporation Ltd. (stock code: 1000) since March 2010; the company secretary and authorized representative of Yuanda China Holdings Limited (stock code: 2789) since June 2012; the company secretary of Sany Heavy Equipment International Holdings Company Limited (stock code: 631) since February 2017, all of which are companies listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Mr. Yu joined the Group in June 2014.

Mr. Fang Jixin ("Mr. Fang"), aged 36, holds a Master degree in Civil and Commercial Law from Wuhan University. Mr. Fang was a legal assistant and a solicitor in the Shu Jin Law Firm from 2005 to 2008 and in the compliance and management division of China International Capital Corporation Limited from 2008 to 2012. He has joined Shenzhen City Zhidongli Precise Technology Company Limited* (深圳市智動力精密技術股份有限公司) since 2012 and is currently the deputy general manager and secretary to the board (董事會秘書). Mr. Fang joined the Group in June 2014.

Dr. Li Jue ("Dr. Li"), aged 42, graduated in Jilin University School of Law, obtained a Bachelor degree in Laws in 1997, a Master degree in Civil and Commercial Law in 2001 and a Doctorate degree in Civil and Commercial Law in 2013. In 2014, Dr. Li joined the post-doctoral research station jointly established by the Center for Assessment and Development of Real Estate, Shenzhen* (深圳市房地產評估發展中心) and the Harbin Institute of Technology, PRC, and engaged in researches relating to the real estate industry. Dr. Li was employed by the Bank of China (Shenzhen Branch) from 2001 to 2013. Since 2015, Dr. Li has been employed by the School of Finance and Economics at the Shenzhen Institute of Information Technology. Dr. Li joined the Group in June 2014.

SENIOR MANAGEMENT

Mr. Chan Chu Kin ("Mr. Chan"), aged 39, is the chief financial officer and company secretary of the Company. Mr. Chan has over 16 years of experience in accounting and finance. Mr. Chan is a member of both the Certified Public Accountants of Australia and the Hong Kong Institute of Certified Public Accountants. Mr. Chan joined the Group in June 2017.

* *For identification purpose only*

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 48 to the financial statements.

An analysis of the Group's performance for the year ended 31 December 2017 by business operating segments and geographical information is set out in note 5 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2017 and the financial position of the Group at that date are set out in the financial statements on pages 55 to 163.

No interim and final dividend have been declared during the year ended 31 December 2017 and 31 December 2016.

FIVE YEAR FINANCIAL HIGHLIGHTS

A summary of the results, assets and liabilities of the Group for the last five fiscal years is set out on page 3.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2017 is set out in the Management Discussion and Analysis on pages 7 to 12.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year ended 31 December 2017 are set out in note 33 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF 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.

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

At 31 December 2017, the Company did not have any reserve available for distribution (2016: HK$7,240,000).

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers were as follows:

(1) The aggregate amount of turnover attributable to the Group's five largest customers represented 56.9% of the Group's total turnover. The amount of sales to the Group's largest customer represented 27.7% of the Group's total turnover.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 73.5% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented 31.4% of the Group's total purchases.

None of the directors of the Company, their associates or any shareholder (who, to the best knowledge of the directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year ended 31 December 2017.

DIRECTORS

The directors of the Company during the year were as follows:

Executive directors:

Dr. Lin Xiaohui
Madam Su Jiaohua
Mr. Lin Xiaodong

Independent non-executive directors:

Mr. Yu Leung Fai
Mr. Fang Jixin
Dr. Li Jue

Dr. Lin Xiaohui and Madam Su Jiaohua will retire by rotation and, being eligible, will offer themselves for re- election at the forthcoming annual general meeting in accordance with Bye-law 87 of the Company's Bye-laws.

The independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Bye-laws.

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to rule 3.13 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and as at the date of this report, still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

No director of the Company as of the date of this report has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Saved as disclosed in notes 10 and 42 to the financial statements, no director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2017, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong) (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

	Number of shares held					
Name of directors	Personal interests (held as beneficial owner)	Corporate interests	Spouse interests	Interest from options granted under share option scheme	Total interests	Total interests as % of the issued share capital
Dr. Lin Xiaohui	–	790,001,518 *(Note 1)*	1,080,000 *(Note 3)*	1,080,000	792,161,518	68.84%
Madam Su Jiaohua	–	–	791,081,518 *(Note 2)*	1,080,000	792,161,518	68.84%
Mr. Lin Xiaodong	–	–	–	1,000,000	1,000,000	0.09%
Mr. Yu Leung Fai	–	–	–	500,000	500,000	0.04%
Mr. Fang Jixin	–	–	–	500,000	500,000	0.04%
Dr. Li Jue	–	–	–	500,000	500,000	0.04%

Notes:

1. As at 31 December 2017, Manureen Holdings Limited ("MHL") was the legal and beneficial owner of 790,001,518 shares. Since Dr. Lin Xiaohui owned 70% of the issued share capital of MHL, he was deemed to be interested in 790,001,518 shares.

2. Madam Su Jiaohua, the spouse of Dr. Lin Xiaohui, was deemed to be interested in 791,081,518 shares which Dr. Lin Xiaohui was deemed to be interested under the SFO as at 31 December 2017.

3. Dr. Lin Xiaohui, the spouse of Madam Su Jiaohua, was deemed to be interested in all the shares interested by his spouse under the SFO as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, none of the directors or chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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

As at 31 December 2017, so far as is known to the directors, the following persons (other than a director or chief executive of the Company) had interests in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares held	Percentage of issued capital
MHL	Beneficial owner	790,001,518	68.65%

Note:

As at 31 December 2017, MHL was the legal and beneficial owner of 790,001,518 Shares. MHL was owned as to 70% by Dr. Lin Xiaohui and as to 30% by Madam Su Jiaohua.

Save as disclosed above, as at 31 December 2017, other than the directors and chief executive of the Company whose interests or short positions are set out in the paragraph headed "Directors' and chief executive's interests and short position in shares, underlying shares or debentures of the Company or its associated corporations" above, the directors and chief executive of the Company were not aware of any person who had any interest or short position in the shares or underlying shares of the Company according to the register of interest required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEMES

The share option scheme (the "Scheme") adopted by the Company was approved by the shareholders at the annual general meeting of the Company held on 10 August 2012 and is effective for a period of 10 years commencing on 10 August 2012. The purpose of the Scheme is to attract and retain quality personnel and other persons and to provide them with incentive to contribute to the business and operation of the Group or any invested entity through granting of options to eligible participants. Further details of the Scheme are disclosed in note 34 to the financial statements.

Movements of the share options under the share option scheme during the year are as follows:

Name of Grantee	Date of Grant	Exercise Period	Exercise price per share (HK$)	Outstanding as at 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2017
Directors								
Lin Xiaohui	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,080,000	–	–	–	1,080,000
Su Jiaohua	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,080,000	–	–	–	1,080,000
Lin Xiaodong	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	–	1,000,000
Yu Leung Fai	20/5/2015	20/5/2017 – 19/5/2025	4.11	500,000	–	–	–	500,000
Fang Jixin	20/5/2015	20/5/2017 – 19/5/2025	4.11	500,000	–	–	–	500,000
Li Jue	20/5/2015	20/5/2017 – 19/5/2025	4.11	500,000	–	–	–	500,000
				4,660,000	–	–	–	4,660,000
Direcotors' associates								
Lin Xiaohong	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	–	1,000,000
Su Jiawen	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	–	1,000,000
Lin Yixin	20/5/2015	20/5/2017 – 19/5/2025	4.11	300,000	–	–	–	300,000
Lin Jingming	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	–	1,000,000
				3,300,000	–	–	–	3,300,000
Other employees								
In aggregate	20/5/2015	20/5/2017 – 19/5/2025	4.11	2,200,000	–	–	150,000	2,050,000
				2,200,000	–	–	150,000	2,050,000
				10,160,000	–	–	150,000	10,010,000

There was no participant with options granted in excess of the individual limit.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors or any of their respective associates has interest in any business that competes or is likely to compete, either directly or indirectly, with the business of the Group, or has any other conflict of interest with the Group.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 26 to 32.

CONNECTED TRANSACTIONS

During the year, the Group entered into a loan agreement with its controlling shareholder, MHL, where MHL will provide the Group unsecured loan facilities up to RMB450 million. At the same time, the Group has provided the corporate guarantee and property pledge to a bank in the PRC for provision of a loan facility to a company owned by Dr. Lin and Madam Su. As Dr. Lin and Madam Su are the directors and controlling shareholders of the Group, it constituted a connected transaction as defined in Chapter 14A of Listing Rules. Details of the transaction could be referred to the circular of the Group dated 27 January 2017.

Save as disclosed above, the Company did not have any connected transactions and continuing connected transactions which were subject to the disclosure requirements under Chapter 14A of the Listing Rules during the year. For those other related party transactions of the Group constituted connected transactions under Chapter 14A of the Listing Rules as disclosed in note 42 to the financial statements, all were fully exempted from the disclosure requirements for reporting, announcement and independent Shareholders' approval.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the directors, the Company had maintained a sufficient public float of not less than 25% of the Company's total issued shares as required under the Listing Rules throughout the year under review.

AUDITORS

During the year, Ernst & Young resigned as auditors of the Company and Deloitte Touche Tohmatsu were appointed by the directors to fill the casual vacancy so arising. A resolution for the reappointment of Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

For and on behalf of the Board

Lin Xiaohui
Chairman

Hong Kong, 31 March 2018

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance practices. In the opinion of the directors, the Company has complied all code provisions (the "Code Provisions") in the Corporate Governance Code (the "Code") set out in Appendix 14 of the Listing Rules for the year ended 31 December 2017.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors of the Company, they have confirmed compliance with the required standard set out in the Model Code during the year ended 31 December 2017.

BOARD OF DIRECTORS

The Company is governed by a board of directors (the "Board") which has the responsibility for leadership and monitoring of the Company. The directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board set strategies and directions for the Group's activities with a view to develop its business and to enhance shareholders' value.

The Board met 17 times during the year ended 31 December 2017. Its composition and the attendance of individual directors at these Board meetings were follows:

Name	**Number of Board meetings attended/held**
Executive directors	
Dr. Lin Xiaohui *(Chairman)*	17/17
Madam Su Jiaohua *(Chief Executive Officer)*	17/17
Mr. Lin Xiaodong	17/17
Independent non-executive directors	
Mr. Yu Leung Fai	16/17
Mr. Fang Jixin	16/17
Dr. Li Jue	16/17

Dr. Lin Xiaohui and Madam Su Jiaohua are spouses.
Dr. Lin Xiaohui and Mr. Lin Xiaodong are brothers.

To the best knowledge of the Company and save as disclosed above, there is no financial, business and family relationship among members of the Board.

DIRECTORS' TRAINING

All directors participate in continuous professional development to enhance and refresh their knowledge and skills. During the year ended 31 December 2017, all directors had provided the Company their training records. All directors participated in continuous professional development exercise by way of attending seminars/conferences/forums organised by professional organisations and keep themselves updates on the roles, functions and duties of a listed company directors. The trainings attended by the directors are in the area of corporate governance, regulatory development, financial management or business skills and knowledge. The Company is of the view that all directors of the Company has compiled with Code Provision A.6.5.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer of the Company are separated, with a clear division of responsibilities to assume a balance of authority and power.

The Chairman is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and for setting its agenda and taking into account any matters proposed by other directors for inclusion in the agenda. Through the Board, he is responsible for ensuring that good corporate governance practices and procedures are followed by the Group.

The Chief Executive Officer is responsible for the day-to-day management of the Group's business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Group benefits from the experience and expertise of the independent non-executive directors of the Company. They advise the Company on strategy development and enable the Board to maintain high standards of compliance of financial and other mandatory requirements. Each independent non-executive director of the Company gives an annual confirmation of the independence to the Company and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

All the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Bye-laws of the Company, which stipulate that one-third of the directors shall retire from office by rotation so that each director shall be subject to retirement at least once every three years.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the following corporate governance functions:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- to review the Company's compliance with the Code Provisions and disclosure in the Corporate Governance Report; and
- such other corporate governance and functions set out in the Code Provisions (as amended from time to time) for which the Board are responsible.

REMUNERATION COMMITTEE

During the year ended 31 December 2017, the members of the Remuneration Committee comprised one executive director and two independent non-executive directors of the Company, namely Dr. Li Jue (Chairman), Mr. Yu Leung Fai and Dr. Lin Xiaohui. The terms of reference of the Remuneration Committee have been determined with reference to the Code.

The Remuneration Committee met two times during the year ended 31 December 2017. All members attended these meetings.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy and structure for all directors and senior management. During the year ended 31 December 2017, the Remuneration Committee has reviewed the Group's remuneration policy, including the policy for the remuneration of executive directors in accordance with Code Provision B.1.2(c)(ii), the levels of remuneration paid to executive directors and senior management of the Group.

NOMINATION OF DIRECTORS

During the year ended 31 December 2017, the members of the Nomination Committee comprised one executive director and two independent non-executive directors of the Company, namely Dr. Lin Xiaohui (Chairman), Mr. Yu Leung Fai and Mr. Fang Jixin. The terms of reference of the Nomination Committee have been determined with reference to the Code.

The Nomination Committee is mainly responsible for reviewing the structure, size and composition of the Board at least annually, making recommendations on the procedures and criteria for appointment of Directors and implementing those that are adopted by the Board.

AUDIT COMMITTEE

During the year ended 31 December 2017, the members of the Audit Committee comprised three independent non-executive directors of the Company, namely Mr. Yu Leung Fai (Chairman), Mr. Fang Jixin and Dr. Li Jue. The terms of reference of the Audit Committee follow the guidelines set out in the Code.

The Audit Committee met two times during the year ended 31 December 2017, which were attended by all members.

During the year, the Audit Committee had reviewed the Group's interim and annual results, risk management and internal control system and financial reporting matters. The Audit Committee oversees the overall financial reporting process as well as the adequacy and effectiveness of the Company's internal control procedures.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The directors acknowledge their responsibility for preparing the financial statements of the Company, which give a true and fair view of the financial position of the Group on a going concern basis. As at 31 December 2017, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the Company on a going-concern basis.

The responsibilities of the external auditors about their financial reporting are set out in the Independent Auditor's Report attached to the Company's Financial Statements for the year ended 31 December 2017.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility to ensure that an appropriate and effective risk management and internal control systems are maintained so as to safeguard the Group's assets and the interests of the Shareholders. The Board has developed its risk management and internal control systems, and is also responsible for overseeing the performance of the risk management and internal control system on an ongoing basis. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year, the Board has, through Audit Committee, conducted a review on the adequacy and effectiveness of the risk management and internal control systems of the Group, which covered financial, compliance and operational controls as well as risk management mechanisms. The Board also reviewed the adequacy of resources, staff qualifications for those who are responsible for accounting and financial reporting function and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions. The internal auditor of the Group has performed an independent review on the adequacy and effectiveness of the risk management and internal control systems of the Group. The review results has been properly reported to the Audit Committee.

The Board has established a policy and guideline on the procedures and internal controls for the handling and dissemination of inside information, which stipulated the duties and responsibilities of inside information announcement, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemption and wavier to the disclosure of inside information, and also compliance and reporting procedures.

Based on the internal control reviews conducted in 2017, no significant control deficiency was identified.

AUDITORS' REMUNERATION

For the year ended 31 December 2017, fees paid/payable to the Company's external auditors for annual audit services totalled HK$1,500,000 (year ended 31 December 2016: HK$1,600,000). For other audit/review-related services, the fees amounted to HK$2,677,000 (year ended 31 December 2016: HK$2,565,000).

COMPANY SECRETARY

The Company Secretary is to ensure there is a good information flow within the Board and between the Board and senior management, provide advice to the Board in relation to directors' obligations under the Listing Rules and applicable laws and regulations and assist the Board in implementing the corporate governance practices. The Company Secretary confirmed that he has taken not less than 15 hours of relevant professional training during the year ended 31 December 2017 and has provided training record to the Company indicating his compliance with the training requirement under the Listing Rules. The Company is of the view that the Company Secretary has compiled with Rule 3.29 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

The Bye-laws of the Company has been amended at the 2012 annual general meeting held on 10 August 2012 so as to bring the Bye-laws in line with the current revised requirements of the Listing Rule and certain changes to the laws of Bermuda. The amendments were disclosed in details on pages 32 to 36 of the Company's circular to shareholders dated 11 July 2012 published on the websites of the Company and the Stock Exchange.

