TIANLI
HOLDINGS GROUP LIMITED

Tianli Holdings Group Limited
天利控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 117)

2017
ANNUAL REPORT

CONTENTS

ABBREVIATIONS

In this annual report, the following abbreviations have the following meanings unless otherwise specified:

"Articles of Association"	articles of association of the Company
"Audit Committee"	the Audit Committee of the Company
"Board"	the board of Directors of the Company
"CG Code"	the Corporate Governance Code in Appendix 14 to the Listing Rules
"Company"	Tianli Holdings Group Limited
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules
"MLCC"	multi-layer ceramic chips
"Nomination Committee"	the Nomination Committee of the Company
"PRC", "China" or "Mainland China"	the People's Republic of China
"Remuneration Committee"	the Remuneration Committee of the Company
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollars
"RMB"	Renminbi

"US" or "United States"	The United States of America
"US$"	US dollars
"%"	per cent.

FINANCIAL HIGHLIGHTS

The following tables are summaries of the Group's results, assets, liabilities and equity for the past five financial years:

	Year ended 31 December				
	2017	2016	2015	2014	2013
Results	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)			
Revenue comprising:	**1,557,652**	904,168	517,887	466,584	551,762
MLCC business	**739,343**	585,833	517,887	466,584	513,150
Investment and financial services	**152,450**	31,752	–	–	–
Other general trading	**665,859**	286,583	–	–	–
Battery business(Note)	**–**	–	–	–	38,612
Cost of sales	**(1,179,036)**	(794,668)	(450,934)	(431,230)	(466,139)
Gross profit	**378,616**	109,500	66,953	35,354	85,623
Profit/(loss) for the year attributable to owners of the Company	**134,032**	(68,874)	(32,976)	(46,889)	(5,373)
Basic earnings/(loss) per share	**18.6 cents**	(12.8) cents	(7.0) cents	(11.6) cents	(1.3) cents

	As at 31 December				
	2017	2016	2015	2014	2013
Assets and liabilities	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**2,051,985**	1,344,495	1,062,915	631,066	808,942
Total liabilities	**1,208,522**	954,729	620,125	237,432	366,971
Total equity attributable to owners of the Company	**832,175**	376,165	442,790	393,634	441,971

Notes: In November 2012, the Company acquired the battery business. The Company discontinued the battery business by the end of December 2013.

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Chunhua *(Chairman)*
Mr. Jin Zhifeng *(Chief Executive Officer)*
Mr. Jing Wenping
Mr. Kwok Oi Lung Roy
Mr. Pan Tong
Mr. Yu Zhenyu
Mr. Zhu Xiaodong

Independent Non-executive Directors

Mr. Chan Chi On, Derek
Mr. Chu Kin Wang, Peleus
Mr. To Yan Ming, Edmond
Mr. David Tsoi
Mr. Xu Xuechuan

AUDIT COMMITTEE

Mr. Chu Kin Wang, Peleus *(Chairman)*
Mr. Chan Chi On, Derek
Mr. To Yan Ming, Edmond
Mr. David Tsoi
Mr. Xu Xuechuan

REMUNERATION COMMITTEE

Mr. Xu Xuechuan *(Chairman)*
Mr. Chan Chi On, Derek
Mr. Chu Kin Wang, Peleus
Mr. To Yan Ming, Edmond

NOMINATION COMMITTEE

Mr. Chu Kin Wang, Peleus *(Chairman)*
Mr. Chan Chi On, Derek
Mr. To Yan Ming, Edmond
Mr. Xu Xuechuan

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 907–909, 9th Floor
Three Pacific Place
1 Queen's Road East
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

EYANG Building
No. 3 Qimin Street
No. 2 Langshan Road, North Area
Hi-tech Industrial Park
Nanshan District
Shenzhen, the PRC

AUTHORISED REPRESENTATIVES

Mr. Leung Wai Chung
Mr. Zhou Chunhua

COMPANY SECRETARY

Mr. Leung Wai Chung *CPA*

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F,
148 Electric Road
North Point
Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKERS
Chong Hing Bank
Industrial and Commercial Bank
of China (Asia) Limited
Industrial and Commercial Bank of China (Macau)
China Construction Bank
Agricultural Bank of China Limited
Citibank (Hong Kong)
Shenzhen Ping An Bank

LEGAL ADVISOR AS TO HONG KONG LAW
Junhe Law Offices

LEGAL ADVISOR AS TO CAYMAN ISLANDS LAW
Conyers Dill & Pearman

AUDITOR
Crowe Horwath (HK) CPA Limited
Certified Public Accountants

STOCK CODE
117

COMPANY WEBSITE
http://www.tlhg.com.hk

On behalf of the Board, I am pleased to present the annual results of Tianli Holdings Group Limited (the "Company") and its subsidiaries (together referred to as the "Group" or "We") for the twelve months ended 31 December 2017.

ANNUAL RESULTS OF 2017

For the twelve months ended 31 December 2017, the Group recorded annual revenue of RMB1,557.7 million, representing an increase of approximately 72.3% as compared with last year. While each of the Group's three business segments delivered a significant growth in results, the Group recorded a turn from loss into profit as a whole, with profit attributable to owners of the Company amounting to approximately RMB134.0 million, as compared to a loss of approximately RMB68.9 million in 2016.

MARKET TREND

In 2017, the global economy maintained its upward momentum since mid-2016. Driven by optimism about corporate earnings among investors and improved economic fundamentals, global markets advanced and investment sentiment remained favourable. The global economy is expected to be backed by sustained recovery in 2018, with the International Monetary Fund forecasting a global economic growth of 3.7%, 0.1 percentage point higher than that of 2017. Meanwhile, the capital market is likely to receive support as investors remain optimistic about the U.S. Federal Reserve's plan to gradually raise interest rates, and as the U.S. proceeds with tax reform.

2017 was also a year of turning point for China's cross-border capital flows. On one hand, the downward trajectory of China's foreign exchange reserves over the past years came to an end with a gain of US$129.4 billion in 2017; as a result, its capital flows has basically became balanced in contrast to the net outflows in the previous year, which is expected to help stabilize the RMB exchange rates. On the other hand, as China further optimised its structure for investment overseas, there was a drastic decline in capitals invested in overseas real estate and entertainment sectors, while investment overseas in infrastructure went up. New investments in countries along the "One Belt, One Road" route for the year accounted for 12% of China's total investment overseas, representing an increase of 3.5 percentage points as compared with the corresponding period of last year.

DEVELOPMENT STRATEGY

The satisfactory results achieved in 2017 are a testimony to the success of the Group's transformation strategy to diversify its businesses. Entering 2018, the Group will continue along this path and regularly fine-tune specific measures based on market conditions.

In respect of the investment and financial services business, the Group will further concentrate available resources to develop the asset management business, which has been expanding rapidly since inception of its first fund in early 2017. Currently, this business has over US$1 billion of assets under management, including equity and debt products offered in different countries around the world. Following a phase of brisk development, the Group will allocate resources to strengthen post-investment management, through which it seeks to create added value. With respect to new projects, the Group will continue to leverage Hong Kong's unique geographic advantage as a gate to Mainland China and a launching pad to global markets. The Group aims to create a model that promotes sustainable asset management by prioritising its operations related to the "One Belt, One Road" initiative and the integration of industry and finance capital.