An updated version of the Bye-laws of the Company is available on the website of the Company (www.realord.com.hk) and the Stock Exchange (http://www.hkexnews.hk/index.htm).

SHAREHOLDERS' RIGHTS

Convenes a special general meeting of the Company

Pursuant to Bye-law 58 of the Company, shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may convene a special general meeting.

Enquiries to the Board

Shareholder(s) may at any time send their enquires to the Board in writing through the Company Secretary whose contact details are as follows:

Company Secretary
Realord Group Holdings Limited
Suites 2403-2410
24/F, Jardine House
1 Connaught Place
Central, Hong Kong

Procedures for putting forward proposals at general meetings

The following shareholder(s) are entitled to put forward a proposal (which may properly be put to the meeting) for consideration at a general meeting of the Company:

1. any shareholder(s) representing not less than one-twentieth of the total voting rights of the Company on the date of the requisition; or

2. not less than one hundred shareholders.

The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement with respect to the matter referred to in the proposal must be deposited at the registered office of the Company in the case of:

(1) a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

(2) any other requisition, not less than one week before the meeting.

The Company would take appropriate actions and make necessary arrangements, and the shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under Sections 79 and 80 of the Companies Act 1981 of Bermuda (as amended) once valid documents received.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to develop and maintain continuing relationships and effective communications with its shareholders and investors. To facilitate and enhance the relationships and communication, the Company has established, including but not limited to, the following various channels:

1. annual general meeting provides a forum for shareholders of the Company to raise comments and exchange views with the Board. The Chairman and the directors are available at annual general meetings to address shareholders' queries;

2. separate resolutions are proposed at general meetings on each substantially separate issue to facilitate the enforcement of shareholders' rights. Pursuant to rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. As such, all resolutions set out in the notice of the annual general meeting of the Company will be voted by poll;

3. interim and annual results are announced as early as possible so that the shareholders are kept informed of the Group's performance and operations; and

4. corporate website www.realord.com.hk contains extensive information and updates on the Company's business.

OVERVIEW

The board is pleased to present the Environmental, Social and Governance Report in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Guide") as published by The Stock Exchange of Hong Kong Limited.

1. Scope

This Environmental, Social and Governance Report covers the reporting period from 1 January 2017 to 31 December 2017 and includes the operations of the Group's Shenzhen and Guangxi office during the reporting period. The content of this Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange and is published once a year.

2. Communication With Stakeholders

The Group's annual general meetings provide an effective platform for the board of directors to communicate with the shareholders. In addition to shareholder meetings, to maintain a close relationship with the stakeholders such as customers and suppliers, the Group maintains communication with all stakeholders from time to time via various means including visits, conference calls and meetings, post and emails, follow-ups by customer service personnel, etc., in order to listen to stakeholders' opinions and understand their needs. The operating data and overall performance of the Group are summarized in the Company's interim report and annual report semi-annually and reported to investors through the Company's official website (www.realord.com.hk).

3. ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

3.1 Environment

3.1.1 Emissions

Pollutants such as greenhouse gases, sewage and garbage containing toxic substances can cause pollution to air, water and soil. To protect the environment of the Earth from further harm, the Group has implemented a number of measures to reduce the emission of pollutants, striving to minimize the discharge of sewage, exhaust gas and noise during operation.

Thriftiness in business travel

The Group encourages employees to make good use of WeChat to communicate or conduct video conferences in order to reduce the number of business trips. When travel is required, the Group also encourages employees to use public transportation as far as possible and avoid using company vehicles to reduce unnecessary exhaust emissions and improve the air quality.

Company vehicle management

The Group's motor vehicles are scheduled for regular repairs and maintenance in order to keep their engines and other mechanical systems in good working condition, improve fuel efficiency and reduce pollutant emissions. To further reduce exhaust emissions, we have prepared to phase out traditional diesel vehicles with electric vehicles, in the hope of achieving zero emissions on the road.

Workshop waste gas management

In order to reduce the impact of organic waste gas on the surrounding environment, the Group has installed a gas collecting device at the exhaust outlet of the waste processing machinery in our Guangxi Recycling Yard, and the collected waste gas is treated using activated carbon fibre adsorption technology before emitted. We also paid attention to the enhancement of workshop ventilation, which effectively reduced the accumulation of exhaust gas in workshop through air dilution.

Noise treatment

The Guangxi Recycling Yard of the Group, designed as a closed plant, is equipped with sound barriers to prevent noise from affecting the surrounding environment during operation.

Priorities sourcing from local suppliers

Local suppliers are prioritized for selection if qualified for the Group's requirements, to avoid additional carbon emissions resulting from the need to transport goods over long distances. When local suppliers are selected, we also adopt a centralized approach to arrange as few deliveries as possible, and optimize delivery plans to reduce exhaust emissions during transportation.

Waste reduction

In order to reduce waste paper, employees are required to reduce the use of paper, and are encouraged to use electronic format instead of printed copies whenever possible in an effort to build a paperless office.

Waste disposal

The Group has classified and disposed of recyclable materials, hazardous wastes and other wastes in accordance with the regulations on the disposal of wastes in different places of operation, and has appropriately reused reusable resources and collected recyclable materials. Among them, waste ink cartridges will be collected separately from general household waste, and handed over to consumable suppliers at their regular arrivals for recycling purpose.

The hazardous wastes generated during the operation of the Group's Guangxi Recycling Yard mainly involve waste machine oil, circuit boards, scrap rubber, activated carbon, etc. We strictly comply with the national legislative requirements on hazardous waste disposal in the course of centralized collection and temporary storage management of hazardous wastes, and have entered into service agreements with qualified waste disposal companies designated by local governments to assist the Group in proper disposal of all hazardous and non-hazardous general wastes.

The Group regularly engages qualified professional agencies to conduct environmental monitoring. From time to time, environmental experts are invited to propose improvements for active implementation. During the reporting period, there was no case of violation of environmental laws and regulations by the Group, and the emissions of the Group that had an impact on the environment during the reporting period are set out as follows:

Emission Category	**Quantity**
Greenhouse Gas	
Direct Emissions[1]	88.00 tonnes CO_2e
Energy Indirect Emissions[2]	102.68 tonnes CO_2e
Other Waste Gas[3]	
NOx (generate by automotive use)	6.89 kg
SOx (generate by automotive use)	0.11 kg
PM (generate by automotive use)	0.55 kg
Solid Waste[4]	
Hazardous waste (waste machine oil, circuit board, scrap plastic, activated carbon, etc)	0.3338 tonnes
Non-hazardous waste	529.486 tonnes

Note 1: Direct greenhouse gas emission sources include diesel fixed combustion, gasoline mobile combustion and diesel mobile combustion.

Note 2: Indirect energy greenhouse gas emission sources include purchased electricity.

Note 3: For the time being, other waste gas only covers those generated from motor vehicles used by the Shenzhen office.

Note 4: For the time being, solid wastes only covers those generated during the operation of Guangxi Recycling Yard.

3.1.2 *Use of Resources*

The Group understands that the natural resources in the Earth are so precious that they are by no means inexhaustible. As such, we have put in place appropriate operational measures to enhance our resource utilization efficiency.

Energy conservation

In order to save energy as a whole, the Group has prioritized the use of electrical appliances and equipment with environmental protection, energy saving and high-efficiency features. We have plans to gradually replace existing office and warehouse lighting with light emitting diode (LED), and we have also arranged regular cleaning of office equipment (e.g. refrigerators, air conditioners, etc.) to ensure that the equipment is in good working condition and performance. In terms of internal management, our employees are reminded to turn off all lighting, air conditioning and power supply after work, set the air conditioning temperature at 25ºC, and put up "Save Energy" reminders in appropriate places, so as to further arouse the energy-saving awareness of our staff and put an end to energy waste.

Water conservation

The Group saves water mainly by promoting the water conservation awareness among its employees and strengthening maintenance and management of water equipment. In particular, Guangxi Recycling Yard has implemented the reuse of water resources, as the water used in washing clothes and hands in the staff dormitory are collected for flushing toilets. We have also put up "Save Water" reminders in appropriate places to remind employees to reduce water consumption in their daily operations and to close the taps immediately after use so as to reduce unnecessary waste. We further enhanced daily maintenance and management of water equipment, including regular maintenance of water mains and pipes to reduce hidden leakage.

Green office policy

The Group has implemented a series of measures to reduce the use of office supplies, including the group-wide implementation of electronic file management, encouraging employees to process documents on computers and transmit information electronically as far as possible, and reducing the printing, transmission, sorting and archiving of paper files. For files that must be printed, the Group requires employees to print on both sides of paper. The number of envelopes, portfolios and brochures issued by the Company is also subject to verification and control to minimize the demand for paper. To facilitate waste sorting, recycling and the transfer of recyclable resources to qualified recyclers, various collection bins have been placed in the office for the recycling of single-sided printed paper and printer cartridges.

Various green plants have been placed in different areas of the office, and the green area coverage in Guangxi's factory area has reached 15%, which helps clean air and improve indoor and surrounding air quality.

Packaging Materials

Guangxi Recycling Yard mainly uses trucks to deliver goods directly to customers. Under the premise of reasonable protection, we try our best to reuse the packaging materials which were imported along with raw materials, so as to minimize resource consumption in the transportation process.

During the reporting period, the major resources consumed by the Group during operation and production are summarized as follows:

	Quantity	
Resources	**Shenzhen office**	**Guangxi Recycling yard**
Electricity	39,774 kWh	99,284 kWh
Water	303 m^3	2,868 m^3

Through their joint efforts, all employees of the Group have achieved an improvement in the awareness of energy and water resource conservation. In particular, power consumption of Guangxi Recycling Yard in 2017 decreased by approximately 3.8% from last year.

3.1.3 *Environment and Natural Resources*

The Group understands the concerns of the community and its stakeholders about conserving environment and natural resources. Therefore, we have formulated a set of green resolution measures and actively reduce the consumption of natural resources during operation to address their concerns. In particular, the Guangxi Plant has passed the ISO14001 environmental management system certification, and has an environmental management committee to monitor and manage environmental protection measures in the factory and office to reduce safety risks and improve environmental performance.

To reduce the consumption of paper, a main natural resource consumed by the Group, we encourage our employees to transmit information electronically and process documents on computers as much as possible, and require them to print on both sides as far as possible. The number of company envelopes, portfolios, brochures, etc. for internal use is also verified to avoid overprinting. Meanwhile, when it is necessary to acquire or upgrade operating equipment, we will make reference to the information on the energy label to select energy-efficient models as far as possible in order to achieve better energy management efficiency.

For reusable and recyclable resources in waste, such as waste paper and printer ink cartridges, we have set up collection bins for classification management to facilitate internal recycling or transfer to qualified recyclers for further recycling. To ensure that employees implement the Group's environmental protection philosophy in their daily work, all new employees will go through the training in environmental protection. At the same time, employees are encouraged to actively participate in the design of various energy-saving and consumption-reduction schemes so as to enhance the awareness of environmental protection among all staff.

We grow vegetables and poultry in the open space of our Guangxi Plant to meet our daily needs and reduce purchases. We also actively cooperate with environmental protection agencies, and organize our staff to participate in activities recycling and donating waste clothes and articles, so as to convey the message of environmental protection to the public.

3.2 Social

3.2.1 Employment

In order to comply with local employment laws and regulations of the Group's operating locations, we have formulated a series of employment policies to ensure that employees are treated in a fair and reasonable manner.

<u>Equal opportunities for employee recruitment</u>
The Group has policies in place with regard to equal opportunities in recruitment, and every candidate shall be given equal opportunities to access a job application. We only consider the candidates' competency and work experience as the basis of recruitment, and will never reject a candidate due to factors such as gender, age, religion or race.

<u>Equal opportunities for promotion</u>
The Group considers equal opportunities to be of high significance regarding the staff promotion policy, and exclusively refers to an employee's performance as the basis of promotion which is not influenced by any other factors.

<u>Work-life balance</u>
With a view to the employees' work-life balance, the Group will not impose excessive workload to its employees and will try its best to avoid requiring them to work overtime for a long time, so that employees can have sufficient time to relax and relieve their work pressure.

Remuneration and benefits policy

The Group strictly complies with legislative requirements (including the Employment Ordinance, the Mandatory Provident Fund Schemes Ordinance, and the Labor Law and the Labor Contract Law of the PRC, etc.) to develop its remuneration and benefits policy, and observes local requirements relating to minimum wage, working hours and the overtime limit, paid statutory holidays and paid annual leave. In addition to wage adjustments based on the results of employee assessment, the Group also determines annual bonuses based on individual performance to motivate their interest and enthusiasm and share the Group's results with the staff.

Compensation, termination of employment and retirement policy

The Group complies with relevant provisions of national laws and local regulations with regard to compensation, termination of employment and retirement.

The Group strictly complies with the relevant employment legislation and there was no prosecution for violation of any legislation relating to employment during the year.

As of the end of 2017, the total number of employees and its breakdown in the Group's Shenzhen office and Guangxi Recycling Yard are summarized as follows:

Gender	**Number of employee**	
	Shenzhen office	**Guangxi recycling yard**
Male	8	17
Female	16	22

Job category	**Number of employee**	
	Shenzhen office	**Guangxi recycling yard**
Full-time	24	39
Part-time	0	0

Age	Number of employee	
	Shenzhen office	Guangxi recycling yard
15 – 24	2	2
25 – 34	8	16
35 – 44	7	11
45 – 54	7	9
55 – 64	0	1
> 65	0	0

Geographical area	Number of employee	
	Shenzhen office	Guangxi recycling yard
Mainland China	24	39
Hong Kong	0	0

3.2.2 *Health and Safety*

In order to prevent occupational diseases or work casualties, the Group has developed a number of policies on occupational health and safety management to protect the health and safety of all employees.

Occupational health and safety policy

The Group strictly implements the legislative requirements on occupational health and safety at its operating locations to avoid any injuries of employees at work.

Workplace safety management

All the Group's operating facilities are under overall supervision by the dedicated departments, and regular reviews are held at meetings to examine the Company's occupational health and safety performance. Any employee being found of a mis-operation or risky operation will be immediately persuaded. At the same time, corrective and preventive measures will be adopted to manage the risks identified, to reduce unsafe behaviors of on-site personnel and accidents.

The Group's production workshops and offices are equipped with dust removal, noise elimination, gas protection and other equipment, with standards in place for dangerous goods identification marks and for the proper use and storage of inflammable and explosive materials in order to minimize potential harm to the health of employees.

To further enhance the safety of the Group's workplaces, we have set up first aid kits, fire extinguishers and exit signs at all operating locations and reminded our employees of the need to keep the passage or escapes clean and clear at all times. It is forbidden to place too many miscellaneous items in the offices to ensure a rapid and safe evacuation in case of emergency.

Personal protective equipment

The Group is committed to providing employees with a legitimate, safe and dignified working environment, and to providing frontline employees with personal protective equipment such as dust masks, noise reduction earplugs and emergency medicines for occasional needs.

Workplace hygiene

The Group has advised employees to maintain cleanliness in the workplace. We set up designated areas in offices and plant areas to collect wastes discarded by our employees. Hygiene in public areas is regularly managed by dedicated departments. Regular cleaning of air conditioning systems and carpets in office areas is also arranged to keep hygiene in the workplace.

Employee work safety training

To maintain employees' safety awareness and emergency response ability, the Group regularly organizes its staff to participate in large-scale fire drills organized by property management companies of office buildings every year.

Stress management

The Group cooperates with psychological counsellors to provide a psychological counselling hotline for employees in need to relieve their work pressure. We also provide stress management training for the employees in high-pressure positions to help reduce their negative emotions. Furthermore, we have complaint and confidential feedback channels in place for all employees, allowing them to express any views or concerns to the department heads or executives at the higher rank.

During the reporting period, the Group did not violate any occupational health and safety related laws and regulations. Through the joint efforts of all employees, there was no mortality of employees due to work reasons during the reporting period. During the reporting period, there was no work day loss due to work-related injuries for employees in Shenzhen office and the Guangxi Recycling Yard.