In respect of the general trading business, having ventured into the trading of chrome ore, fuel oil and flash memories since 2016, not only has the Group developed an increasingly sophisticated business model, it has also made significant improvement on profitability. With the capacity expansion in China's high carbon ferrochromium segment, the consumption of chrome ore in China is expected to remain high in 2018. To seize market opportunities, the Company has therefore begun to gradually increase the proportion of chrome ore trading.

In respect of the MLCC business, the reduction in product supplies last year led to a surge in both product prices and operating revenue for the second half, especially since the fourth quarter, which not only put an end to years of continued losses, but also enabled the MLCC business to record satisfactory earnings. In light of this, our Board terminated the proposed disposal of this business by the end of the year, and it will continue to monitor changes in the MLCC market, in order to make timely adjustments to the segment's development strategy.

ACKNOWLEDGEMENT

I would like to take the opportunity to thank all our Directors and employees for their strenuous efforts to carry through the past year. Also, I would like to express my gratitude to all shareholders, investors and customers for their constant trust and support. They are our reason to push on.

Zhou Chunhua
Chairman

Hong Kong, 27 March 2018

BUSINESS REVIEW

Since the Group embarked on its journey to diversify its business in 2016, it has made significant progress by organically expanding into the business of investment and financial services, as well as other general trading. Particularly, the newly launched asset management business had quickly emerged as one of the major components of the Group's business portfolio. By the end of 2017, each of the three business segments including MLCC had delivered significant improvements in performance both in terms of scale and profitability.

INVESTMENT AND FINANCIAL SERVICES

Asset Management

One of our operating subsidiaries was granted the licenses for Type 4 (advising on securities) and Type 9 (asset management) regulated activities by the SFC in Hong Kong in November 2016. Since then, the Group has formally launched its asset management business. As of 31 December 2017, the Group has established and/or managed a total number of 12 funds each with a distinct investment focus. In the meantime, the Group also directly invest into certain funds as limited partner.

Unit: US$ million

	Fund Name	Initial Closing Date	Term (Year)	Investment Focus	Capital Commitment Total of the Fund[7]	Capital Commitment Total from the Group[8]
1	Tianli China Opportunities Fund I L.P.	January 2017	3+1[5]+1[5]	Project fund established for an investment in Beijing	116.4	17.5
2	Wasen-Tianli SPC	January 2017	3[6]	Invest in a wide range of assets including private equity investments, listed and unlisted securities, debt securities and other financial instruments	22.6	–
3	Tianli SPC	January 2017	3[6]	Invest in a wide range of assets including private equity investments, listed and unlisted securities, debt securities and other financial instruments	98.4	–
4	Tianli Private Debt Fund L.P.	January 2017	5+1[3]+1[4]	Invest in a wide range of private debt instruments with regional focus primarily in developed countries and China	300.0	35.0
5	Tianli Private Debt Capital L.P.	March 2017	5+3[1]+1[1]	Invest predominantly across a wide range of private debt instruments globally	175.0	9.8

	Fund Name	Initial Closing Date	Term (Year)	Investment Focus	Capital Commitment Total of the Fund[7]	Capital Commitment Total from the Group[8]
6	Tianli Global Opportunities Capital L.P.[2]	March 2017	7+2[1]	Invest globally across various sectors and distressed assets	175.0	9.8
7	Tianli Special Situations Capital L.P.	March 2017	7+2[1]+1[1]	Invest predominantly in global mergers and acquisitions, private equity or other corporate finance transactions	175.0	9.8
8	Tianli Public Markets Capital L.P.	March 2017	4+2[1]+2[1]	Invest predominantly in the secondary market of publicly traded securities globally	100.0	5.6
9	Tianli M&A Investment L.P.	March 2017	3+2[1]+2[4]	Invest predominantly in global mergers and acquisitions or other corporate finance related investments	310.0	–
10	Tianli China Opportunities Fund II L.P.	March 2017	5+1[3]+1[4]	Project fund established for an investment in Shanghai	80.4	–
11	Tianli UK Opportunities Fund L.P.	March 2017	5+1[3]+1[4]	Invest predominantly in projects located in United Kingdom	150.4	–
12	Tianli US Opportunities Fund L.P.	April 2017	5+1[3]+1[4]	Invest predominantly in projects located in United States	12.6	–

Notes:

1. Extension upon recommendation of the general partner with approval of the investment committee
2. Formerly known as Tianli Real Estate Capital L.P.
3. Extension upon sole discretion of the general partner
4. Extension upon recommendation of the general partner with the approval of the advisory committee
5. Extension upon approval of the limited partners
6. Refers to investor lockup period
7. Including cross holdings among the funds
8. Including direct capital

As at 31 December 2017, the total capital commitment of the above funds (after eliminating the cross-holding effect) is approximately US$1,067.3 million, among which the Group has committed approximately US$87.5 million. During the twelve months of 2017, these 12 funds has generated a total revenue of RMB69.3 million on the Group's capital invested and contributed a total management fee revenue of RMB38.7 million to the Group.

The Group invested in 6 countries and regions including Australia, Hong Kong, Korea, PRC, UK and USA for the following funds. The product types were mainly debt, common equity and preferred equity.

Unit: US$ million

Fund Name	Country/Region	Invested Amount
Tianli China Opportunities Fund I L.P.	PRC	116.4
Tianli Private Debt Fund L.P.	Australia	65.6
	Korea	35.6
	UK	22.1
	USA	39.5
Tianli M&A Investment L.P.	Hong Kong	290.6
Tianli China Opportunities Fund II L.P.	PRC	81.0
Tianli UK Opportunities Fund L.P.	UK	129.8
Tianli US Opportunities Fund L.P.	USA	10.4

Fund Name	Product	Invested Amount
Tianli China Opportunities Fund I L.P.	Common Equity	116.4
Tianli Private Debt Fund L.P.	Debt	116.3
	Common Equity	12.0
	Preferred Equity	34.5
Tianli M&A Investment L.P.	Debt	290.6
Tianli China Opportunities Fund II L.P.	Common Equity	81.0
Tianli UK Opportunities Fund L.P.	Common Equity	92.9
	Preferred Equity	36.9
Tianli US Opportunities Fund L.P.	Common Equity	10.4

1. The amount has excluded interfund investment. This is being the amount invested in third parties.

Investment

Following the establishment of Tianli Private Debt Fund L.P. in January 2017 and in view of its investment focus, the Group disposed of the entire issued shares of and shareholder's loan to its then indirect wholly owned subsidiary, namely Noble Sky Investments Limited, to Tianli Private Debt Fund L.P. in February 2017 at a total consideration of approximately US$18.5 million (equivalent to approximately HK$143.6 million or approximately RMB124.9 million). Noble Sky Investments Limited was a party to certain agreements pursuant to which it has provided partial funding to the relevant mezzanine financiers for two respective residential property projects in Australia.

In July 2017, Glory Legacy Holdings Limited, an indirect wholly-owned subsidiary of the Company, provided a bridge loan in the principal amount of US$11.7 million to a Canada Borrower ("a corporation incorporated in Canada") at an interest rate of 18% per annum for the purpose of financing the contemplated acquisition of all of the issued and outstanding voting shares of another corporation incorporated in Canada. The Canada Borrower settled the principal and interest in October 2017.

In 2017, other than the capital invested into funds as limited partner, the Group's balance of direct financial investment are approximately RMB64.4 million, including deposit paid for acquisition of investment of approximately RMB32.4 million, equity investment of approximately RMB26.2 million and debt investment of approximately RMB2.8 million and interest in joint ventures of approximately RMB3.0 million.

Financial Advisory

In 2017, the Group has provided financial advisory services both on cross-border acquisitions as well as loan financing. The aggregated fee income generated was approximately RMB24.6 million.

Financial Technology

In 2017, the Group's financial technology business development was slower than expected. During the year, total revenue from the financial technology business was approximately RMB1.31 million, which primarily came from software product development and its related services, resulting in a net loss. Following an assessment on market demand and subsequent investment needs, the management decided to cease further investment into the financial technology business for the time being. In December 2017, an agreement was entered into with an independent third party for the sale of 北京希為科技有限公司 and 深圳市香納商業保理有限公司, two of the Group's financial technology subsidiaries. The transaction is to be formally completed in 2018. As of 31 December 2017, the deposit for the transaction was received by the Group.

OTHER GENERAL TRADING

The Group strived to increase financial returns of the other general trading segment in 2017 by expanding sales channel, optimizing product structure and changing settlement method.

The Group's commodities trading business is mainly engaged in the trading of chrome ore. During the year, the sales volume of chrome ore amounted to approximately 4,500 tonnes, representing a 57.5% decrease as compared to that of 2016 (10,600 tonnes), primarily due to lowered trading volume of the Group as it tried to control pricing risks in light of market volatility in chrome ore trading during the year.

Driven by rising global demand for mobile devices, the global demand was strong for electronic components, especially multi-chip package flash memories. In light of the significant increase of trading volume and amount of these products on the international market during the year and with a view to expand its business scope and increase segment profit, the Group became engaged in the trading of multi-chip package flash memories, supplying products of various specifications and capacities to downstream manufacturers for the production of mobile phones and other handheld devices. During the year, sales volume of multi-chip package flash memories was approximately 3 million pieces.

During the year, the other general trading segment contributed a revenue of approximately RMB666 million (2016: RMB286 million), representing a 132.3% increase as compared to 2016, which mainly came from the trading of multi-chip package flash memories. The segment contributed a segment profit of approximately RMB1.2 million (2016: RMB0.26 million), representing a 361.5% increase as compared to 2016.

MLCC

The Group's MLCC business operation went through challenging times and experienced good and hard years. The prices of conventional MLCC series remained low because of saturating supply and abundant competition. Given the Company's insignificant market share, coupled with the relocation of some production lines to Anhui Province over the past few years, resulting in a period much longer than expected for equipment calibration and training of workers, there was a lack of benefit from economies of scale. Therefore, as of the first quarter of the year, the MLCC business still incurred a loss.

Entering the second quarter, some leading Japanese manufacturers were among the first to gradually withdraw from the profitless conventional MLCC market, relocating production capacity to the more profitable high-end automotive and industrial products. This gave rise to a certain degree of temporary shortage in mid-range and low-end MLCC supply. Furthermore, manufacturers were under the pressure to raise price amidst higher costs. The Group followed suit as it started to adjust its prices mildly upward at a slow pace, finally recording a profit of RMB2.8 million as at the first half.

During the second half, the imminent peak season for consumer electronics further widened the supply and demand gap of MLCC products. To maximize profits, not only did the Group's competitors begin to increase their selling prices significantly in the fourth quarter, they also slowed their shipments considerably. As a result, the market responded with the long-waited boom. Amid surging orders in the fourth quarter, the Group was also prompt in adjusting the selling prices of certain products. Under this condition, the increase in both shipment quantity and prices of most products led to satisfactory results. Full-year revenue increased from RMB585.8 million last year to RMB739.3 million. Profit turned from last year's loss to a gain of RMB117.7 million.

During 2017, due a global shortage in MLCC production capacity, market demand remained unsatisfied amid sustained undersupply, while prices for MLCC products had been rising excessively within the marketplace. As a result, many large MLCC manufacturers had sequentially announced major investment plans to increase capacity, with a view to filling up this gap in the segment. The Group has, however, adopted a prudent view about the length of the supply shortage and the scale of investments to be made for capacity improvement. Our strategy for the near future is to focus on clearing inventory and realizing short-term capital gains; for the longer term, we will primarily concentrate on upgrading products and improving customer portfolio. Believing it unwise to aimlessly increase capacity to any significant degree, the Group will continue to follow its schedule and increase capacity in a prudent manner. In addition, the Group will make it its operational principle to address the demand of customer orders by adjusting its product mix. Through these measures, the Group aims at building protection against another vicious investment cycle within the sector (i.e. supply shortage→capacity expansion→excessive capacity→price war→loss→capacity reduction→supply shortage) after the vast release of newly added capacity by major manufacturers. However, since the MLCC manufacturing industry requires large amounts of capital investment, considerable capital injections with long recovery period will be needed once capacity has been expanded. The Group serves the key customer group of smartphone users. The smartphone market has been increasingly dominated by major brands since 2016, sequentially forcing many internationally celebrated brands, as well as second and third-tier brands from Mainland China to withdraw. In the aftermath, operational risks associated with customers producing middle to low-end smartphones have increased drastically. Taking advantage of the opportunities arisen from the current supply shortage in the market, the Group further adjusted its customer structure by accelerating its separation from middle to low-end smartphone users, and by concentrating available resources to secure major customers and transactions. However, these customers tend to have a strong bargaining power, while risk exposure for the Group is reduced, so will its pricing power, thereby putting gross profit under pressure.

USE OF PROCEEDS GENERATED FROM OPEN OFFER

On 13 February 2017, all conditions set out in the underwriting agreement entered between the Company and CSL Securities Limited have been fulfilled. The Company completed an open offer of shares on the basis of one open offer share for every two share at HK$1.50 per open offer share. The net proceeds after deducting expenses amounted to approximately HK$365.0 million (approximately RMB303.8 million) has been applied to

(i) approximately HK$140.0 million (equivalent to approximately RMB116.5 million) in the Company's investment and financial services business;

(ii) approximately HK$20.0 million (equivalent to approximately RMB16.6 million) is used for the Company's other general trading business;

(iii) approximately HK$200.0 million (equivalent to approximately RMB166.5 million) is used to the repayment of the Company's debt; and

(iv) the remaining for general working capital of the Company.

FINANCIAL REVIEW

Revenue

The Group's revenue included revenue from three distinct business segments: manufacturing and sale of MLCC, investment and financial services, and other general trading. The total revenue of the Group for 2017 was approximately RMB1,557.7 million, representing a 72.3% increase as compared to 2016. The revenue from the MLCC segment amounted to RMB739.3 million, representing an increase of 26.2% from that of 2016, as a result of the selling price substantially increased since the market improvement in the fourth quarter of 2017. The investment and financial services segment continue to contribute to the Group since the launch of the asset management business in the year 2016. The revenue from investment and financial services segment amounted to approximately RMB152.5 million mainly through investment gain from financial assets designated as at fair value through profit and loss, income from management fee, provision of advisory services and loans to external clients in 2017, representing an increase of 379.6%. The other general trading segment generated a revenue of approximately RMB665.9 million, representing an increase of 132.3%, which is mainly due to the increase in trading of electronic components.