3.2.3 *Development and Training*

Career development policy

The Group expects to create an environment conducive to sustainable development for its employees and encourage them to pursue better career leaps. We have orientation training to help new employees familiarize themselves with the Company's corporate culture and work environment as soon as possible. The Group has also continued to pay attention to staff development aspirations and career planning, and has arranged training courses for its employees to meet the needs of different jobs and ranks. For some internal key talents, we have developed career paths and defined career ladders for key positions, in order to strengthen overall professionalism and individual calibre of employees, and help competent employees to pursue excellence and grow together with the Company.

During the reporting period, the percentage of trained employees within the Group and the average training hours per employee are set out as follows:

Gender/employee category	**Average percentage of employees trained**		**Average training hours per employee (hours)**	
	Shenzhen office	**Guangxi Recycling Yard**	**Shenzhen office**	**Guangxi Recycling Yard**
Male	32.70%	100%	26	93
Female	67.30%	100%	27	72
Senior management	16.51%	100%	35	192
Middle management	22.01%	100%	35	96
General staff	61.48%	100%	23	48

3.2.4 *Labour Standards*

The Group strictly prohibits any employment of child labour. Upon job recruitment, we will check the applicant's identity documents to ensure that the applicant's age meets the statutory requirements.

The Group does not force employees to work in any way, nor does it force employees to work overtime, and agrees that workers have the right to form trade unions to protect their individual rights.

The Group has set up a Welfare Committee to review matters relating to staff benefits. We have now provided comprehensive welfare for all staff, including medical insurance, staff quarters, study grants and so on. To promote the interaction between the employer and the employees, we promptly communicated the latest developments of the Group to each employee through bulletin boards and questionnaires, actively listened to employees' opinions and suggestions, and promptly took appropriate measures for the highly concerned issues of employees to protect their interests.

During the reporting period, the Group did not find any employment of child labour or violation of any laws and regulations on forced labour.

3.2.5 Supply Chain Management

In terms of material procurement and supplier management, the Group has in place a regulatory system to ensure the quality of its services or products. We require suppliers to comply with all laws, international conventions, contractual requirements, and all codes of the Group. When selecting service providers, we consider them mainly on the basis of their past experience, price, reputation, professional qualifications, ethics, environmental protection and corporate social responsibility performance. To ensure that the suppliers' performance continues to meet the Group's requirements, we assess their performance over the past year through an annual assessment to review whether to continue cooperation with them.

During the reporting period, the Group had 71 active suppliers, including 42 from Mainland China, 19 from Hong Kong and the remaining 10 from other countries.

3.2.6 *Product Responsibility*

The Group is very concerned about the performance of its products, and has therefore formulated an array of policies to facilitate better quality products and services.

Quality management policy

The Group values the spirit of contract. The specifications of all products and services will be clearly specified in the contract to ensure that the customer understands details of the contract and to protect the interests of the buyer and the seller. We seek to provide the highest standards of products and services throughout our operations, which involve the application of proprietary systems and procedures to ensure compliance with local and international standards. In order to strengthen customer confidence in our products, the Group has established a quality inspection and evaluation team for incoming and outgoing products, to closely monitor the quality of products prior to delivery in accordance with the corresponding inspection procedures.

Fair promotion policy

The Group adheres to the principle of fair promotion to ensure that product information on the Group's publicity website and other promotional materials is true and accurate, and does not contain any false, exaggerated or excessive statements. The Group also requires sales staff to disseminate information from the Group's recognized product strengths when promoting products, and avoid negative representations involving rivals or competing products to prevent customers from being misled when making purchasing decisions.

Customer data protection policy

In dealing with corporate and customer information, the Group strictly abides by the confidentiality system. We have set out the terms and conditions in our staff manual to prevent employees from divulging business secret, and disclosing to others such data of the enterprise and customers as contract details.

After-sale service policies

The Group is committed to providing efficient and courteous after-sale service to its customers, and has established e-mail boxes and hotlines as channels to maintain communication with customers and assist in answering any customer enquiries, resolving detail contract problems or other follow-up matters.

During the reporting period, the Group had no case in which its products sold or shipped had to be recalled for safety and health reasons; and no customer complaint was received by the Group.

3.2.7 Anti-corruption

The Group has established a number of policies to monitor the ethics and conduct of its employees in respect of anti-corruption and business ethics.

Corporate governance policy

The Group has referred to and complied with all code provisions in the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules, including maintaining good corporate governance practices.

Anti-corruption policy

No employee or director shall seek or receive any benefits including money, gifts, loans, remuneration, extra work, contracts, services or sponsorships, in particular, where there is a conflict of interest between such benefits and the Company's business engagements.

Whistle-blowing policy

The Group encourages its employees to report to director, directly or through their line managers, any suspicious corruption cases such as bribery, blackmail, fraud, money laundering, etc.

Policy on declaration of conflicts of interest

All major transactions involving conflicts of interest in the Group must be disclosed to the board of directors. Any member of the board with a conflict of interest shall not vote on the resolution of such transactions.

Policy on third-party audit firms

Each year the Group engages third-party audit firms to verify the accuracy of its accounts and defend shareholders' interests. The selection of third-party financial audit firms is determined by the Audit Committee, which comprises all independent non-executive directors.

Policy on approval of service contracts

All significant service contracts must be approved by the board of directors. Approved service contracts are reviewed by the Nomination Committee, which comprises one executive director and two independent non-executive directors.

The Group strictly complies with the relevant anti-corruption legislation and there was no prosecution for violation of any relevant legislation during the year.

3.2.8 Community Investment

Realord Group is committed to promoting charity, helping the disadvantaged, supporting academic and scientific research for the well-being of the next generation with the aim of "From the Community, For the Community". On 13 January 2015, Dr. Lin Xiaohui, the Chairman of the Group, donated in his own name HK$10 million to the Department of Paediatrics & Adolescent Medicine of Hong Kong University, and established "Bryan Lin Professorship" to support Professor Cheung Yiu-Fai, a paediatric cardiologist in the department, and his team in scientific and research development.

The Group kept actively participating in community activities, while regularly studying and identifying the community's needs with local governments and stakeholders. In 2016, the Chairman of the Group, jointly with four Shenzhen Municipal Chinese People's Political Consultative Conference (CPPCC) members, donated a total of RMB1 million to the Heyuan Municipal CPPCC as poverty alleviation funds to support charitable activities. The Group has also set up a team of staff volunteers to actively participate in public welfare activities such as visiting the elderly living alone, subsidizing needy families and helping students in need. In the future, the Group commits to continuing its community investment focus on science and technology development, state infrastructure and poverty alleviation to give back to the community.

4. AWARDS AND ACHIEVEMENTS

During the reporting period, the Group received a number of awards and achievements, including:

Name of award/ achievement	Issuing authority	Date of award
2016 Integrity SMEs of Wuzhou City	Joint Conference Office of Social Credit System Construction in Wuzhou City	1 February 2017
Choice of Property Development in Shenzhen	Metro Radio Finance (FM104) & Strategist	13 February 2017
7th China Securities Golden Bauhinia "The Best Listed Company"	Ta Kung Wen Wei Media Group	30 November 2017
AAA Grade Enterprise	Guangxi Enterprise Credit Evaluation Center	1 December 2017

Deloitte. 德勤

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF REALORD GROUP HOLDINGS LIMITED
偉祿集團控股有限公司
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Realord Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 55 to 163, 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, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the management judgment associated with determining the fair value. The Group's investment properties are located in Hong Kong and Mainland China. As at 31 December 2017, the Group's investment properties amounted HK$1,344,575,000 and represented 61.8% of the Group's total assets. As disclosed in notes 6 and 16, gain on fair value changes of investment properties of HK$155,749,000 was recognised in profit or loss. All of the Group's investment properties are stated at fair value based on valuations performed by a firm of independent qualified professional valuers (the "Valuer"). The valuations are dependent on certain significant unobservable inputs, including price per square meter/bay/square feet, which are determined based on comparable sales transactions and any allowance for variable factors, including the transaction date, location, traffic condition, environmental factors, commercial atmosphere and size of land etc.. Details of the valuation methodology and significant unobservable inputs used in the valuations are disclosed in note 16 to the consolidated financial statements.	Our procedures in relation to the valuation of the investment properties included: • Evaluating the competence, capabilities and objectivity of the Valuer; • Obtaining an understanding from the Valuer about the valuation methodology and significant unobservable inputs used in the valuations; and • Assessing the reasonableness of significant unobservable inputs used by the Valuer by comparing them, on a sample basis, to publicly available information of similar comparable properties.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment loss of trade receivables We identified the impairment loss on trade receivables as a key audit matter due to the significance of trade receivables balance and the significant degree of management judgment involved in estimating impairment loss on trade receivables. As disclosed in note 22 to the consolidated financial statements, the carrying amount of trade receivables amounted to HK$310,702,000 as at 31 December 2017. As set out in note 4 to the consolidated financial statements, the management of the Group estimates impairment loss on trade receivables based on the credit history of customers, including default or delay in payments and settlement records, subsequent settlements and aging analysis of trade receivables.	Our procedures in relation to the impairment loss on trade receivables included: • Obtaining an understanding on the management's process of estimating impairment loss on trade receivables; • Checking the accuracy of the aging analysis of trade receivables, on a sample basis, to sales invoices; • Checking the subsequent settlements, on a sample basis, to bank remittance advice; and • Evaluating the reasonableness of the management's assessment on the impairment loss on trade receivables with reference to the credit history of customers, including default or delay in payments and settlement records, subsequent settlements and aging analysis, on a sample basis.

KEY AUDIT MATTERS (Continued)

Key audit matter

Impairment loss on loans to margin clients

We identified the impairment loss on loans to margin clients as a key audit matter due to the significance of the balance and significant judgment involved in estimating impairment loss on loans to margin clients.

As disclosed in note 22 to the consolidated financial statements, the carrying amount of loans to margin clients amounted to HK$108,842,000 as at 31 December 2017.

As set out in note 4 to the consolidated financial statements, loans to margin clients are secured by underlying pledged securities of clients. Estimation uncertainty increased when the market value of the underlying pledged securities fall short of the outstanding loan balances. Management estimates impairment loss based on the market value of the underlying pledged securities and credit worthiness of clients, including default or delay in payments, settlement records, and subsequent settlements.

How our audit addressed the key audit matter

Our procedures in relation to the impairment loss on loans to margin clients included:

- Obtaining an understanding on the Group's credit risk management policy and process with respect to the identification of margin loans with impairment indicators and the measurement of the impairment loss;
- Reviewing, on a sample basis, master agreements with clients to confirm the Group's right to dispose of the underlying pledged securities for settlement of clients' obligations;
- Checking, on a sample basis, the existence of the pledged securities to monthly broker statements and the accuracy of their market value to the quoted bid prices in the market; and
- Assessing the sufficiency of the impairment loss on loans to margin clients recognised with reference to the shortfall of the market value of the underlying pledged securities, if any, and credit worthiness of clients, including default or delay in payments, settlement records and subsequent settlements, on a sample basis.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 30 March 2017.

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Chan Tsz Wai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	6	**762,959**	209,784
Cost of sales		**(621,451)**	(118,785)
Gross profit		**141,508**	90,999
Other income and gains or losses	6	**199,413**	264,391
Selling and distribution expenses		**(5,730)**	(3,911)
Administrative expenses		**(128,387)**	(116,847)
Other expenses		**(9,704)**	(6,610)
Finance costs	7	**(30,819)**	(19,847)
Profit before tax		**166,281**	208,175
Income tax expense	8	**(55,060)**	(128,078)
Profit for the year	9	**111,221**	80,097
Attributable to:			
Owners of the Company		**93,254**	80,097
Non-controlling interests		**17,967**	–
		111,221	80,097
Earnings per share			
Basic	13	**HK8.11 cents**	HK6.95 cents
Diluted	13	**HK8.09 cents**	HK6.95 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Profit for the year	**111,221**	80,097
Other comprehensive income (expense)		
Item that will not be reclassified to profit or loss:		
Gain on property revaluation, net of income tax	**1,743**	–
Items that may be reclassified subsequently to profit or loss:		
Loss on fair value changes on available-for-sale investments	**(2,055)**	–
Exchange differences arising on translation of foreign operations	**51,656**	(29,465)
Other comprehensive income (expense) for the year, net of income tax	**51,344**	(29,465)
Total comprehensive income for the year	**162,565**	50,632
Attributable to:		
Owners of the Company	**144,209**	50,632
Non-controlling interests	**18,356**	–
	162,565	50,632

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**102,527**	78,649
Prepaid lease payments	15	**5,323**	–
Investment properties	16	**1,344,575**	1,106,525
Goodwill	17	**28,497**	2,100
Other intangible asset	18	**4,400**	4,400
Finance lease receivables	19	**4,688**	6,401
Available-for-sale investments	20	**11,789**	13,844
Prepayments, deposits, and other receivables	23	**11,630**	36,460
Deferred tax asset		**–**	188
		1,513,429	1,248,567
CURRENT ASSETS			
Inventories	21	**42,536**	6,999
Trade receivables	22	**310,702**	127,171
Receivables arising from securities broking	22	**130,067**	119,560
Prepaid lease payments	15	**120**	–
Prepayments, deposits and other receivables	23	**38,892**	16,644
Finance lease receivables	19	**2,283**	2,619
Tax recoverable		**2,674**	42
Held for trading investments	24	**55,991**	18,648
Cash held on behalf of clients	25	**17,321**	11,634
Restricted cash	26	**–**	4,171
Bank balances and cash	26	**61,477**	51,791
		662,063	359,279
CURRENT LIABILITIES			
Trade payables	27	**67,543**	5,548
Payables arising from securities broking	27	**37,744**	19,884
Other payables and accruals	28	**53,260**	20,221
Bank borrowings and overdrafts	29	**255,525**	250,288
Amount due to a related party	30	**37,531**	–
Tax payable		**9,898**	3,240
		461,501	299,181
NET CURRENT ASSETS		**200,562**	60,098
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,713,991**	1,308,665

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
EQUITY			
Share capital	33	**115,075**	115,000
Reserves		**955,317**	783,097
Equity attributable to owners of the Company		**1,070,392**	898,097
Non-controlling interests		**33,606**	–
		1,103,998	898,097
NON-CURRENT LIABILITIES			
Deferred tax liabilities	31	**231,305**	168,972
Loans from the ultimate holding company	32	**378,688**	241,596
		609,993	410,568
		1,713,991	1,308,665

The consolidated financial statements on pages 55 to 163 were approved and authorised for issue by the board of directors on 31 March 2018 and are signed on its behalf by:

LIN XIAOHUI
DIRECTOR

SU JIAOHUA
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company										
	Share capital HK$'000 (Note 33)	Share premium HK$'000	Shares to be issued HK$'000 (Note 35)	Share options reserve HK$'000 (Note 34)	Statutory reserve HK$'000 (Note)	Assets revaluation reserve HK$'000	Exchange translation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2016	115,349	607,797	–	6,876	–	28,274	(6,005)	102,121	854,412	–	854,412
Profit for the year	–	–	–	–	–	–	–	80,097	80,097	–	80,097
Other comprehensive expense for the year:											
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(29,465)	–	(29,465)	–	(29,465)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(29,465)	80,097	50,632	–	50,632
Repurchase of shares	(349)	(17,207)	–	–	–	–	–	–	(17,556)	–	(17,556)
Recognition of equity-settled share-based payment expense	–	–	–	10,609	–	–	–	–	10,609	–	10,609
Transfer of share options reserve upon forfeiture of share options	–	–	–	(1,689)	–	–	–	1,689	–	–	–
At 31 December 2016	115,000	590,590	–	15,796	–	28,274	(35,470)	183,907	898,097	–	898,097
At 1 January 2017	115,000	590,590	–	15,796	–	28,274	(35,470)	183,907	898,097	–	898,097
Profit for the year	–	–	–	–	–	–	–	93,254	93,254	17,967	111,221
Other comprehensive income (expense) for the year:											
Gain on property revaluation, net of income tax	–	–	–	–	–	1,743	–	–	1,743	–	1,743
Loss on fair value changes of available-for-sale investments	–	–	–	–	–	(2,055)	–	–	(2,055)	–	(2,055)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	51,267	–	51,267	389	51,656
Total comprehensive (expense) income for the year	–	–	–	–	–	(312)	51,267	93,254	144,209	18,356	162,565
Acquisition of subsidiaries (Note 35)	–	–	24,273	–	–	–	–	–	24,273	15,250	39,523
Issue of shares	75	3,757	(3,832)	–	–	–	–	–	–	–	–
Recognition of equity-settled share-based payment expense	–	–	–	3,813	–	–	–	–	3,813	–	3,813
Transfer of share options reserve upon forfeiture of share options	–	–	–	(290)	–	–	–	290	–	–	–
Transferred from retained profits	–	–	–	–	1,900	–	–	(1,900)	–	–	–
At 31 December 2017	115,075	594,347	20,441	19,319	1,900	27,962	15,797	275,551	1,070,392	33,606	1,103,998