Gross Profit Margin

The Group's gross profit margin increased to 24.3% in 2017 from 12.1% in 2016. The increase was mainly due to the high gross profit of asset management business continuing in 2017.

The gross profit margin of the Group's MLCC business in 2017 was 31.3%, representing an improvement from 13.2% in 2016. The increase was mainly due to the improvement in MLCC market, resulting the increase of selling price of MLCC products.

During the year, the gross profit margin of other general trading business was approximately 0.7% (2016: 0.01%). The increase was mainly due to the higher profit margin in trading of electronic components in 2017.

Other Income

The Group's other income totaled RMB30.5 million in 2017, representing an increase of RMB20.2 million from that of 2016. The increase was mainly due to the gain on disposal of a subsidiary of RMB7.6 million and the increase in the release of government grants as income of RMB7.2 million.

Selling and Distribution Costs

The Group's selling and distribution costs amounted to RMB23.8 million in 2017, remained at a similar level to that of 2016.

Administrative Expenses

The Group's administrative expenses were RMB127.8 million in 2017, increased by RMB62.6 million compared to that of 2016. The increase was mainly due to the increase of RMB4.0 million of the rental expenses and increase of approximately RMB40 million of staff costs (including Directors' emoluments) associated with those newly recruited in Hong Kong during the year.

Research and Development Costs

The Group's research and development costs were RMB40.2 million in 2017, representing a 93.8% increase from that of 2016. The increase was mainly due to the current research and development works on high capacity and high precision products of super-miniature 0201 capacitors conducted and strengthen the research and development capabilities on the MLCC core technology as a result of the market improvement in the fourth quarter in 2017.

Other Expenses

The Group's other expenses were RMB3.4 million in 2017, representing a decrease of RMB1.0 million from that of 2016. This was mainly due to no impairment loss for accounts receivables in 2017.

Finance Costs

The Group's finance costs were RMB59.7 million in 2017, representing an increase of RMB22.7 million from that of 2016. The increase was mainly due to the full-year interest expenses recognized relating to the loan of HK$300 million (equivalent to approximately RMB249.7 million) obtained in 2016 and the interest expenses on a new loan of HK$200 million (equivalent to approximately RMB166.5 million) in 2017.

Property, Plant and Equipment

The net carrying amount of the Group's property, plant and equipment as at 31 December 2017 was RMB129.2 million, representing a decrease of RMB15.7 million from that of 2016. The decrease was mainly due to depreciation of RMB19.9 million after being partly offset by the Group's new MLCC production equipments and construction in progress of RMB12.0 million.

Investment Properties

The Group's investment properties amounted to RMB23.0 million as at 31 December 2017, representing an increase of RMB4.5 million from that of 2016 and this was mainly due to the slight increase in property floor area for lease in 2017.

Other Intangible Assets

The Group's other intangible assets amounted to RMB0.4 million as at 31 December 2017, representing a decrease of RMB0.5 million from that of 2016, the decrease represented the amortization of intangible assets associated with the SAP management software.

Accounts and Bills Receivables

As at 31 December 2017, the Group's accounts and bills receivables amounted to RMB391.3 million, representing an increase of RMB50.2 million from that of 2016. The increase was mainly due to increase in revenue generated from the MLCC's business and assets management business which led to a corresponding increase in accounts receivables.

Prepayments, Deposits and Other Receivables

As at 31 December 2017, prepayments, deposits and other receivables of the Group amounted to RMB58.2 million, representing an increase of RMB45.5 million from that of 2016, which was primarily due to the increase in an amount of US$5.0 million (equivalent to approximately RMB32.4 million) for acquisition of a subsidiary and its associate and increase in prepayments for acquisition of property, plant and equipment.

Cash and Bank Balances and Pledged Bank Deposits

As at 31 December 2017, the Group's cash and bank balances and pledged bank deposits totaled RMB697.6 million, representing an increase of RMB549.7 million from that of 2016. The increase was mainly due to repayment from the loan receivables from a joint venture of HK$300 million (equivalent to approximately RMB249.7) obtained in 2016 and an additional loan of HK$200 million (equivalent to approximately RMB166.5 million) in 2017.

Trade and Bills Payables

As at 31 December 2017, the Group's trade and bills payables amounted to RMB123.8 million, representing an increase of RMB10.8 million compared with that of 2016. The increase was mainly due to the increase in purchases of inventories as at in late 2017 for the production needs.

Deferred Income, Accruals and Other Payables

As at 31 December 2017, the Group's deferred income, accruals and other payables amounted to RMB129.9 million, representing an increase of RMB45.8 million from that of 2016. This was mainly due to the increase in other taxes and salary payables and deposit received for disposal of subsidiaries of RMB23.0 million.

Bank and other loans

As at 31 December 2017, the Group had outstanding bank and other loans of RMB518.2 million, representing an increase of RMB182.7 million from that of 2016. All the bank and other loans were repayable within one year. All the bank loans were bore floating interest rates and secured. The other loan was bore fixed interest rate and unsecured.

Bond Payable

As at 31 December 2017, the Group had bond payable of approximately RMB393.9 million, representing a decrease of RMB3.9 million as compared to that of 31 December 2016. The decrease was mainly due to the appreciation of Renminbi during the year offset the interest accrued for the year. During the year ended 31 December 2017, the proceeds raised have been applied to (i) approximately HK$259.9 million (approximately RMB216.4 million) in the Company's investment and financial services business involving investments in funds sponsored and/or managed or advised by the Group (ii) approximately HK$89.0 million (equivalent to approximately RMB74.1 million) being reserved for the Company's other general trading business; (iii) the remaining for general working capital of the Group.

Contingent Liabilities

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

Capital Commitments

As at 31 December 2017, the Group had capital commitments of RMB106.6 million, representing an increase of RMB103.3 million from that of 2016, which was mainly because due to the Group's approximately US$11.2 million (equivalent to approximately RMB72.2 million) undrawn commitment to Tianli Private Debt Fund L.P.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net Current Assets

As at 31 December 2017, the Group had net current assets of approximately RMB60.0 million (2016: RMB70.4 million), including current assets of RMB1,236.6 million (2016: RMB716.2 million) and current liabilities of RMB1,176.6 million (2016: RMB645.8 million). The Group's current ratio was 1.05 as at 31 December 2017, representing a decrease of 0.06 from that of 2016. The decrease was mainly due to the other loans of approximately HK$537.9 million (equivalent to approximately RMB447.8 million), which will be payable in 2018, and subsequently increased the current liabilities as at 31 December 2017.

Banking Facilities

As at 31 December 2017, the Group had aggregate banking facilities of approximately RMB370 million, of which approximately RMB313 million had not been utilised.

Gearing Ratio

The Group monitors its capital structure through gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated at the sum of bank and other loans, bond payable, obligations under finance lease, dividend payable, trade and bills payables and accruals and other payables (excluding deferred income and receipt in advance) less cash and cash equivalent. Capital represents equity attributable to the owners of the Company (excluding share capital). As at 31 December 2017 and 2016, the gearing ratio of the Group was approximately 34.7% and 66.8% respectively. The decrease in gearing ratio in 2017 was mainly due to increase in cash and bank balances in 2017.

Financial Resources

With the amount of liquid assets on hand as well as credit facilities granted by banks, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

FOREIGN CURRENCY RISK

In 2017, the Group's revenue were mainly denominated in Renminbi, US dollars and Hong Kong dollars, whilst its purchases were mainly denominated in Renminbi, US dollars, Hong Kong dollars and Japanese Yen. The trade receivables denominated in US dollars were greater than the trade payables denominated in US dollars, and the trade receivables denominated in Hong Kong dollars were greater than the trade payables denominated in Hong Kong dollars. Meanwhile, the Group is exposed to risks in respect of trade payables denominated in Japanese Yen, but is basically not exposed to risks in respect of trade receivables denominated in Japanese Yen. In the event of vigorous fluctuation of exchange rates, foreign currencies risk will exist to a certain extent. During the year, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

CHARGES ON ASSETS

As at 31 December 2017, certain buildings, prepaid land lease payments, investment properties and trade and bills receivables of the Group with carrying amounts of approximately RMB42.6 million, RMB10.3 million, RMB23.0 million and RMB330.1 million respectively (2016: RMB58.9 million, RMB10.9 million, RMB15.5 million and RMB222.6 million respectively) have been pledged as securities for bank loans.

As of 31 December 2017, the Group's bond payable is secured by all equity interests in two wholly-owned subsidiaries of the Company.

As of 31 December 2017, the carrying amount of motor vehicle held under finance lease was RMB0.5 million (2016: RMB0.6 million).

As of 31 December 2017, the Group's bill payables of RMB50.4 million (2016: RMB16.2 million) is secured by the pledged bank deposits of RMB27.6 million (2016: RMB4.9 million).

EMPLOYEES

As at 31 December 2017, the Group had a total of 1,277 (2016: 1,284) employees. In 2017, the aggregate staff costs of the Group (including Directors' emoluments) were RMB173.6 million (2016: RMB120.5 million). The remunerations and benefits of employees are determined based on prevailing market conditions, state policies and individual performance.

BUSINESS PROSPECTS

In respect of the investment and financial services business, the Group will further its investments and efforts in the development of the asset management business in 2018. Following a rapid phase of fund-raising and operation activities in 2017, the Group has currently invested a majority of its committed capitals in its funds under management and, subsequently, it will allocate more manpower and resources to strengthen post-investment management, with a view to maintain and improve the quality of its assets. Meanwhile, the Group intends to build a new team and establish funds in specific areas so as to continue to steadily extend the scale of its asset management business and increase revenues from related business.

In respect of other general trading business, with the capacity expansion in China's high carbon ferrochromium segment, the consumption of chrome ore in China is expected to remain high in 2018. To seize market opportunities, the Group has therefore begun to gradually increase both the scale and proportion of chrome ore trading.

In respect of the MLCC business, the Group has adopted a prudent view about the length of the supply shortage and the scale of investments to be made for capacity improvement. Our strategy for the near future is to focus on clearing inventory and realizing short-term capital gains; for the longer term, we will primarily concentrate on upgrading products and improving customer portfolio. Believing it unwise to aimlessly increase capacity to any significant degree, the Group will continue to follow its schedule and increase capacity in a prudent manner. In addition, the Group will make it its operational principle to address the demand of customer orders by adjusting its product mix.

DIRECTORS' PROFILE

The biographical details of Directors as at 27 March 2018, the date of this annual report, are set out below:

Mr. Zhou Chunhua, aged 41, joined the Company as an executive Director in January 2016 and was appointed as the chairman of the Board in January 2018. He is also a director of various subsidiaries of the Company. Mr. Zhou holds a Master of Business Administration degree in Finance from Kellogg School of Management at Northwestern University, a Master of Philosophy degree in System Dynamics from University of Bergen and a Bachelor of Science degree in Management Information Systems from Fudan University. Mr. Zhou had held various executive positions in a reputable investment bank and had worked for various international financial institutions and business organizations. Mr. Zhou has extensive experience in financial management, investment and corporate finance.

Mr. Jin Zhifeng, aged 53, was appointed as an executive Director and chief executive officer in August 2017 and is a director of a subsidiary of the Company. He received his master's degree in Finance from Hunan University (formerly known as Hunan College of Finance and Economics) in 1999 and a doctor's degree in Business Administration from Beijing Normal University in 2016. Mr. Jin is a public valuer certified by the Ministry of Finance of the People's Republic of China, a member of the China Appraisal Society and a certified senior economist. Before joining the Company, Mr. Jin had held various senior executive positions at a nationwide asset management company in China with extensive experience in investment banking and asset management.

Mr. Jing Wenping, aged 36, was appointed as an executive Director of the Company in May 2013. Mr. Jing is the deputy general manager of MLCC division of the Group. Mr. Jing is also a director of various subsidiaries of the Company. He is in charge of the Group's MLCC product management, including development, quality and production. Following his graduation from 電子科技大學 (University of Electronic Science and Technology China*) in 2005, Mr. Jing started his career in the Group and was promoted to the deputy factory director of the MLCC Production Centre in February 2008. He left the Group in April 2009 and rejoined the Group in January 2012.

Mr. Kwok Oi Lung Roy, aged 42, joined the Company as an executive Director in February 2016 and is a director of various subsidiaries of the Company. Mr. Kwok has many years of experience in investment management and corporate finance through holding various executive positions in various international financial institutions from 1998 to 2015. Mr. Kwok obtained a Bachelor of Science in Engineering from the School of Engineering and Applied Science at the University of Pennsylvania and a Bachelor of Science in Economics from the Wharton School at the University of Pennsylvania, both in May 1998.

Mr. Pan Tong, aged 46, was appointed as an executive Director and Chief Risk Officer of the Company in August 2017. Mr. Pan holds a bachelor's degree in international finance from Hunan College of Finance and Economics in the People's Republic of China. Mr. Pan had held various executive positions at several banks and financial institutions in China with extensive experience in the fields of risk management, corporate banking and investment.

Mr. Yu Zhenyu, aged 35, joined the Company as an executive Director and chief financial officer in September 2017 and is a director of a subsidiary of the Company. Mr. Yu received his master's degree in Accounting and Finance with Management Studies from University of Hertfordshire in 2006. From 2006 to 2012, Mr. Yu worked in the branch offices of two international accounting firms (Deloitte and KPMG) in the PRC successively, providing listing and statutory audit services for several major companies and financial institutions. From 2012 to 2017, Mr. Yu held a senior position in Treasury and Accounting Department at the principal overseas investment platform of a nationwide asset management firm, being in charge of domestic finance and domestic and cross-border financing. Mr. Yu is a member of Forensic Certified Public Accountant International, a fellow of Chartered Institute of Management Accountants and a member of the Institute of Public Accountants. He has extensive experience in auditing, financial management and corporate finance.