Note: In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China ("PRC"), those subsidiaries are required to transfer 5% to 10% of the profit after taxation to the statutory reserve until the reserve reaches 50% of the registered capital. Transfer to reserve must be made before the distribution of dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**166,281**	208,175
Adjustments for:			
Amortisation of prepaid lease payments		**116**	–
Bank interest income		**(126)**	(993)
Depreciation	14	**10,297**	9,085
Equity-settled share-based payment expense		**3,813**	10,609
Unrealised exchange loss (gain) on loans from the ultimate holding company		**7,492**	(9,385)
Finance costs	7	**30,819**	19,847
Finance lease interest income		**(657)**	(662)
Gain on fair value changes of investment properties		**(155,749)**	(270,479)
Impairment loss on trade receivables		**176**	73
Interest income from margin financing		**(8,870)**	(8,553)
Net loss (gain) on disposal of property, plant and equipment		**428**	(5)
Realised (gain) loss on fair value changes of held for trading investments		**(2,015)**	7,936
Revaluation (gain) deficit on property, plant and equipment		**(2,940)**	17,261
Unrealised gains on fair value changes on held for trading investments		**(40,349)**	(6,977)
Operating cash flows before movements in working capital		**8,716**	(24,068)
Decrease in inventories		**32,257**	885
Increase in trade receivables		**(157,904)**	(40,909)
Increase in receivables arising from securities broking		**(10,507)**	(3,402)
Decrease (increase) in prepayments, deposits and other receivables		**37,492**	(30,093)
Increase in cash held on behalf of clients		**(5,687)**	(1,191)
Decrease (increase) in restricted cash		**4,171**	(4,171)
Decrease (increase) in held for trading investments		**5,021**	(4,961)
Decrease in trade payables		**(526)**	(200)
Increase (decrease) in payables arising from securities broking		**17,860**	(7,554)
Increase in other payables and accruals		**31,376**	3,012

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash used in operations		**(37,731)**	(112,652)
Interest received		**8,996**	9,546
Interest paid		**(30,819)**	(19,847)
Income tax (paid) refunded		**(7,412)**	51
NET CASH USED IN OPERATING ACTIVITIES		**(66,966)**	(122,902)
INVESTING ACTIVITIES			
Additions to investment properties		**(3,350)**	–
Acquisition of subsidiaries	35	**(12,294)**	(3,000)
Purchase of property, plant and equipment		**(5,735)**	(22,845)
Repayment of finance lease receivables		**2,687**	1,528
Acquisition of assets through acquisitions of subsidiaries	36	**–**	(305,368)
Increase in finance lease receivables		**–**	(2,323)
Proceeds from disposal of property, plant and equipment		**43**	52
NET CASH USED IN INVESTING ACTIVITIES		**(18,649)**	(331,956)
FINANCING ACTIVITIES			
New bank borrowings raised		**191,653**	288,928
Loans from the ultimate holding company		**129,599**	250,981
Repayment of bank and other borrowings		**(204,805)**	(233,999)
Repayment to amount due to a related party		**(31,733)**	–
Repurchases of shares		**–**	(17,556)
NET CASH FROM FINANCING ACTIVITIES		**84,714**	288,354
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(901)**	(166,504)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**43,192**	210,541
EFFECT OF CHANGE IN FOREIGN EXCHANGE RATE		**4,341**	(845)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**46,632**	43,192
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by			
Bank balances and cash	26	**61,477**	51,791
Bank overdrafts	29	**(14,845)**	(8,599)
		46,632	43,192

1. GENERAL

Realord Group Holdings Limited (the "Company") is a public limited company incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate holding company is Manureen Holdings Limited ("Manureen Holdings"), a private limited company incorporated in the British Virgin Islands ("BVI"). The ultimate controlling shareholder of Manureen Holdings is Dr. Lin Xiaohui ("Dr. Lin"), who is also the chairman and executive director of the Company. The address of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the annual report.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 48.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

Amendments to HKAS 7 *Disclosure Initiative*

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

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

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

Amendments to HKAS 7 *Disclosure Initiative* (Continued)

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

A reconciliation between the opening and closing balances of these items is provided in note 43. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 43, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

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

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

New and revised HKFRSs in issue but not yet effective (Continued)

[1] Effective for annual periods beginning on or after 1 January 2018.

[2] Effective for annual periods beginning on or after 1 January 2019.

[3] Effective for annual periods beginning on or after a date to be determined.

[4] Effective for annual periods beginning on or after 1 January 2021.

Except as described below, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 9 ***Financial Instruments***

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

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

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

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. 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.

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

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 9 *Financial Instruments* (Continued)

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

Classification and measurement:

- Loans to margin clients carried at amortised cost as disclosed in note 22: the Group classify these loans in accordance with the entity's business model and the features of contractual cash flow characteristics. Under HKFRS 9, if the Group's business model is to hold these loans to collect contractual cash flows that are solely payments of principal and interests on the principal amount outstanding, these loans will continue to be measured at amortised cost.

- Available-for-sale investments carried at fair value as disclosed in note 20: these investments qualified for designation as measured at FVTOCI under HKFRS 9, however, the fair value losses accumulated in the assets revaluation reserve amounting to HK$2,055,000 as at 1 January 2018 will no longer be subsequently reclassified to profit or loss under HKFRS 9, which is different from the current treatment. This will affect the amounts recognised in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income.

- 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 consider 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.

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

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 9 *Financial Instruments* (Continued)

Impairment (Continued)

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

HKFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

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

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

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

New and revised HKFRSs in issue but not yet effective (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 and operating cash flows respectively.

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.

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

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 16 *Leases* (Continued)

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$18,575,000 as disclosed in note 40(b). 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.

In addition, the Group currently considers refundable rental deposits paid of HK$6,916,000 and refundable rental deposits received of HK$3,302,000 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.

Amendments to HKAS 40 *Transfers of Investment Property*

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction. For example, change in use for transfer from properties under development for sale in the ordinary course of business to investment properties could be evidenced by inception of an operating lease to another party. Currently, the Group accounts for such transfer only upon commencement of an operating lease.

The directors of the Company anticipate that the application of these amendments will result in early recognition of such transfers on the Group's consolidated financial statements in future periods should there be a change in use of any of its properties.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

Business combinations

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Acquisition of a subsidiary not constituting a business

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

Goodwill

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

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

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

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

Revenue recognition

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

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

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

Income from the rendering of services is recognised when the services have been rendered.

Commissions and brokerage income on dealings in securities is recognised on the transaction dates when the relevant contract notes are executed.

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

Leasing

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

The Group as lessor

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

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

Leasehold land and buildings

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

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the payments cannot be allocated reliably between the leasehold land and buildings elements, the entire property is generally classified as if the leasehold land is under finance lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment from specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs and termination benefits

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term employee benefits

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

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

Share-based payment arrangements

Share-based payment arrangements

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

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because 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 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 investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (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.

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

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.

Property, plant and equipment

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

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

Any revaluation increase arising from revaluation of leasehold land and buildings is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

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

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

Intangible assets

Intangible assets acquired in a business combination

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

Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the 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 relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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 that 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).

Financial instruments

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

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

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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.

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading (or contingent consideration that may be received by an acquirer as part of a business combination) may be designated as at FVTPL upon initial recognition if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other income line item. Fair value is determined in the manner described in note 45.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

AFS financial assets

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

Debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of the 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. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of assets revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the assets revaluation reserve is reclassified to profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, receivables arising from securities broking, deposits and other receivables, cash held on behalf of clients, restricted cash and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)
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
- 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 respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of 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

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at amortised cost

Financial liabilities including trade payables, payables arising from securities broking, other payables, bank borrowings and overdrafts, amount due to a related party and loans from the ultimate holding company are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts 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, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Critical judgment in applying accounting policies

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

In the process of applying the Group's accounting policies, management has made the following judgment, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted.

Key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty (continued)

Valuation of investment properties

Investment properties of HK$1,344,575,000 (2016: HK$1,106,525,000) are stated at fair value based on the valuations performed by a firm of independent qualified professional valuers. The valuations are dependent on certain unobservable inputs, including price per square meter/bay/square feet of comparable properties, which are determined based on comparable sales transactions and any allowance for variable factors, including the transaction date, location, traffic condition, environmental factors, commercial atmosphere and size of land etc.. In relying on the valuation report, the directors of the Company have exercised their judgment. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of fair value gain or loss recorded in the consolidated statement of profit or loss. Gain on fair value changes of investment properties of HK$155,749,000 (2016: HK$270,479,000) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2017.

Impairment on trade receivables

When there is objective evidence of impairment loss, the management of the Group considers the credit history of customers including default or delay in payments and settlement records, subsequent settlements and aging analysis of trade receivables to estimate the future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2017, the carrying amount of trade receivables was HK$310,702,000 (2016: HK$127,171,000).

Impairment losses on loans to margin clients

Loans to margin clients are secured by underlying pledged securities of clients. Estimation uncertainty increased when the market value of the underlying pledged securities fall short of the outstanding loan balances. In assessing whether there is objective evidence of impairment loss, the Group takes into consideration the market value of the underlying pledged securities and credit worthiness of clients, including default or delay in payments, settlement records, and subsequent settlements. The amount of the impairment loss is measured as the difference between the margin loans' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the margin loans' original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2017, the carrying amount of loans to margin clients was HK$108,842,000 (2016: HK$110,527,000). The directors of the Company consider no impairment loss (2016: nil) was recognised during the year ended 31 December 2017.

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

Key sources of estimation uncertainty (continued)

Impairment assessment on goodwill in relation to the acquisition of subsidiaries

During the year ended 31 December 2017, the Group completed the acquisition of 60% equity interest in Realord Environmental Protection Group (as defined in note 35) (the "Acquisition") as disclosed in note 35 and the Acquisition has been accounted for using the purchase method. Based on the valuation performed by an independent professional valuer engaged by the Group, goodwill of HK$26,397,000 arose from the Acquisition. The goodwill is allocated to the cash-generating unit ("CGU") of the Environmental Protection Segment (as defined in note 5).

Determining whether goodwill is impaired requires an estimation of value in use of the CGU to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU, with key assumptions as set out in note 17, and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise.

Details of the goodwill impairment assessment are disclosed in note 17.

5. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group is organised into business units based on their products and services and has seven operating segments, which are the same reportable segments, as follows:

(a) provision of financial printing, digital printing and other related services ("Commercial Printing Segment");

(b) sales of hangtags, labels, shirt paper boards, and plastic bags principally to manufacturers of consumer products ("Hangtag Segment");

(c) distribution and sale of motor vehicle parts ("Motor Vehicle Parts Segment");

(d) provision of securities brokerage services and margin financing ("Financial Services Segment");

(e) trading of electronic products and computer components ("Trading Segment");

(f) property investment ("Property Investment Segment"); and

(g) sourcing, dismantling and trading of scrap materials ("Environmental Protection Segment").

5. SEGMENT INFORMATION (Continued)

Hangtag Segment and Trading Segment do not meet any quantitative thresholds for reportable segments. These segments are separately disclosed as the CODM considers that the information about the segments would be useful to users of the consolidated financial statements.

As a result of acquisition of subsidiaries by the Group during the year ended 31 December 2017, management of the Group has reassessed the Group's segment reporting and decided that for financial reporting purposes, there is a new operating and reportable segment of the Group, namely Environmental Protection Segment.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit/loss represents the profit earned from/loss incurred by each segment without allocation of bank interest income, certain other income, realised/unrealised gain/loss on fair value changes on held for trading investments, revaluation gain/deficit on property, plant and equipment, corporate expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

5. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

	Commercial printing HK$'000	Hangtag HK$'000	Motor vehicle parts HK$'000	Financial services HK$'000	Trading HK$'000	Property investment HK$'000	Environmental protection HK$'000	Total HK$'000
Year ended 31 December 2017								
Segment revenue								
Sales to external customers	70,040	2,639	86,867	10,797	–	20,206	572,410	762,959
Intersegment sales	657	–	–	9	–	–	–	666
	70,697	2,639	86,867	10,806	–	20,206	572,410	763,625
Elimination of intersegment sales								(666)
Revenue								762,959
Segment results	(8,119)	27	604	2,750	(325)	169,187	52,309	216,433
Bank interest income								126
Other income								1,663
Realised gain on fair value changes on held for trading investments								2,015
Unrealised gain on fair value changes on held for trading investments								40,349
Revaluation gain on property, plant and equipment								2,940
Corporate expenses								(66,426)
Finance costs								(30,819)
Profit before tax								166,281

5. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

	Commercial printing HK$'000	Hangtag HK$'000	Motor vehicle parts HK$'000	Financial services HK$'000	Trading HK$'000	Property investment HK$'000	Environmental protection HK$'000	Total HK$'000
Year ended 31 December 2016								
Segment revenue								
Sales to external customers	72,746	8,487	100,644	10,864	–	17,043	–	209,784
Intersegment sales	474	–	–	25	–	–	–	499
	73,220	8,487	100,644	10,889	–	17,043	–	210,283
Elimination of intersegment sales								(499)
Revenue								209,784
Segment results	907	(424)	5,010	2,398	(392)	282,420	–	289,919
Bank interest income								993
Other income								365
Realised loss on fair value changes on held for trading investments								(7,936)
Unrealised gain on fair value changes on held for trading investments								6,977
Revaluation deficit on property, plant and equipment								(17,261)
Corporate expenses								(45,035)
Finance costs								(19,847)
Profit before tax								208,175

5. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

As at 31 December 2017

	Commercial printing HK$'000	Hangtag HK$'000	Motor vehicle parts HK$'000	Financial services HK$'000	Trading HK$'000	Property investment HK$'000	Environmental protection HK$'000	Total HK$'000
Segment assets	12,135	1,122	126,318	160,353	74	1,349,360	310,503	1,959,865
Corporate and unallocated assets								215,627
Total assets								2,175,492
Segment liabilities	12,674	535	18,537	37,890	–	5,049	107,085	181,770
Corporate and unallocated liabilities								889,724
Total liabilities								1,071,494

As at 31 December 2016

	Commercial printing HK$'000	Hangtag HK$'000	Motor vehicle parts HK$'000	Financial services HK$'000	Trading HK$'000	Property investment HK$'000	Environmental protection HK$'000	Total HK$'000
Segment assets	12,417	1,921	137,828	146,530	103	1,136,472	–	1,435,271
Corporate and unallocated assets								172,575
Total assets								1,607,846
Segment liabilities	12,882	1,007	55,115	20,994	10	4,831	–	94,839
Corporate and unallocated liabilities								614,910
Total liabilities								709,749

5. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

Segment assets exclude deferred tax assets, tax recoverable, restricted cash, bank balances and cash, held for trading investments, available-for-sale investments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude certain bank borrowings and bank overdrafts, tax payable, deferred tax liabilities, loans from the ultimate holding company and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Inter-segment sales are charged at prevailing market rates.

Other segment information

	Commercial printing HK$'000	Hangtag HK$'000	Motor vehicle parts HK$'000	Financial services HK$'000	Trading HK$'000	Property investment HK$'000	Environmental protection HK$'000	Unallocated HK$'000	Total HK$'000
2017									
Depreciation	**1,695**	**105**	**325**	**153**	**244**	**36**	**33**	**7,706**	**10,297**
Gain on fair value changes of investment properties	**–**	**–**	**–**	**–**	**–**	**155,749**	**–**	**–**	**155,749**
Loss on disposal of property, plant and equipment	**–**	**–**	**428**	**–**	**–**	**–**	**–**	**–**	**428**
Capital expenditure (Note)	**1,377**	**–**	**1,010**	**2**	**2,596**	**28,180**	**347**	**403**	**33,915**

	Commercial printing HK$'000	Hangtag HK$'000	Motor vehicle parts HK$'000	Financial services HK$'000	Trading HK$'000	Property investment HK$'000	Environmental protection HK$'000	Unallocated HK$'000	Total HK$'000
2016									
Depreciation	1,560	28	243	161	31	59	–	7,003	9,085
Gain on fair value changes of investment properties	–	–	–	–	–	(270,479)	–	–	(270,479)
Gain on disposal of items of property, plant and equipment	–	(5)	–	–	–	–	–	–	(5)
Capital expenditure (Note)	556	469	39	42	–	309,597	–	21,740	332,442

Note: Capital expenditure consists of additions to property, plant and equipment and investment properties.

5. SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2017 HK$'000	2016 HK$'000
Hong Kong	**117,080**	132,368
Mainland China	**645,312**	74,990
Other countries	**567**	2,426
	762,959	209,784

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2017 HK$'000	2016 HK$'000
Hong Kong	**702,984**	450,632
Mainland China	**786,822**	770,675
	1,489,806	1,221,307

The non-current assets information above is based on the locations of the assets and excludes non-current portion of deposits of HK$7,146,000 (2016: HK$6,827,000), available-for-sale investments of HK$11,789,000 (2016: HK$13,844,000), finance lease receivables of HK$4,688,000 (2016: HK$6,401,000) and deferred tax assets of nil (2016: HK$188,000).

5. SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2017 HK$'000	2016 HK$'000
Customer A[1]	N/A*	25,934
Customer B[1]	N/A*	24,663
Customer C[2]	211,051	N/A
Customer D[2]	77,680	N/A

1 Revenue from Motor Vehicle Parts Segment
2 Revenue from Environmental Protection Segment
* Less than 10% of the Group's revenue

6. REVENUE, OTHER INCOME AND GAINS OR LOSSES

	2017	2016
	HK$'000	HK$'000
Revenue		
Sales of goods		
– Motor vehicle parts	**86,867**	100,644
– Hangtags, labels, shirt paper boards and plastic bags	**2,639**	8,487
– Scrap materials	**572,410**	–
	661,916	109,131
Rendering of financial printing, digital printing and other related services	**70,040**	72,746
Commission income from securities broking	**1,927**	2,311
Interest income from margin financing	**8,870**	8,553
Gross rental income	**20,206**	17,043
	762,959	209,784
Other income		
Bank interest income	**126**	993
Finance lease interest income	**657**	662
Others	**1,651**	365
	2,434	2,020
Gains or losses		
Gain on fair value changes of investment properties (note 16)	**155,749**	270,479
Net (loss) gain on disposal of property, plant and equipment	**(428)**	5
Unrealised gain on fair value changes on held for trading investments	**40,349**	6,977
Realised gain (loss) on fair value changes on held for trading investments	**2,015**	(7,936)
Net exchange (loss) gain	**(3,470)**	10,180
Revaluation gain (deficit) on property plant and equipment	**2,940**	(17,261)
Impairment loss on trade receivables	**(176)**	(73)
	196,979	262,371
	199,413	264,391

7. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on loans from the ultimate holding company	**24,339**	16,234
Interest on bank borrowings and overdrafts	**6,480**	3,613
	30,819	19,847

8. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during both years.

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

	2017 HK$'000	2016 HK$'000
Current tax – Hong Kong		
Charge for the year	**5,332**	704
Under (over) provision in prior years	**80**	(14)
Current tax – Mainland China		
Charge for the year	**1,389**	1,666
Deferred tax (note 31)	**48,259**	125,722
Income tax expense for the year	**55,060**	128,078

8. INCOME TAX EXPENSE (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to income tax expense for the year is as follows:

	2017 HK$'000	2016 HK$'000
Profit before tax	**166,281**	208,175
Tax at the statutory tax rate	**39,367**	53,281
Tax arising from fair value gains on investment properties	**13,952**	125,085
Tax effect of income not taxable for tax purpose	**(11,563)**	(66,777)
Tax effect of expenses not deductible for tax purpose	**8,405**	9,286
Tax losses not recognised	**8,371**	7,809
Tax effect of utilisation of tax losses previously not recognised	**(3,470)**	(570)
Under (over) provision in prior years	**80**	(14)
Others	**(82)**	(22)
Income tax expense for the year	**55,060**	128,078

9. PROFIT FOR THE YEAR

The Group's profit before tax is arrived at after charging (crediting):

	Notes	2017 HK$'000	2016 HK$'000
Depreciation of property, plant and equipment	14	**10,297**	9,085
Amortisation of prepaid lease payments		**116**	–
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**178**	276
Minimum lease payments under operating leases		**22,301**	21,113
Auditor's remuneration		**2,198**	3,971
Employee benefits expense (including directors' remuneration (note 10):			
Wages and salaries		**50,653**	41,925
Discretionary bonus		**20,143**	11,710
Pension scheme contributions		**1,910**	2,688
Equity-settled share-based payment expense		**3,813**	10,609
		76,519	66,932
Net foreign exchange loss (gain)		**3,471**	(10,180)
Cost of inventories recognised as expenses		**600,133**	97,147

10. DIRECTORS' REMUNERATION

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

	2017 HK$'000	2016 HK$'000
Fees	**420**	360
Other emoluments:		
Salaries, allowances and benefits in kind	**9,980**	6,702
Discretionary bonuses	**36**	30
Equity-settled share-based payment expense	**1,749**	4,498
Pension scheme contributions	**54**	54
	11,819	11,284
	12,239	11,644

10. DIRECTORS' REMUNERATION (Continued)

(a) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Equity-settled share-based payment expense HK$'000	Pension scheme contributions HK$'000	Total HK$'000
31 December 2017						
Executive directors:						
Dr. Lin	–	4,180	–	405	18	4,603
Madam Su Jiaohua ("Madam Su")	–	2,200	–	405	18	2,623
Mr. Lin Xiaodong	–	3,600	–	375	18	3,993
	–	9,980	–	1,185	54	11,219
31 December 2016						
Executive directors:						
Dr. Lin	–	3,600	–	1,042	18	4,660
Madam Su	–	1,200	–	1,042	18	2,260
Mr. Lin Xiaodong	–	1,902	–	965	18	2,885
	–	6,702	–	3,049	54	9,805

10. DIRECTORS' REMUNERATION (Continued)

(b) Independent non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Equity-settled share-based payment expense HK$'000	Pension scheme contributions HK$'000	Total HK$'000
31 December 2017						
Independent non-executive directors:						
Mr. Yu Leung Fai	**140**	**–**	**12**	**188**	**–**	**340**
Mr. Fang Jixin	**140**	**–**	**12**	**188**	**–**	**340**
Dr. Li Jue	**140**	**–**	**12**	**188**	**–**	**340**
	420	**–**	**36**	**564**	**–**	**1,020**
31 December 2016						
Independent non-executive directors:						
Mr. Yu Leung Fai	120	–	10	483	–	613
Mr. Fang Jixin	120	–	10	483	–	613
Dr. Li Jue	120	–	10	483	–	613
	360	–	30	1,449	–	1,839

The executive directors' emoluments shown above for both years were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above for both years were for their services as directors of the Company or its subsidiaries.

There was no arrangement under which a director waived or agreed to waive any remuneration during both years.

There were no emoluments paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

Madam Su is also the Chief Executive of the Company and her emoluments disclosed above included those for services rendered by her as the Chief Executive Officer during both years.

Discretionary bonus were determined with reference to the Group's operating results and individual performance.

10. DIRECTORS' REMUNERATION (Continued)

(b) Independent non-executive directors (Continued)

The directors of the Company were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 34. The fair value of such options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amounts included in these consolidated financial statements for the current and prior years are included in the above directors' remuneration disclosure.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2016: three) directors, details of whose remuneration are set out in note 10 above.

Details of the remuneration for the current year of the remaining two (2016: two) highest paid employees who are not directors of the Company are as follows:

	2017	2016
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,925**	2,670
Discretionary bonuses	**10,400**	10,300
Pension scheme contributions	**228**	827
	13,553	13,797

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

	Number of employees	
	2017	2016
HK$4,000,001 to HK$4,500,000	**–**	1
HK$5,000,001 to HK$5,500,000	**1**	–
HK$8,000,001 to HK$8,500,000	**1**	–
HK$9,000,001 to HK$9,500,000	**–**	1
	2	2

12. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2017 and 2016, nor has any dividend been proposed since the end of the reporting period.

13. EARNINGS PER SHARE

	2017	2016
	HK$'000	HK$'000
Earnings		
Earnings for the purpose(s) of basic and diluted earnings per share calculation (profit attributable to owners of the Company)	**93,254**	80,097

	Number of shares	
	2017	2016
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share calculation	**1,150,237,699**	1,152,614,130
Effect of dilutive potential ordinary shares:		
Share options	**1,143,384**	403,551
Contingently issuable shares in relation to acquisition of Realord Environmental Protection	**1,471,918**	–
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share	**1,152,853,001**	1,153,017,681

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Yacht HK$000	Total HK$'000
At 31 December 2016 and at 1 January 2017:								
Cost or valuation	45,812	6,145	5,853	5,356	6,616	11,089	21,680	102,551
Accumulated depreciation and impairment	–	(5,965)	(4,483)	(3,470)	(3,333)	(5,567)	(1,084)	(23,902)
Net carrying amount	45,812	180	1,370	1,886	3,283	5,522	20,596	78,649
At 1 January 2017, net of accumulated depreciation and impairment	45,812	180	1,370	1,886	3,283	5,522	20,596	78,649
Additions	–	–	601	663	497	3,974	–	5,735
Acquisitions of subsidiaries *(note 35)*	18,655	206	1	37	–	–	–	18,899
Disposals/written off	–	(11)	(433)	(27)	–	–	–	(471)
Depreciation provided during the year	(2,266)	(86)	(548)	(658)	(1,871)	(2,700)	(2,168)	(10,297)
Gain on revaluation	5,264	–	–	–	–	–	–	5,264
Exchange realignment	4,722	13	–	2	–	11	–	4,748
At 31 December 2017	72,187	302	991	1,903	1,909	6,807	18,428	102,527
At 31 December 2017:								
Cost or valuation	72,187	6,353	6,022	6,031	7,113	15,074	21,680	134,460
Accumulated depreciation and impairment	–	(6,051)	(5,031)	(4,128)	(5,204)	(8,267)	(3,252)	(31,933)
	72,187	302	991	1,903	1,909	6,807	18,428	102,527

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Yacht HK$000	Total HK$'000
At 1 January 2016:								
Cost or valuation	70,200	6,145	5,660	5,161	6,306	10,669	–	104,141
Accumulated depreciation and impairment	–	(5,909)	(3,932)	(2,857)	(1,576)	(3,103)	–	(17,377)
Net carrying amount	70,200	236	1,728	2,304	4,730	7,566	–	86,764
At 1 January 2016, net of accumulated depreciation and impairment	70,200	236	1,728	2,304	4,730	7,566	–	86,764
Additions	–	–	240	195	310	420	21,680	22,845
Disposals	–	–	(47)	–	–	–	–	(47)
Depreciation provided during the year	(2,560)	(56)	(551)	(613)	(1,757)	(2,464)	(1,084)	(9,085)
Deficit on revaluation	(17,261)	–	–	–	–	–	–	(17,261)
Exchange realignment	(4,567)	–	–	–	–	–	–	(4,567)
At 31 December 2016, net of accumulated depreciation and impairment	45,812	180	1,370	1,886	3,283	5,522	20,596	78,649
At 31 December 2016:								
Cost or valuation	45,812	6,145	5,853	5,356	6,616	11,089	21,680	102,551
Accumulated depreciation and impairment	–	(5,965)	(4,483)	(3,470)	(3,333)	(5,567)	(1,084)	(23,902)
	45,812	180	1,370	1,886	3,283	5,522	20,596	78,649

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the lease terms, or 3.3% to 3.7%, whichever is shorter
Plant and machinery	10%
Furniture and fixtures	20%
Office equipment	20%
Leasehold improvements	20% or over the lease terms, whichever is shorter
Motor vehicles	25%
Yacht	10%

The Group's leasehold land and buildings were revalued individually at the end of the reporting period by Roma Appraisals Limited, a firm of independent qualified professional valuers, at an aggregate open market value of HK$72,187,000 (2016: HK$45,812,000) based on their existing use. A revaluation surplus of HK$2,940,000 (2016: revaluation deficit of HK$17,261,000) resulting from the above valuation has been credited to the consolidated statement of profit or loss.

The carrying amounts of owner-occupied leasehold land and buildings of HK$50,442,000 (2016: HK$45,812,000) at the end of the reporting period included both the leasehold land and building elements in property, plant and equipment, as in the opinion of the directors of the Company, allocations of the carrying amounts between the leasehold land and buildings elements cannot be made reliably.

Fair value measurement

The fair value measurement of the leasehold land and buildings are categorised in level 3.

The fair value of the commercial property was determined using the direct comparison approach by making reference to comparable sales transactions as available in the relevant market, taking into account of the transaction date, location, traffic condition, environmental factors, commercial atmosphere and size of land, etc..

The fair value of the industrial property was determined using the depreciated replacement cost approach, which considers the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar properties in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence percent, whether arising from physical, functional or economic causes.

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value measurement (Continued)

Below is a summary of the key inputs to the valuation of leasehold land and buildings:

	Significant unobservable inputs	**Range 2017**	**Range 2016**
Commercial property (HK$50,442,000 (2016: HK$45,812,000))	Price per square meter determined based on comparable sales transactions and any allowance for variable factors (RMB)	51,991 to 52,000	48,000 to 58,000
Industrial property (HK$21,745,000 (2016: nil))	Construction cost per square meter (RMB)	2,236	N/A

The fair value of the leasehold land and buildings was based on the highest and best use of leasehold land and buildings in the PRC, which did not differ from their actual use.

An increase (decrease) in the price per square meter would result in the same level of increase (decrease) in the fair value of the commercial property.

At 31 December 2017, the Group's leasehold land and buildings with a net carrying amount of HK$72,187,000 (2016: HK$45,812,000) were pledged to secure general banking facilities granted to the Group, details of which are set out in note 29.

There were no transfers amongst different levels of fair value measurements during both years.

Had the leasehold land and buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amount would have been approximately HK$86,207,000 (2016: HK$64,872,000).

15. PREPAID LEASE PAYMENTS

The carrying amounts of prepaid lease payments represent land use rights located in the PRC and are analysed as follows:

	2017 HK$'000	2016 HK$'000
Non-current assets	**5,323**	–
Current assets	**120**	–
	5,443	–

16. INVESTMENT PROPERTIES

	2017 HK$'000	2016 HK$'000
At 1 January	**1,106,525**	552,900
Additions	**28,180**	–
Acquisition of assets through acquisition of subsidiaries (note 36)	**–**	309,597
Net gain on a fair value recognised in profit or loss (note 6)	**155,749**	270,479
Exchange realignment	**54,121**	(26,451)
At 31 December	**1,344,575**	1,106,525

The Group's investment properties consist of six (2016: six) residential apartments and two (2016: two) car parking spaces in Hong Kong, and one (2016: one) commercial building and two (2016: two) industrial properties in Mainland China. The directors of the Company have determined that the investment properties consist of four classes of asset, i.e., commercial building, car parking spaces, industrial properties and residential apartments, based on the nature, characteristics and risks of each property.

The Group's investment properties were revalued on 31 December 2017 based on valuations performed by Roma Appraisals Limited, a firm of independent qualified professional valuers, at HK$1,344,575,000 (2016: HK$1,106,525,000).

At 31 December 2017, the Group's investment properties with a carrying value of HK$440,770,000 (2016: HK$396,325,000) were pledged to secure general banking facilities granted to the Group, details of which are set out in note 29.

An investment property located in the PRC with carrying amount of HK$469,800,000 as at 31 December 2016 was subject to a seizure ruling made by a court in the PRC for a value equivalent to approximately HK$36,585,000, following a legal action taken by a third party. The legal action was ended during 2017 and the seizure ruling on the property was removed accordingly.

16. INVESTMENT PROPERTIES (Continued)

Fair value measurement

The fair value measurements of the investment properties are categorised in level 3. During both years, there were no transfers amongst different levels of fair value measurements.