Mr. Zhu Xiaodong, aged 29, joined the Company as an executive Director in January 2016. Mr. Zhu holds a Master of Science in Finance degree from University of Sheffield. Mr. Zhu had held managerial position in a trust company and has extensive experience in trust management.

Mr. Chan Chi On, Derek, aged 54, was appointed as an independent non-executive Director of the Company in July 2016. Mr. Derek Chan is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Derek Chan has over 25 years of experience in the financial services industry and is a co-author of a book on listing procedures and securities rules and regulation in Hong Kong. Mr. Derek Chan is currently the chairman of Halcyon Capital Limited and Halcyon Securities Limited, which are engaged in corporate finance and securities businesses in Hong Kong respectively. He worked for the Stock Exchange from 1989 to 1996 and had been an executive director of Haitong International Securities Group Limited (stock code: 665) (formerly known as Taifook Securities Group Limited), a company listed on the Main Board of the Stock Exchange and has been the head of its corporate finance division for 16 years until the end of 2012. Mr. Derek Chan is also currently an independent non- executive director of Yuexiu REIT Asset Management Limited (stock code: 405), Longfor Properties Co. Ltd. (stock code: 960) and China Conch Venture Holdings Limited (stock code: 586), all of which are companies listed on the Main Board of the Stock Exchange. Until his resignation in March 2016, Mr. Derek Chan was an independent non-executive director of Global International Credit Group Limited (stock code: 1669), which is also a company listed on the Main Board of the Stock Exchange. Mr. Derek Chan graduated from the Hong Kong University of Science and Technology with a Master's degree in Business Administration in 1994 and from the University of Hong Kong with a Bachelor's degree in Social Sciences (majoring in Economics) in 1985.

Mr. Chu Kin Wang, Peleus, aged 53, joined the Company as an independent non-executive Director in April 2007. Mr. Chu is also the chairman of the Audit Committee and the Nomination Committee and a member of the Remuneration Committee. Mr. Chu holds a Master of Business Administration degree from The University of Hong Kong. Mr. Chu is a fellow of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Chu is also an associate of both the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. He has extensive experience in corporate finance, audit, accounting and taxation. Mr. Chu is currently a deputy chairman and executive director of Chinese People Holdings Company Limited (stock code: 681) of which the shares are listed on the Stock Exchange.

Mr. Chu is currently or used to be an independent non-executive director of the following companies the securities of which are listed on the Stock Exchange:

— Mingfa Group (International) Company Limited (stock code: 846) since November 2016;
— Madison Holdings Group Limited (formerly known as Madison Wine Holdings Limited) (stock code: 8057) since September 2016;
— SuperRobotics Limited (formerly known as SkyNet Group Limited) (stock code: 8176) since March 2012;
— Huayu Expressway Group Limited (stock code: 1823) since May 2009;
— China First Capital Group Limited (formerly known as China Vehicle Components Technology Holdings Limited) (stock code: 1269) since October 2011;
— Flyke International Holdings Ltd. (stock code: 1998) since February 2010;
— China Huishan Dairy Holdings Company Limited (stock code: 6863) until December 2017;
— National Agricultural Holdings Limited (stock code: 1236) until September 2015;
— Telecom Service One Holdings Limited (former stock code: 8145) (stock code: 3997) until December 2017;
— PT International Development Corporation Limited (formerly known as ITC Corporation Limited) (stock code: 372) until September 2017; and
— Sustainable Forest Holdings Limited (stock code: 723) until August 2010.

Mr. To Yan Ming, Edmond, aged 46, was appointed as an independent non-executive Director of the Company in July 2016. Mr. To is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. To holds a Bachelor of Commerce (Accounting) degree from Curtin University of Technology in Western Australia. Mr. To is a Certified Public Accountant (Practising) in Hong Kong, and a member of both the CPA Australia and the Hong Kong Institute of Certified Public Accountants. He had worked for Deloitte Touche Tohmatsu, an international accounting firm, and has extensive experience in auditing, accounting, public offerings and taxation matters. Mr. To is also a director of Edmond To CPA Limited, R.C.W. (HK) CPA Limited and Asian Alliance (HK) CPA Limited (formerly known as Zhonglei (HK) CPA Company Limited). Mr. To is an independent non-executive director of Courage Marine Group Limited (stock code: 1145), China Vanguard Group Limited (stock code: 8156), Wai Chun Group Holdings Limited (stock code: 1013), Wai Chun Mining Industry Group Company Limited (stock code: 660), Birmingham International Holdings Limited (stock code: 2309) and EPI (Holdings) Limited (stock code: 689). Mr. To was appointed as an independent non-executive director of SH Group (Holdings) Limited (stock code: 1637) and Asia Grocery Distribution Limited (stock code: 8413) on 6 December 2016 and 27 March 2017 respectively. He was an independent non-executive director of China Household Holdings Limited (stock code: 692) and Theme International Holdings Limited (stock code: 990) until 10 December 2015 and 31 May 2015 respectively. All of the above companies are listed in Hong Kong.

Mr. David Tsoi, aged 70, was appointed as an independent non-executive Director of the Company in August 2017. Mr. Tsoi obtained a master's degree in business administration from the University of East Asia, Macau (currently known as the University of Macau) in 1986. He is a certified public accountant registered with the Hong Kong Institute of Certified Public Accountants, a chartered certified accountant registered with the Association of Chartered Certified Accountants and a chartered professional accountant and certified general accountant certified by the Chartered Professional Accountants of British Columbia, Canada, fellow member of The Institute of Chartered Accountants in England and Wales, The Society of Chinese Accountants and Auditors and the CPA Australia. He is also a certified tax adviser registered with The Taxation Institute of Hong Kong. Currently, he is the managing director of Alliott, Tsoi CPA Limited. Mr. Tsoi is an independent non-executive director of Guru Online (Holdings) Limited (stock code: 8121), Green International Holdings Limited (stock code: 2700), VPower Group International Holdings Limited (stock code: 1608) and Universal Technologies Holdings Limited (stock code: 1026). Mr. Tsoi was an independent non-executive director of CRRC Corporation Limited (stock code: 1766) until 16 June 2014, AnxinChina Holdings Limited (stock code: 1149) until 11 May 2017, Enviro Energy International Holdings Limited (stock code: 1102) until 15 June 2017 and Loto Interactive Limited (stock code: 8198) until 10 July 2017. All the above companies are listed on the Stock Exchange of Hong Kong Limited.

Mr. Xu Xuechuan, aged 55, joined the Company as an independent non-executive Director in July 2015. Mr. Xu is also the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. Xu holds a bachelor's degree in economics from Peking University in the PRC, a Master of Arts in Economics degree and a Master of Science degree in Marketing Research from University of Guelph, Canada. Mr. Xu has extensive experience in direct investment and corporate finance. Mr. Xu has held senior management and consulting positions in various international enterprises in Canada, Hong Kong and the PRC.

* *Unofficial English translation of the Chinese name*

The Board, with members experienced in investment banking and investment, has successfully made inroad into investment and financial services of which asset management and direct investment are the major components. In view of the more stringent regulatory requirements and complicated operation environments of the new business, the management has been carefully looking into the business strategy and procedures to ensure a high standard of corporate governance on the basis of the code provisions as stipulated in the CG Code as well as the requirements from other regulatory bodies like SFC. The Board continues to adhere to the principles of high standard of corporate governance through regular review on the Company's corporate governance practice and make necessary changes whenever necessary. During the year ended 31 December 2017, the Company has complied with all the CG Code provisions except for the provision as stated and explained below:

— Code provision A.2.1 of the CG Code (the "Code Provision") states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Huang Mingxiang was appointed as the executive director, chairman and chief executive officer of the Company in May 2016 in view of a strong and consistent leadership in the time the Group was revising its business strategy and implementing new plans. The Board believed that vesting the roles of both chairman and chief executive officer in the same person could ensure more effective planning and execution of long term business strategies and enhance the efficiency of decision making process. Mr. Huang continued to hold the two positions until the appointment of a new chief executive officer in August 2017.

As the development and implementation process of the new business had reached critical mile stone, the Board decided to appoint Mr. Jin Zhifeng as the new chief executive officer after careful consideration of scale of the overall business operation of the Group. Since then the roles of Chairman and CEO of the Company has become separate and are performed by two different individuals in compliance with the Code Provision.

THE BOARD OF DIRECTORS

Composition of the Board

The Board is responsible for setting the Group's business objectives, devising strategic plans and operation policies and overseeing the Group's performance. As at the date of this annual report, there are 12 members in the Board comprising 7 executive Directors and 5 independent non-executive Directors.

The executive Directors of the Board participate in the Group's daily operation and management and convey a clear picture of the direction, business objectives and goals of the Company to the staff. They keep track of the performance of the senior management with reference to the goals and objectives set by the Board.

The biographical details of the Directors are set out on pages 20 to 22 of this annual report. The composition of the Board and the committees of the Board as at the date of this annual report is set out below:

Executive Directors

Mr. Zhou Chunhua *(Chairman)*
Mr. Jin Zhifeng *(Chief Executive Officer)*
Mr. Jing Wenping
Mr. Kwok Oi Lung Roy
Mr. Pan Tong *(Chief Risk Officer)*
Mr. Yu Zhenyu *(Chief Financial Officer)*
Mr. Zhu Xiaodong

Independent Non-executive Directors

Mr. Chan Chi On, Derek *(member of the Audit Committee, Nomination Committee and Remuneration Committee)*
Mr. Chu Kin Wang, Peleus *(chairman of the Audit Committee and Nomination Committee and member of the Remuneration Committee)*
Mr. To Yan Ming, Edmond *(member of the Audit Committee, Nomination Committee and Remuneration Committee)*
Mr. David Tsoi *(member of the Audit Committee)*
Mr. Xu Xuechuan *(chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee)*

Relationship between Board Members and Independence of Independent Non-executive Directors

There is no financial, business, family or material or relevant relationship among the Directors. The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee has assessed the independence of all the independent non-executive Directors and the Board is satisfied with their independence.

Responsibilities

The directors of the Board, appointed by either the shareholders of the Company in the general meeting or the Board, are entrusted with the duties including setting the business objectives of the Group, devising strategic plans for the development of the Group's business, monitoring the execution of plans and assessing effectiveness and efficiency of the Company's operation in attaining the goals. The Board believes that clear and coherent corporate values and standards can facilitate the management's fiduciary duties of safeguarding the interests of the Company's stakeholders and creating values for the Company. Therefore the Board has put considerable effort on ensuring that the management as well as the staff share the same values and standards. The Board is also responsible for business activities like acquisition and disposal transactions, connected transactions, investments and capital expenditures and discusses the related issues thoroughly.

The Board delegates the duties of daily operation and execution of business plans to the senior management under the Board's close supervision and constant monitoring. The Board also carries out periodic appraisal of the achievements and performance of the management.

Continuous Professional Development

To keep all Directors abreast of the latest developments of the Company and the regulatory requirements so that they can carry out their duties diligently, the Company arranges suitable training and materials for the Directors to enhance their skills and knowledge.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

According to the CG Code, the non-executive directors should be appointed for a specific term and subject to re-election. All non-executive directors of the Company are appointed for a term of one year and the appointment automatically renews for a twelve-month period unless terminated by either party in writing. All non-executive directors including independent non-executive directors are subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company as governed by the Articles of Association.

BOARD COMMITTEES

The Board establishes three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing specific aspects of the Company's operation. All Board committees are established with defined written terms of reference which are available on the websites of the Stock Exchange and the Company for public information.

Audit Committee

As at the date of this annual report, the Audit Committee comprised five independent non-executive Directors, namely, Mr. Chu Kin Wang, Peleus (Chairman of the Audit Committee), Mr. Chan Chi On, Derek, Mr. To Yan Ming, Edmond, Mr. David Tsoi and Mr. Xu Xuechuan.

The principal duties of the Audit Committee are to (i) review the financial statements and reports and consider any significant or unusual items raised by the staff responsible for the accounting and financial reporting function or external auditor before submission to the Board; (ii) review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditor; and (iii) review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

During the year ended 31 December 2017 the Audit Committee met three times and reviewed the financial results, financial reporting and compliance procedures, the Company's internal control and risk management as well as the re-appointment of the external auditors. The Audit Committee has reviewed the Group's interim results for the six months ended 30 June 2017 and annual results for the year ended 31 December 2017.

Remuneration Committee

As at the date of this annual report, the Remuneration Committee comprised four members, namely, Mr. Xu Xuechuan (chairman of the Remuneration Committee), Mr. Chan Chi On, Derek, Mr. Chu Kin Wang, Peleus and Mr. To Yan Ming, Edmond, being independent non-executive Directors.

The principal objectives of the Remuneration Committee include making recommendations on and approving the remuneration policies and structure and remuneration packages of the directors and senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure that no director or any of his/her associates will participate in deciding his/her own remuneration packages.

The Remuneration Committee adopts the approach of making recommendation to the Board on the compensation packages of the directors and senior management with reference to the skill, knowledge, experience and the tasks assigned and individuals' performance and overall results of the Company. In determining the remuneration package, the Remuneration Committee also obtains reports, surveys and relevant information from external sources for the competitive level of remuneration and market trend for the directors and senior management. The Remuneration Committee forms an opinion that the current directors' fees for the directors and remuneration for the senior management for their duties and responsibilities undertaken are commensurate with the market level.

Nomination Committee

As at the date of this annual report, the Nomination Committee comprised four members, namely, Mr. Chu Kin Wang, Peleus (chairman of the Nomination Committee), Mr. Chan Chi On, Derek, Mr. To Yan Ming, Edmond and Mr. Xu Xuechuan, being independent non-executive Directors. The principal duties of the Nomination Committee are to make recommendations to the Board on the appointment or reappointment of directors according to the Articles of Association. The Nomination Committee reviews the composition of the Board whenever necessary to meet the business demands and challenges and to comply with the related laws and regulations.

The Nomination Committee will look into individuals' education background, experience and history of posts held when carrying out the process of selecting and recommending candidates for directorships. The Nomination Committee believes that a board comprising members with wide spectrum of skills, experience, education and cultural backgrounds could provide the Company with a more balanced view in devising business strategy and corporate planning.