The fair values of the investment properties were determined using the direct comparison approach based on market comparables of similar properties.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

Investment properties held by the Group	Valuation techniques	Significant unobservable inputs	Range 2017	Range 2016
A residential unit in Festival City, Shatin, Hong Kong (HK$10,500,000 (2016: HK$9,500,000))	Direct comparison approach	Price per square feet determined based on comparable sales transactions and any allowance for variable factors (HK$)	**13,400 to 14,800**	11,600 to 12,000
A residential unit in Festival City, Shatin, Hong Kong (HK$11,500,000 (2016: HK$10,400,000))	Direct comparison approach	Price per square feet determined based on comparable sales transactions and any allowance for variable factors (HK$)	**12,500 to 15,200**	11,600 to 12,500
A residential unit in Parc Oasis, Kowloon, Hong Kong (HK$14,000,000 (2016: HK$12,000,000))	Direct comparison approach	Price per square feet determined based on comparable sales transactions and any allowance for variable factors (HK$)	**17,300 to 25,200**	17,300 to 20,000
A residential unit in The Riverpark, Shatin, Hong Kong (HK$15,500,000 (2016: HK$14,500,000))	Direct comparison approach	Price per square feet determined based on comparable sales transactions and any allowance for variable factors (HK$)	**14,800 to 18,600**	14,300 to 16,000
A residential house in Bel-Air, Island South, Hong Kong (HK$350,000,000 (2016: HK$314,325,000))	Direct comparison approach	Price per square feet determined based on comparable sales transactions and any allowance for variable factors (HK$)	**74,700 to 88,500**	60,000 to 75,200
A residential unit in Bel-Air, Island South, Hong Kong (HK$35,500,000 (2016: HK$32,700,000))	Direct comparison approach	Price per square feet determined based on comparable sales transactions and any allowance for variable factors (HK$)	**20,900 to 30,100**	21,500 to 26,200

16. INVESTMENT PROPERTIES (Continued)

Fair value measurement (Continued)

Investment properties held by the Group	Valuation techniques	Significant unobservable inputs	Range 2017	Range 2016
A car parking space in Festival City, Shatin, Hong Kong (HK$2,500,000 (2016: HK$2,000,000))	Direct comparison approach	Price per bay determined based on comparable sales transactions and any allowance for variable factors (HK$ thousand)	**2,360 to 2,850**	1,830 to 2,008
Car parking space in Parc Oasis, Kowloon, Hong Kong (HK$1,200,000 (2016: HK$900,000))	Direct comparison approach	Price per bay determined based on comparable sales transactions and any allowance for variable factors (HK$ thousand)	**1,252**	880 to 920
Commercial building in Shenzhen, Guangdong Province, Mainland China (HK$98,002,000 (2016: HK$85,300,000))	Direct comparison approach	Price per square meter determined based on comparable sales transactions and any allowance for variable factors (RMB)	**78,000 to 81,500**	50,000 to 75,000
Industrial property in Shenzhen, Guangdong Province, Mainland China (HK$199,366,000 (2016: HK$155,100,000))	Direct comparison approach	Price per square meter determined based on comparable sales transactions and any allowance for variable factors (RMB)	**8,400 to 9,800**	6,300 to 7,600
Industrial property in Shenzhen, Guangdong Province, Mainland China (HK$606,507,000 (2016: HK$469,800,000))	Direct comparison approach	Price per square meter determined based on comparable sales transactions and any allowance for variable factors (RMB)	**10,100 to 13,600**	8,200 to 10,000

The direct comparison approach is adopted by making reference to comparable sales transactions and any allowance for variable factors, including the transaction date, location, traffic condition, environmental factors, commercial atmosphere and size of land, etc. The approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties in the assessment of the fair value of a property interest.

An increase (decrease) in the price per square meter/bay/square feet would result in the same level of increase (decrease) in the fair value of the investment properties.

17. GOODWILL

	HK$'000
CARRYING VALUES	
At 1 January 2016 and 31 December 2016	2,100
Acquisition of subsidiaries (note 35)	26,397
At 31 December 2017	28,497

The carrying amounts of goodwill allocated to the CGUs are as follows:

	HK$'000
Financial Services Segment	2,100
Environmental Protection Segment	26,397
	28,497

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the Financial Services Segment CGU and Environmental Protection Segment CGU for impairment testing.

The recoverable amount of the Financial Services Segment CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections was 17.7% (2016: 18.7%), yearly revenue growth rate of 0% (2016: 0%), and the cash flows beyond the five-year period were extrapolated using a growth rate of 3.0% (2016: 3.0%). Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and budget costs, such estimation is based on the Financial Services Segment CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Financial Services Segment CGU to exceed the aggregate recoverable amount of Financial Services Segment CGU.

The recoverable amount of the Environmental Protection Segment CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections was 17.0%, yearly revenue growth rate of 5%, gross profit margin of 9.6%, and the cash flows beyond the five-year period were extrapolated using a growth rate of 2.6%. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on the Environmental Protection Segment CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Environmental Protection Segment CGU to exceed the aggregate recoverable amount of Environmental Protection Segment CGU.

18. OTHER INTANGIBLE ASSET

Trading right	HK$'000
CARRYING VALUES	
At 31 December 2016, 1 January 2017 and 31 December 2017	4,400

The trading right has been considered to have an indefinite life because it is expected to contribute to the net cash flows of the Group indefinitely, and is not amortised.

The other intangible asset is allocated to the Financial Services Segment CGU for the impairment testing. Details of impairment testing are set out in note 17.

19. FINANCE LEASE RECEIVABLES

The Group provides financial leasing services on certain equipment in Mainland China to a related company (note 42(b)(ii)). These leases are classified as finance leases and have remaining lease terms of four (2016: five) years.

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Finance lease receivables comprise:				
Within one year	**2,790**	3,240	**2,283**	2,619
In the second to fourth years, inclusive	**5,277**	7,496	**4,688**	6,401
	8,067	10,736	**6,971**	9,020
Less: unearned finance income	**(1,096)**	(1,716)		
Total net finance lease receivables	**6,971**	9,020		

Effective interest rates of the above finance lease range from 7.4% to 15.0% per annum.

Finance lease receivables are secured over the equipment leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

	2017	2016
	HK$'000	HK$'000
Analysed for reporting purposes as:		
Current assets	**2,283**	2,619
Non-current assets	**4,688**	6,401
	6,971	9,020

The Group's finance lease receivables are denominated in Renminbi ("RMB"), which is also the functional currency of the relevant group entity.

The unguaranteed residual value of assets leased under finance leases at the end of the reporting period is nil (2016: nil).

20. AVAILABLE-FOR-SALE INVESTMENTS

	2017 HK$'000	2016 HK$'000
Club and school debentures, at fair value	**11,789**	13,844

21. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**58**	23
Finished goods	**42,478**	6,976
	42,536	6,999

22. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING

	2017 HK$'000	2016 HK$'000
Trade receivables	**310,702**	127,171
Impairment	**–**	–
	310,702	127,171
Receivables arising from securities broking conducted in the ordinary course of business:		
Cash clients accounts receivable	**21,225**	9,033
Loans to margin clients	**108,842**	110,527
Receivables arising from securities broking	**130,067**	119,560
Total trade receivables and receivables arising from securities broking	**440,769**	246,731

22. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING (Continued)

Trade receivables exclude receivables from Financial Services Segment

The credit periods are generally one month to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by the senior management.

At the end of the reporting period, 27% (2016: 21%) and 41% (2016: 61%) of the Group's trade receivables were due from the Group's largest customer and the three largest customers respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

Receivables arising from Financial Services Segment

With regard to receivables arising from securities broking, the Group seeks to maintain tight control over its outstanding accounts receivable and has procedures and policies to assess its clients' credit quality and defines credit limits for each client. All client acceptances and credit limits are approved by designated approvers according to the clients' credit worthiness.

The normal settlement term of cash clients accounts receivable arising from the ordinary course of business of securities broking is two trading days after the trade date.

Loans to margin clients are secured by the underlying pledged securities of clients, are repayable on demand or agreed dates of repayment and bear interest at commercial rates. As at 31 December 2017, the total market value of securities pledged as collateral in respect of the loans to margin clients was HK$331,742,000 (2016: HK$326,083,000). Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the amount of accounts receivable outstanding exceeds the eligible margin value of securities deposited. As at 31 December 2017, 72% (2016: 70%) of the balance were secured by sufficient collateral on an individual basis. Management has further assessed the credit worthiness of clients that has margin shortfall as at the year end, including default and delay in payments, settlement records and subsequent settlements, and considered that no impairment is necessary for both years. The collateral held cannot be repledged by the Group. The corresponding collateral held can be sold at the Group's discretion to settle any outstanding amounts owned by the margin clients in the event of default.

22. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING (Continued)

	2017 HK$'000	2016 HK$'000
Current to 30 days	**130,357**	32,981
31 to 60 days	**23,912**	9,257
61 to 90 days	**120,984**	7,473
Over 90 days	**35,449**	77,460
	310,702	127,171
Cash clients accounts receivable	**21,225**	9,033
Loans to margin clients	**108,842**	110,527
	440,769	246,731

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

	2017 HK$'000	2016 HK$'000
At beginning of year	**–**	–
Impairment loss recognised (note 6)	**176**	73
Amounts written off as uncollectible	**(176)**	(73)
At the end of the year	**–**	–

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and such receivables are not expected to be recovered.

22. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING (Continued)

The aging analysis of the trade receivables that are not individually or collectively considered to be impaired is as follows:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**274,915**	39,913
Less than 1 month past due	**9,119**	14,569
1 to 3 months past due	**398**	14,264
Over 3 months past due	**26,270**	58,425
	310,702	127,171

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

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

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Prepayments for purchase of raw materials	**34,027**	10,777
Prepayments for non-current assets	**4,483**	29,633
Rental deposits	**6,916**	6,596
Other deposits and prepayments	**2,709**	6,077
Other receivables	**2,387**	21
	50,522	53,104
Analysed for reporting purposes as:		
Current assets	**38,892**	16,644
Non-current assets	**11,630**	36,460
	50,522	53,104

24. HELD FOR TRADING INVESTMENTS

	2017 HK$'000	2016 HK$'000
Listed equity investments, at market value	**55,991**	18,648

25. CASH HELD ON BEHALF OF CLIENTS

The Group maintains segregated trust accounts with licensed banks to hold securities clients' monies arising from its securities brokerage business. The Group has classified the clients' monies as "Cash held on behalf of clients" under the current assets and recognised the corresponding liabilities to respective clients on grounds that the Group is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

26. RESTRICTED CASH AND BANK BALANCES AND CASH

	2017 HK$'000	2016 HK$'000
Bank balance and cash	**61,477**	55,962
Restricted cash (Note)	**–**	(4,171)
Cash and cash equivalents	**61,477**	51,791

Note: As at 31 December 2016, bank balance of HK$4,171,000 was restricted as to use as a result of a freezing injunction granted by a court in the PRC, following a legal action taken by a third party. The legal case was closed during the year ended 31 December 2017 and the restricted cash was released accordingly.

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

27. TRADE PAYABLES/PAYABLES ARISING FROM SECURITIES BROKING

	2017 HK$'000	2016 HK$'000
Trade payables	**67,543**	5,548
Payables arising from securities broking conducted in the ordinary course of business:		
Cash clients accounts payable	**35,347**	19,667
Clearing house	**2,397**	217
Payables arising from securities broking	**37,744**	19,884
Total trade payables and payables arising from securities broking	**105,287**	25,432

27. TRADE PAYABLES/PAYABLES ARISING FROM SECURITIES BROKING (Continued)

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

	2017	2016
	HK$'000	HK$'000
Current to 30 days	**1,585**	1,207
31 to 60 days	**58,335**	914
61 to 90 days	**4,456**	368
Over 90 days	**3,167**	3,059
	67,543	5,548

The credit period of trade payables arising from Commercial Printing, Hangtag, Motor Vehicle Parts, Trading, Property Investment and Environmental Protection Segments ranges from 60 to 90 days. The normal settlement terms of payable to clearing house, arising from securities broking are two tradings days after the trade date.

27. TRADE PAYABLES/PAYABLES ARISING FROM SECURITIES BROKING (Continued)

Included in the cash clients accounts payable arising from dealing in securities conducted in the ordinary course of business is cash held on behalf of clients amounting to an amount of approximately HK$17,712,000 (2016: HK$12,269,000) representing those clients' undrawn monies/excess deposits placed with the Group. As at 31 December 2017, the cash clients accounts payable included an amount of HK$128,000 (2016: HK$132,000) in respect of certain directors' undrawn monies/excess deposits placed with the Group. The cash clients accounts payable are repayable on demand and non-interest bearing. No aging analysis is disclosed as, in the opinion of the directors, an aging analysis is not meaningful in view of the nature of the business of dealing in securities.

28. OTHER PAYABLES AND ACCRUALS

	2017	2016
	HK$'000	HK$'000
Other payables	**5,542**	28
Deposits received	**6,482**	6,354
Other taxes payable	**22,099**	377
Accrued staff costs	**11,371**	8,527
Accrued expenses	**7,766**	4,935
	53,260	20,221

Other payables are non-interest bearing and have an average payment term of three months.

29. BANK BORROWINGS AND OVERDRAFTS

	2017			2016		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loan – secured	**Loan Prime Rate ("LPR") +2.1% p.a.**	**Within 1 year**	**26,422**	LPR +2.1% p.a.	Within 1 year	24,549
Bank loans – secured	**Hong Kong Interbank Offered Rate ("HIBOR") +1.25% to 1.5% p.a.**	**Within 1 year or on demand**	**193,840**	HIBOR +1.25% to 1.5% p.a.	Within 1 year or on demand	217,140
Bank loan – secured	**Fixed at 5.4%**	**Within 1 year**	**10,209**	N/A	N/A	N/A
Bank loan – secured	**Fixed at 5.66%**	**Within 1 year**	**10,209**	N/A	N/A	N/A
Bank overdrafts – secured	**HIBOR +1.5% p.a.**	**On demand**	**14,845**	HIBOR +1.5% p.a.	On demand	8,599
			255,525			250,288

29. BANK BORROWINGS AND OVERDRAFTS (Continued)

Notes:

(a) The Group's available banking facilities amounted to HK$403,952,000 (2016: HK$315,999,000), of which HK$255,525,000 (2016: HK$250,288,000) had been utilised as at the end of the reporting period.

(b) Certain of the Group's bank borrowings and overdrafts were secured by the Company's guarantee of up to HK$230,000,000 (2016: HK$291,450,000), a mortgage over the Group's investment properties situated in Hong Kong with a carrying value at the end of the reporting period of HK$440,770,000 (2016: HK$396,325,000) and mortgages over the Group's leasehold land and buildings with a carrying value at the end of the reporting period of HK$72,187,000 (2016: HK$45,812,000).

(c) Except for the secured bank borrowing of HK$46,839,000 (2016: HK$24,549,000) which is denominated in RMB and the secured bank borrowing of HK$65,144,000 (2016: Nil) which is denominated in the United States Dollars ("US$"), all bank borrowings are denominated in HK$.

30. AMOUNT DUE TO A RELATED PARTY

Amount due to a related party is unsecured, interest-free and repayable on demand and serves as working capital for operating purpose. The related party is the non-controlling shareholder of a subsidiary of the Company, which it has significant influence over that subsidiary.

31. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax asset and liabilities have been offset. The following is the analysis of the deferred tax balance at the end of the reporting period:

	2017	2016
	HK$'000	HK$'000
Deferred tax assets	**–**	188
Deferred tax liabilities	**(231,305)**	(168,972)
	(231,305)	(168,784)

The movements in deferred tax liabilities and assets during the year are as follows:

	Depreciation allowance in excess of related depreciation	**Revaluation of properties**	**Tax losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2016	829	46,095	(880)	46,044
Deferred tax charged to profit or loss (note 8)	67	125,085	570	125,722
Exchange realignment	–	(2,982)	–	(2,982)
At 31 December 2016 and 1 January 2017	896	168,198	(310)	168,784
Deferred tax (credited) charged to the profit or loss (note 8)	(115)	48,835	(461)	48,259
Charge to other comprehensive income	–	581	–	581
Acquisition of subsidiary (note 35)	–	827	–	827
Exchange realignment	–	12,854	–	12,854
At 31 December 2017	781	231,295	(711)	231,305

31. DEFERRED TAX (Continued)

At the end of the reporting period, the Group has estimated tax losses arising in Hong Kong of HK$114,071,000 (2016: HK$100,491,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has estimated tax losses arising in the PRC of HK$117,000 (2016: HK$9,277,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary difference attributable to accumulated profits of the Group's subsidiaries in the PRC amounting to HK$33,419,000 (2016: HK$575,000) as the Group is able to control the timing of the reversal of the temporary difference and it is probable that these temporary difference will not reverse in the foreseeable future.

32. LOANS FROM THE ULTIMATE HOLDING COMPANY

	2017	2016
	HK$'000	HK$'000
Loans from the ultimate holding company	**378,688**	241,596

Loans from the ultimate holding company were unsecured, interest-bearing at 8.2% per annum and, will be repayable in June 2019.

33. SHARE CAPITAL

	2017	2016
	HK$'000	HK$'000
Authorised:		
20,000,000,000 ordinary shares of HK$0.10 each	**2,000,000**	2,000,000
Issued and fully paid:		
1,150,751,398 (2016: 1,150,001,398) ordinary shares of HK$0.10 each	**115,075**	115,000

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

	Number of ordinary shares in issue	**Share capital**
		HK$'000
At 1 January 2016	**1,153,491,398**	115,349
Repurchase and cancellation of shares (Note (a))	**(3,490,000)**	(349)
At 31 December 2016	**1,150,001,398**	115,000
Issue of shares (Note (b))	**750,000**	75
At 31 December 2017	**1,150,751,398**	115,075

Note:

(a) During the year ended 31 December 2016, the Company repurchased a total of 3,490,000 of its own shares on the Stock Exchange for a total consideration of HK$17,556,000. The purchased shares were cancelled on 30 September 2016 and the premium paid on the repurchase of HK$17,207,000 was charged to the share premium account as set out in the consolidated statement of changes in equity.

(b) On 8 September 2017, the Company issued 750,000 shares for a consideration of HK$3,832,000. The issuance of shares was pursuant to the terms and conditions under an acquisition agreement signed on 5 September 2016 and details are set out in note 35. The new shares rank pari passu with existing shares in all respects.

34. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and full time employees of the Group. The Scheme became effective on 10 August 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of approval of the Scheme on 10 August 2012. The maximum number of shares issuable under share options to each eligible participant in the Scheme 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, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 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, and commences after a vesting period of two years and ends on a date which is not later than ten years from the date of the grant of the option but subject to the provisions for early termination of the Scheme. Unless otherwise determined by the directors at their sole discretion, there is no requirement of a minimum period for which an option must be held before it can be exercised.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

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

34. SHARE OPTION SCHEME (Continued)

The following share options were outstanding under the Scheme during the year:

	2017	
	Weighted average exercise price HK$ (per share)	**Number of options '000**
At 1 January	**4.11**	**10,160**
Forfeited during the year	**4.11**	**(150)**
At 31 December		**10,010**

	2016	
	Weighted average exercise price HK$ (per share)	Number of options '000
At 1 January	4.11	11,660
Forfeited during the year	4.11	(1,500)
At 31 December		10,160

No share options were vested or exercised during the year ended 31 December 2017 (2016: Nil).

The fair value of the share options granted on 20 May 2015 was HK$22,246,000 (HK$1.86 each), of which the Group recognised a share option expense of HK$3,813,000 for the year ended 31 December 2017 (2016: HK$10,690,000).

The fair value of equity-settled share options granted on 20 May 2015 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted.

At the date of approval of these consolidated financial statements, the Company had 10,010,000 share options outstanding under the Scheme, which represented approximately 0.87% of the Company's shares in issue as at that date.

35. BUSINESS COMBINATION

On 28 February 2017, the Group completed the acquisition of 60% equity interest in Realord Environmental Protection Industrial Company Limited (formerly known as "Top Eagle International Trading Limited") ("Realord Environmental Protection") and its wholly-owned subsidiary (collectively referred to as "Realord Environmental Protection Group") from Fortune Victory Asia Corporation Limited, an independent third party of the Group, for total consideration which includes cash consideration of HK$25,000,000 and new shares to be allotted and issued by the Company up to a maximum of 5,000,000 shares (details of which refer to the below). The acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$26,397,000. The principal activities of Realord Environmental Protection Group are dismantling and trading of scrap materials in the PRC. The acquisition was made as part of the Group's strategy to participate in the environmental protection industry and allow the Group to diversify from its existing businesses.

Consideration transferred	HK$'000
Cash	25,000
Consideration Shares (note)	24,273
	49,273

Note: Based on the acquisition agreement dated 5 September 2016, the contingent consideration will be satisfied by the issuance of shares in three tranches (the "Consideration Shares") in the following manner:

(i) The first tranche of Consideration Shares, being 750,000 Consideration Shares, subject to the profit guarantee of Realord Environmental Protection Group of not less than HK$15,000,000 for the year ended 31 December 2016;

(ii) The second tranche of Consideration Shares, being 1,750,000 Consideration Shares, subject to the profit guarantee of the Realord Environmental Protection Group of not less than HK$35,000,000 for the year ending 31 December 2017; and

(iii) The third tranche of Consideration Shares, being 2,500,000 Consideration Shares, subject to the profit guarantee of the Realord Environmental Protection Group of not less than HK$50,000,000 for the year ending 31 December 2018.

The profit guarantees stated in (i), (ii) and (iii) above are independently assessed and the fulfillment of each profit guarantee does not depend on fulfillment of the other two profit guarantees.

The fair value of Consideration Shares at the date of acquisition amounted to HK$24,273,000 based on the closing market price of the Company on the Stock Exchange at the date of acquisition. The Consideration Shares are presented as "Shares to be issued" in the consolidated statement of changes in equity.

35. BUSINESS COMBINATION (Continued)

The fair values of the identifiable assets and liabilities of Realord Environmental Protection Group as at the acquisition date were as follows:

	Note	HK$'000
Property, plant and equipment	14	18,899
Prepaid lease payment		5,233
Inventories		65,257
Trade and other receivables		82,148
Tax recoverable		3,203
Bank balance and cash		9,706
Trade and other payables		(62,092)
Amount due to a related party		(66,395)
Bank borrowings		(9,520)
Tax payables		(7,486)
Deferred tax liabilities		(827)
Total identifiable net assets at fair value		38,126

	HK$'000
Goodwill arising on acquisition:	
Consideration transferred	49,273
Plus: non-controlling interest	15,250
Less: fair value of net assets acquired	(38,126)
Goodwill arising on acquisition	26,397

	HK$'000
Net cash outflow in respect of the above acquisition:	
– Bank balances and cash acquired	9,706
– Cash consideration paid	(22,000)
	(12,294)

Part of the consideration of HK$25,000,000 for the acquisition above was satisfied by a prepayment of HK$3,000,000 made in prior year.

The fair value of trade and other receivables at the date of acquisition amounted to HK$82,148,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK$82,148,000 at the date of acquisition.

35. BUSINESS COMBINATION (Continued)

The Group incurred transaction costs of HK$4,462,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss in the current year.

The non-controlling interest arising from the acquisition of non-wholly owned subsidiaries is measured by reference to the proportionate share of the fair value of the acquiree's net identifiable assets at the acquisition date and amounted to HK$38,126,000.

Goodwill arose in the acquisition of Realord Environmental Protection Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amount in relation to accessing potential customers. Such benefit is not recognised separately from goodwill because it does not meet the recognition criteria for identifiable intangible assets.

Since the acquisition, Realord Environmental Protection Group contributed HK$572,410,000 to the Group's revenue and generated a profit of HK$44,917,000 which was included in the Group's results for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year ended 31 December 2017, the revenue of the Group and the profit of the Group would have been HK$832,436,000 and HK$112,484,000, respectively.

36. ACQUISITION OF ASSETS THROUGH ACQUISITIONS OF SUBSIDIARIES

(a) On 26 January 2016, the Group acquired a 100% equity interest in Excellent Well (H.K.) Limited ("Excellent Well"), from an independent third party, at a cash consideration of HK$25,834,000. Excellent Well is engaged in property investment.

(b) On 24 June 2016, the Group acquired a 100% equity interest in Citibest Global Limited ("Citibest") and its subsidiary ("Citibest Group"), from an independent party, at a cash consideration of HK$284,553,000. Citibest Group is engaged in property investment.

All of the above transactions were accounted for as acquisition of assets rather than as business combinations because Excellent Well and Citibest Group did not carried out any significant business transactions prior to the date of acquisition.

36. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

The assets acquired at the completion date were as follows:

Excellent Well

Consideration transferred:	HK$'000
Cash	23,254
Prepayment	2,580
	25,834

	HK$'000
Investment property	25,800
Prepayments and deposits	34
Shareholder's loan	(13,254)
Net assets	12,580
Assignment of a shareholder's loan	13,254
	25,834
Net cash outflow of cash and cash equivalents in respect of the above acquisition:	
Cash consideration paid	(23,254)

Citibest Group

Consideration transferred:	HK$'000
Cash	284,553

36. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

The assets acquired at the completion date were as follows: (Continued)

Citibest Group (Continued)

	HK$'000
Investment property	283,797
Bank balance and cash	2,439
Shareholder's loan	(35,354)
Other payables and accruals	(1,683)
Net assets	249,199
Assignment of a shareholder's loan	35,354
	284,553

Net cash outflow of cash and cash equivalents in respect of the above acquisition:	
Bank balance and cash acquired	2,439
Cash consideration paid	(284,553)
	(282,114)

37. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2017, the Group has acquired the equity interest in Realord Environmental Protection which is partially settled by issue of shares of the Company. Details are set out in note 35.

38. CONTINGENT LIABILITIES

(a) Since 2016, 冠彰電器(深圳)有限公司 (Guan Zhang Electronic (Shenzhen) Co., Ltd, or "Guan Zhang"), a subsidiary of the Group, has been a defendant in a lawsuit brought by a third party (the "Plaintiff"), alleging that Guan Zhang is liable to settle an outstanding payment of approximately RMB25 million and interest accrued thereon under an alleged financing arrangement between the Plaintiff, Citibest and Guan Zhang in the Shen Zhen Baoan District People's Court. Bank balance amounting to HK$4,171,000 was restricted as to use as a result of a freezing injunction by the court. Such injunction was released in 2017 as the Group won the lawsuit.

Subsequently, the Plantiff has brought up a lawsuit regarding the same claim against Guan Zhang and Citibest in another PRC court. After consultation with the external legal counsel, management of the Group considers that the economic outflows caused by the above case are not probable. Accordingly, the Group has not provided for any claim arising from the litigation, other than the related legal and other costs.

38. CONTINGENT LIABILITIES (Continued)

(b) In the previous year, Citibest and Guan Zhang were defendants in a lawsuit brought by a third party, alleging that Citibest and Guan Zhang are liable to settle the outstanding agency fee and interest accrued thereon. An investment property of the Group amounting to HK$469,800,000 was subject to a seizure ruling made by a court. Such seizure was released during the year ended 31 December 2017 as the Group won the lawsuit.

39. PLEDGE OF ASSETS

Details of the Group's bank borrowings which are secured by the assets of the Group, are included in note 29.

40. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain investment properties (Note 16) under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The terms of the leases generally also require the tenants to pay security deposits.

At 31 December 2017, the Group had total future minimum lease rental receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017	2016
	HK$'000	HK$'000
Within one year	**17,971**	18,908
In the second to fifth years, inclusive	**16,589**	10,558
	34,560	29,466

(b) As lessee

The Group leases certain of its office properties and office equipment under operating lease arrangements. Leases are negotiated for terms ranging from one to three years (2016: one to three years).

At 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017	2016
	HK$'000	HK$'000
Within one year	**17,742**	18,640
In the second to fifth years, inclusive	**833**	17,184
	18,575	35,824

41. COMMITMENTS

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

	2017 HK$'000	2016 HK$'000
Contracted, but not provided for:		
Investment property	–	1,955
Capital injection in a joint venture engaged in securities brokerage business	420,350	390,594
	420,350	392,549

During the year ended 31 December 2016, the Group entered into an agreement to acquire equity interest in Realord Environmental Protection. The consideration is to be settled partially by cash and partially by issue of shares of the Company. Details of which are set out in note 35. The acquisition has been completed during the current year.

42. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

	2017 HK$'000	2016 HK$'000
Interest income on finance lease receivables from a related company	657	662
Interest expense on loans from the ultimate holding company	24,339	16,234
Rental expense paid to directors and substantial shareholders	264	264
Securities commission received from directors and substantial shareholders	19	–

42. RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions with related parties:

(i) During the year ended 31 December 2017, the Group received loans from the ultimate holding company of HK$137,092,000 (2016: HK$241,596,000). Further details of the transaction are included in note 32.

(ii) As at 31 December 2017, the Group had finance lease receivables due from a company jointly owned by Dr. Lin and Madam Su, both of whom are directors and substantial shareholders of the Company. Further details of the balances are included in note 19.

(iii) During the year ended 31 December 2017, bank borrowings amounting to RMB17,000,000 (equivalent to approximately HK$20,417,000) were guaranteed by a key management personnel of a subsidiary of the Group.

(iv) As at 31 December 2017, the cash clients accounts payable included an amount of HK$128,000 (2016: HK$132,000) in respect of certain directors' undrawn monies/ excess deposits placed with the Group. Further details of the balances are included in note 27.

(c) Compensation of key management personnel of the Group:

	2017	2016
	HK$'000	HK$'000
Short term employee benefits	**10,436**	7,092
Post-employment benefits	**54**	54
Equity-settled share-based payment expense	**1,749**	4,498
	12,239	11,644

Further details of directors' emoluments are included in note 10 to the consolidated financial statements.

43. 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 the future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Bank borrowings and overdrafts HK$'000	Loans from ultimate holding company HK$'000	Amount due to a related party HK$'000	Total HK$'000
At 1 January 2017	250,288	241,596	–	491,884
Financing cash flows	(13,152)	129,599	(31,733)	84,714
Acquisition of subsidiaries (Note 35)	9,520	–	66,395	75,915
Exchange differences	8,869	7,493	2,869	19,231
At 31 December 2017	255,525	378,688	37,531	671,744

44. CAPITAL RISK MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2016.

44. CAPITAL RISK MANAGEMENT (Continued)

The Group monitors capital using a loan-to-equity ratio, which is the total of interest-bearing bank borrowings and loans from the ultimate holding company divided by total equity. The Group's policy is to maintain the loan-to-equity ratio at an appropriate level. The loan-to-equity ratios as at the end of the reporting periods are as follows:

	2017	2016
	HK$'000	HK$'000
Interest-bearing bank borrowings	**255,525**	250,288
Loans from the ultimate holding company	**378,688**	241,596
	634,213	491,884
Equity attributable to owners of the Company	**1,070,392**	898,097
Loan-to-equity ratio	**59%**	55%

45. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Loans and receivables		
Trade receivables	**310,702**	127,171
Deposits and other receivables	**12,012**	21,461
Receivables arising from securities broking	**130,067**	119,560
Cash held on behalf of clients	**17,321**	11,634
Restricted cash	**–**	4,171
Bank balances and cash	**61,477**	51,791
	531,579	335,788
Finance lease receivables	**6,971**	9,020
	538,550	344,808
Available-for-sale investments	**11,789**	13,844
Financial assets at fair value through profit or loss	**55,991**	18,648

	2017 HK$'000	2016 HK$'000
Financial liabilities		
Liabilities at amortised cost		
Trade payables	**67,543**	5,548
Other payables	**13,917**	8,743
Payables arising from securities broking	**37,744**	19,884
Bank borrowings and overdrafts	**255,525**	250,288
Amount due to a related party	**37,531**	–
Loans from the ultimate holding company	**378,688**	241,596
	790,948	526,059

45. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, receivables arising from securities broking, cash held on behalf of clients, restricted cash, bank balances and cash, available-for-sale investments, held for trading investments, trade payables, other payables, payables arising from securities broking, bank borrowings and overdrafts, amount due to a related party and loans from the ultimate holding company. The risks associated with these financial instruments include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group is subject to foreign exchange rate risk arising from assets and liabilities which are denominated in currencies other than the functional currencies of the relevant group entities. The Group's foreign currency transactions and balances are principally denominated in US$, RMB and HK$. The Group is exposed to the foreign exchange rate risk mainly arising from changes in the exchange rate of HK$ against RMB. The Group currently does not have a currency hedging policy. However, the management of the Group monitors foreign currency exposure and will consider hedging significant currency exposure should the need arises.

The Group's foreign currency denominated monetary assets and monetary liabilities include trade receivables, other receivables, bank balances and cash, trade payables, other payables, bank borrowings and loans from the ultimate holding company at the end of the reporting period and the carrying amounts are as follows:

	2017	2016
	HK$'000	HK$'000
Assets		
RMB against HK$	**770**	214
US$ against HK$	**122,681**	1,501
HK$ against RMB	**1,280**	–
Others	**956**	73
Liabilities		
RMB against HK$	**107,675**	98,196
US$ against HK$	**121,806**	–
HK$ against RMB	**–**	80

45. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis

The Group's foreign currency risk is concentrated on the fluctuation of HK$ and RMB against foreign currency. The exposure of US$ against HK$ is considered insignificant as HK$ is pegged to US$, therefore is excluded from the sensitivity analysis below.

The following table details the Group's sensitivity to a 5% increase and decrease in HK$ against RMB. The sensitivity rates used represent management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in post-tax profit for the year where HK$ strengthens 5% against RMB. For a 5% weakening of HK$ against RMB, there would be an equal and opposite impact on the post-tax profit and the balance below would be negative.

	2017	2016
	HK$'000	HK$'000
RMB		
Profit for the year	**4,463**	3,674

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings, and loans from the ultimate holding company.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 26 for details) and variable-rate bank borrowings and overdrafts (see note 29 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances, HIBOR arising from the Group's HK$ denominated bank borrowings and overdrafts, and LPR arising from the Group's RMB bank borrowings. Bank balances are not included in the sensitivity analysis as management of the Group considers that the interest rate fluctuation is insignificant. Management of the Group monitors interests rate exposure and will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2017, if interest rates had been 50 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the year ended 31 December 2017 would have been HK$970,000 (2016: HK$1,035,000) lower/higher.

45. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Other price risk

The Group is exposed to equity price risk arising from individual equity investments classified as held for trading investments (note 24) as at 31 December 2017 and 2016. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to a 10% change in the market price of the equity investments, with all other variables held constant and before the impact on tax, based on their carrying amounts as at the end of the reporting period.

	Increase/ decrease in profit after tax HK$'000
2017	
Investments listed in Hong Kong:	
Held for trading investments	**4,675**
2016	
Investments listed in Hong Kong:	
Held for trading investments	1,556

45. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk

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

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

In order to manage the credit risk in the receivables from clients arising from securities broking, individual credit evaluation are performed on all clients including cash clients and margin clients. Cash clients accounts receivable are generally settled in two days after trade date. Hence, credit risk arising from the cash clients accounts receivable is considered minimal. For margin clients, the Group normally obtains liquid securities as collateral based on the margin requirements. The Group has not granted any committed facility amount to each of the margin clients and the margin loan is granted by the Group depending on the assessment of the quality of the collateral and credit risk of the respective client. The margin requirement is closely monitored on a daily basis by the designated team. In addition, the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Market conditions and adequacy of securities collateral and margin deposits of each margin account are monitored by management on a daily basis. Margin calls and forced liquidation are made where necessary. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

The Group has concentration of credit risk as 27% (2016: 21%) and 41% (2016: 61%) of the total trade receivables were due from the Group's largest customer and the five largest customers, respectively. The Group has assessed the creditworthiness of these customers, all of these customers have strong financial backgrounds and high credit rating within the industry. In this regard, the directors of the Company consider that the credit risk is low.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

45. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and overdrafts and ensures compliance with loan covenants. Details of the Group's bank borrowings and overdrafts are set out in note 29.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash outflows. To the extent that interest flows are floating rate, the undiscounted amount is derived from weighted average interest rate by reference to the HIBOR and LPR of the Group's variable-rate financial liabilities at the end of the reporting period.

45. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average interest rate	On demand or less than 1 year	1 – 5 years	Total	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2017					
Trade payables	**–**	**67,543**	**–**	**67,543**	**67,543**
Other payables	**–**	**13,917**	**–**	**13,917**	**13,917**
Payables arising from securities broking	**–**	**37,744**	**–**	**37,744**	**37,744**
Bank borrowings and overdrafts	**5.89**	**271,736**	**–**	**271,736**	**255,525**
Amount due to a related party	**–**	**37,531**	**–**	**37,531**	**37,531**
Loans from the ultimate holding company	**8.2**	**–**	**425,267**	**425,267**	**378,688**
		428,471	**425,267**	**853,738**	**790,948**
31 December 2016					
Trade payables	–	5,548	–	5,548	5,548
Other payables	–	8,743	–	8,743	8,743
Payables arising from securities broking	–	19,884	–	19,884	19,884
Bank borrowings and overdrafts	5.39	263,779	–	263,779	250,288
Loans from the ultimate holding company	8.2	–	263,058	263,058	241,596
		297,954	263,058	561,012	526,059

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

45. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

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

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	31 December 2017	31 December 2016		
1) Held for trading investments	**HK$55,991,000**	HK$18,648,000	Level 1	Quoted bid prices in an active market
2) Available-for-sale investments	**HK$11,789,000**	HK$13,844,000	Level 2	Recent transaction prices

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

During year ended 31 December 2017, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2016: Nil).

46. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments that are either:

- offset in the Group's consolidated statement of financial position; or

- not offset in the consolidated statement of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC on the same settlement date and are settled simultaneously. In addition, the Group has a legally enforceable right to set off all clients' accounts receivable and payable at any time without prior notice to clients and the Group intends to settle these balances on a net basis.

Except for above, amounts due from/to HKSCC that are not to be settled on the same date, accounts receivable and payable from clients not intends to settle on a net basis, financial collateral including cash and securities received by the Group, deposit placed with HKSCC do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

46. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

At 31 December 2017

	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Collateral received* HK$'000	Net amount HK$'000
Assets						
Receivables arising from securities broking	130,212	(145)	130,067	(17,069)	(78,012)	34,986

	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Collateral received* HK$'000	Net amount HK$'000
Liabilities						
Payables arising from securities broking	37,889	(145)	37,744	(17,069)	–	20,675

46. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

At 31 December 2016

	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Collateral received* HK$'000	Net amount HK$'000
Assets						
Receivables arising from securities broking	386,413	(266,853)	119,560	(6,996)	(100,270)	12,294

	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Collateral received* HK$'000	Net amount HK$'000
Liabilities						
Payables arising from securities broking	287,154	(266,853)	20,301	(6,996)	–	13,305

* The item "collateral received" represents the securities pledged in the clients' account which are not recognised in the consolidated statement of financial position. The amounts are capped at the lower of the market value of securities and net receivable amounts on a client by client basis.

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**2,063**	3,095
Interests in subsidiaries	**1,026,737**	68,026
Prepayments, deposits and other receivables	**3,970**	3,970
	1,032,770	75,091
CURRENT ASSETS		
Due from subsidiaries	**104,727**	1,089,911
Prepayments, deposits and other receivables	**449**	3,359
Cash and cash equivalents	**3,059**	13,400
	108,235	1,106,670
CURRENT LIABILITIES		
Due to subsidiaries	**73,502**	206,464
Other payables and accruals	**8,585**	5,075
	82,087	211,539
NET CURRENT ASSETS	**26,148**	895,131
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,058,918**	970,222
EQUITY		
Share capital	**115,075**	115,000
Reserves	**565,155**	613,626
Total equity	**680,230**	728,626
NON-CURRENT LIABILITIES		
Loans from the ultimate holding company	**378,688**	241,596
	1,058,918	970,222

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

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

	Share premium HK$'000	Shares to be issued HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2016	607,797	–	6,876	50,080	664,753
Loss and total comprehensive expense for the year	–	–	–	(44,529)	(44,529)
Repurchase of shares	(17,207)	–	–	–	(17,207)
Recognition of equity-settled share-based payment expense	–	–	10,609	–	10,609
Transfer of shares option reserve upon forfeiture of share options	–	–	(1,689)	1,689	–
At 31 December 2016	590,590	–	15,796	7,240	613,626
Loss and total comprehensive expense for the year	–	–	–	(76,482)	(76,482)
Recognition of equity-settled share-based payment expense	–	–	3,813	–	3,813
Acquisition of subsidiaries (Note 35)	–	24,273	–	–	24,273
Issue of shares	3,757	(3,832)	–	–	(75)
Transfer of share option reserve upon forfeiture of share options	–	–	(290)	290	–
At 31 December 2017	594,347	20,441	19,319	(68,952)	565,155

48. PARTICULARS OF SUBSIDIARIES

(a) Particulars of the Company's principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued ordinary share/ registered capital	Equity interest attributable to the Group (%) 2017	2016	Place of operation	Principal activities
Easy Yield Ventures Limited	British Virgin Islands	US$1,000 ordinary shares	100	100	Hong Kong	Investment holding
Elite Trend Developments Limited	British Virgin Islands	US$1,000 ordinary shares	100	100	Hong Kong	Investment holding
Realord Asset Management Limited	Hong Kong	HK$10,000 ordinary shares	100	100	Hong Kong	Investment holding
Realord (BVI) Enterprises Limited	British Virgin Islands	HK$10,000 ordinary shares	100	100	Hong Kong	Investment holding
Realord Investment Enterprises Limited	British Virgin Islands	US$1 ordinary share	100	100	Hong Kong	Investment holding
Realord Manureen Financial Group Limited	British Virgin Islands	US$1,000 ordinary shares	100	100	Hong Kong	Investment holding
Realord Real Estate Investment Limited	British Virgin Islands	US$1,000 ordinary shares	100	100	Hong Kong	Investment holding
Way Strong Holdings Limited	British Virgin Islands	US$1,000 ordinary shares	100	100	Hong Kong	Investment holding
Citibest Global Limited	British Virgin Islands	US$50,000 ordinary shares	100	100	Hong Kong	Investment holding
Capital Conference Services Limited	Hong Kong	HK$10,000 ordinary shares	100	100	Hong Kong	Provision of conference services

48. PARTICULARS OF SUBSIDIARIES (Continued)

(a) Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued ordinary share/ registered capital	Equity interest attributable to the Group (%) 2017	2016	Place of operation	Principal activities
Capital Financial Press Limited	Hong Kong	HK$800,000 ordinary shares	100	100	Hong Kong	Commercial printing
Chun Ming Printing Factory Company Limited	Hong Kong	HK$150,000 ordinary shares	100	100	Hong Kong	Manufacture and sale of hangtags, labels and shirt paper boards
Concept Star Corporation Limited	Hong Kong	HK$2 ordinary shares	100	100	Hong Kong	Property investment
Easy Bloom Investment Limited	Hong Kong	HK$1 ordinary share	100	100	Hong Kong	Property investment and investment holding
Lake King Holdings Limited	Hong Kong	HK$1 ordinary share	100	100	Hong Kong	Investment holding
Manureen Group Holdings Limited	Hong Kong	HK$10,000 ordinary shares	100	100	Hong Kong	Investment holding
Manureen International Commerce Company Limited	Hong Kong	HK$500,000 ordinary shares	100	100	Hong Kong	Investment holding
Realord E-Commerce Limited	Hong Kong	HK$10,000 ordinary shares	100	100	Hong Kong	Trading of electronic products
Qualiti Printing and Sourcing Limited	Hong Kong	HK$3,750,000 ordinary shares	100	100	Hong Kong	Trading of hangtags, labels and shirt paper boards

48. PARTICULARS OF SUBSIDIARIES (Continued)

(a) Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued ordinary share/ registered capital	Equity interest attributable to the Group (%) 2017	2016	Place of operation	Principal activities
Realord Manureen Securities Limited	Hong Kong	HK$140,000,000 ordinary shares	100	100	Hong Kong	Provision of securities broking services and margin financing
Realord Vehicle Parts Limited	Hong Kong	HK$10,000 ordinary shares	100	100	Hong Kong	Distribution and sale of motor vehicle parts
Excellent Well (H.K.) Limited	Hong Kong	HK$1 ordinary share	100	100	Hong Kong	Property investment
Realord Environmental Protection Industrial Company Limited	Hong Kong	HK$15,000,000 ordinary shares	60	N/A	Hong Kong	Investment holding company and trading of scrap materials
偉祿商業（深圳）有限公司#	The PRC	Paid-up capital of HK$36,000,000	100	100	The PRC	Trading of electronic products and computer components/ property investment
偉祿網絡科技（深圳）有限公司#	The PRC	Paid-up capital of US$149,982	100	100	The PRC	Development and sale of e-commerce technology/trading of products

48. PARTICULARS OF SUBSIDIARIES (Continued)

(a) Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued ordinary share/ registered capital	Equity interest attributable to the Group (%) 2017	2016	Place of operation	Principal activities
深圳市偉祿商業控股有限公司#	The PRC	Paid-up capital of RMB32,000,000	100	100	The PRC	Property investment
前海美林融資租賃（深圳）有限公司#	The PRC	Paid-up capital of US$6,506,880	100	100	The PRC	Provision of financial leasing services
前海偉祿跨境電子商務（深圳）有限公司#	The PRC	Paid-up capital of HK$115,000,000	100	100	The PRC	Development and sale of e-commerce platform/trading of products
Guan Zhang#	The PRC	Paid-up capital of HK$30,000,000	100	100	The PRC	Property investment
廣西梧州市通寶再生物資有限公司#	The PRC	Paid-up capital of RMB3,000,000	60	N/A	The PRC	Dismantling and trading of scrap materials

The subsidiaries are registered as wholly-foreign-owned enterprises under the PRC law.

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

None of the subsidiaries had issued any debt securities at the end of the year.

48. PARTICULARS OF SUBSIDIARIES (Continued)

(b) Details of non-wholly owned subsidiaries that have material non-controlling interest

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below.

Realord Environmental Protection

	As at 31 December 2017 HK$'000
Current assets	**289,447**
Non-current assets	**25,296**
Current liabilities	**229,853**
Non-current liabilities	**874**
Net equity	**84,016**

48. PARTICULARS OF SUBSIDIARIES (Continued)

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

	From 28 February 2017 (date of acquisition) to 31 December 2017 HK$'000
Revenue	**572,410**
Expenses	**(527,493)**
Profit for the year	**44,917**
Other comprehensive income for the year	**973**

48. PARTICULARS OF SUBSIDIARIES (Continued)

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

	From 28 February 2017 (date of acquisition) to 31 December 2017 HK$'000
Net cash used in operating activities	(35,023)
Net cash used in investing activities	(347)
Net cash from financing activities	30,626
Net cash outflow	(4,744)

49. EVENT AFTER REPORTING PERIOD

On 18 January 2018, the Company (as purchaser) and Dr. Lin and Madam Su (as vendors) entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to acquire (i) the entire 100% equity interest in Realord Investment Limited and its subsidiaries through acquisition of entire 100% equity interest in Realord Ventures Limited and Manureen Ventures Limited (the "Target Group"), and (ii) the Company has also conditionally agreed to provide the shareholder's loan to the Target Group for the settlement of the Target Group's outstanding debts as at the date of completion on a dollar for dollar basis.

Details of the acquisition are set out in the Company's circular dated 23 March 2018.

50. COMPARATIVE FIGURES

Other operating expenses for the year ended 31 December 2016 have been reclassified to other income and gains or losses, and professional fees previously included in administrative expenses for the year ended 31 December 2016 have been reclassified to other expenses to conform to current year's presentation. These reclassification adjustments have no impact on the retained profits as at 31 December 2016.

PARTICULARS OF MAJOR INVESTMENT PROPERTIES

Particulars of the major investment properties held by the Group at the end of the reporting period are as follows:

Location	Use/Status	Type	Tenure	Attributable interest of the Group
Hong Kong				
House No. 25, Villa Bel-Air, Bel-Air on the Peak, Island South, No. 25 Bel-Air Peak Rise, Hong Kong	Vacant	Residential	Medium term lease	100%
Mainland China				
Units 3306 to 3310, 33rd Floor, Excellence Time Square, Junction of Yi Tian Road and Fu Hua Road, Central District, Fu Tian District, Shenzhen, Guangdong Province, the PRC	Rental	Commercial	Medium term lease	100%
The industrial complex at No. 5 Fuye Road, Shengkeng Community, Zhangkengjing, Guanlan, Longhua New District, Shenzhen, Guangdong Province, the PRC	Rental	Industrial	Medium term lease	100%
The industrial complex situated in Qiankeng Industrial Zone, Fumin Community, Guanlan Town, Baoan District, Shenzhen, the PRC	Rental	Industrial	Medium term lease	100%