Board and Committee Meetings

Regular Board and committee meetings are held for Directors to discuss and determine the strategies of the Group, monitor the execution of plans, review the Group's business performance and financial reporting as well as all other material matters. The company secretary is responsible for preparing and keeping minutes of all Board and committee meetings. All Directors have full access to the advice and services of the company secretary to ensure that the Board procedures and all applicable rules and regulations are followed. Details of Directors' attendance at the meetings of Board and committees during the year ended 31 December 2017 are set out below:

	Attendance/Number of meetings for the year ended 31 December 2017			
Name of director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Mr. Huang Mingxiang(note 1)	8/8	N/A	4/4	3/3
Mr. Jin Zhifeng(note 2)	2/8	N/A	N/A	N/A
Mr. Jing Wenping	4/8	N/A	N/A	N/A
Mr. Kwok Oi Lung Roy	7/8	N/A	N/A	N/A
Mr. Pan Tong(note 3)	3/8	N/A	N/A	N/A
Mr. Xue Hongjian(note 4)	7/8	N/A	N/A	N/A
Mr. Yu Zhenyu(note 5)	2/8	N/A	N/A	N/A
Mr. Zhou Chunhua	8/8	N/A	N/A	N/A
Mr. Zhu Xiaodong	4/8	N/A	N/A	N/A
Mr. Sue Ka Lok(note 6)	4/8	N/A	N/A	N/A
Mr. Chan Chi On, Derek	8/8	3/3	4/4	3/3
Mr. Chu Kin Wang, Peleus	8/8	3/3	4/4	3/3
Mr. To Yan Ming, Edmond	8/8	3/3	4/4	3/3
Mr. David Tsoi(note 7)	2/8	N/A	N/A	N/A
Mr. Xu Xuechuan	8/8	3/3	4/4	3/3

Note 1: resigned on 24 January 2018
Note 2: appointed as an executive director of the Company on 25 August 2017
Note 3: appointed as an executive director of the Company on 11 August 2017
Note 4: resigned on 29 December 2017
Note 5: appointed as the executive director of the Company on 22 September 2017
Note 6: resigned on 17 January 2018
Note 7: appointed as the independent non-executive director of the Company and a member of the Audit Committee on 25 August 2017

Model Code for Dealing in Securities by Directors

The CG Code stipulates that directors must comply with their obligations under the Model Code. The Company has established guidelines on no less exacting terms than the Model Code (the "Guidelines") for governing the securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company or its securities.

Specific enquiry has been made of each Director of the Board, and all Directors confirm that they have fully complied with the Model Code and the Company noticed no incident of non-compliance of the Guidelines throughout the year ended 31 December 2017.

Company Secretary

Mr. Leung Wai Chung, a fulltime employee of the Company, is the Company Secretary of the Company, responsible for arranging all Board procedures and activities. All members of the Board have direct access to the services and advice of the Company Secretary. During the financial year 2017, Mr. Leung has complied with relevant professional training requirement pursuant to Rule 3.29 of the Listing Rules.

FINANCIAL REPORTING AND AUDIT

Financial reporting

The Board, with the assistance by the Group's senior staff of the Finance Department, is responsible for overseeing the preparation of accounts for each financial period with a view to ensuring such accounts give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards and the Board reviews those accounting policies as selected and applied to ensure that appropriate judgment and estimates be made in a prudent and reasonable manner. The Board has received from the senior management of the Company the management accounts and such accompanying explanation and information as are necessary to enable the Board to make an informed assessment for approving the financial statements.

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2017.

Auditors' Remuneration

Crowe Horwath (HK) CPA Limited ("Crowe Horwath") is primarily responsible for providing audit services in connection with the annual consolidated financial statements of the Company. The statement of Crowe Horwath about their responsibilities on the Company's consolidated financial statements for the year ended 31 December 2017 is set out in the "Independent Auditor's Report" on pages 38 to 44 of this annual report. During the year, the total remuneration payable to the Company's external auditor amounted to RMB1,698,000, with breakdown as follows:

Services rendered	**Fee paid/payable**
	RMB'000
Audit services	1,565
Non-audit services	133
Total	1,698

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

1. to develop and review the Group's policies and practices on corporate governance and make recommendations;

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

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

4. to develop, review and monitor the code of conduct and compliance manual applicable to the employees and directors of the Group; and

5. to review the Group's compliance with the CG Code and disclosure requirements in the corporate governance report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for devising and maintaining a sound and effective internal control and risk management systems to safeguard the values and assets of the Company. In particular, the Board believes that a sound risk management system could help identify material risks which may cause damage to the Company as a whole in light of the Group rapid expansion into the area of financial services and asset management. In designing and implementing the internal control and risk management systems, the Board has to balance the benefits of a good control against the additional costs while adopting a system that can provide assurance to the Company that it lives up to the expectation of the Board, the shareholders as well as the regulatory bodies.

Following the review on the effectiveness and adequacy of the Group's financial, operational, compliance controls and risk management during the year 2016 by an external consultant who had presented its findings and suggestions to the Board in its report, the management had devised a number of policies, procedures and guidelines on the basis of the recommendations proposed in the review report in order to improves the internal control on the company level and the overall risk management system. During the year 2017, the management conducted a further study to review the progress of implementation of all those policies and procedures to ensure that they were properly put in place. A progress report was prepared and submitted to the Audit committee as well as the Board for discussion and review. After reviewing the progress report and revisiting the formulated policies, procedures and guidelines, the Audit Committee and the Board opined that the Group's internal control and risk management systems were adequate and effective

Given the latest development of global investment environment and the opportunities emerging from the region, the Board understands the need to constantly review and revise, if necessary, the Group's internal control and risk management systems to ensure the implemented policies and procedures are commensurate with the Group's business strategies. The same is also true for an internal audit function in the Group's management structure. Currently, the Group does not have staff designated specifically for such function and the Company's chief financial officer who is proficient in auditing and financial management has taken the lead to audit the areas like cash management and control and financial policies and function. The Board keeps constantly assessing the need to establish an internal audit section or engage an external consultant to fulfil the function to ensure sufficient assurance of sound internal control and risk management systems in accordance with the requirements under the Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting and putting proposals at general meetings

Pursuant to Article 58 of the Articles of Association, extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. 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 requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns in writing to the Company Secretary of the Company at the Company's principal place of business in Hong Kong at Unit 907-909, 9th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong.

COMMUNICATION WITH SHAREHOLDERS

The Company's website remains the major communication platform to provide its shareholders and potential investors with its up-to-date information on the Company's business activities and development. The Company endeavours to abide by the practice of timely disclosure of useful information with high degree of integrity so that stakeholders of the Company can assess the performance of the Company when making their business decisions. The practice of timely disclosures of information with high degree of integrity allows shareholders and any other parties concerned to make judgment.

The annual general meeting of the Company provides an important channel for shareholders to exchange ideas with the Board. Notices and circulars regarding the annual general meeting and other general meetings are given in well advance to ensure that shareholders have sufficient time and information to prepare for the meetings. During the general meetings, the Directors of the Company will answer questions and queries raised by the attending shareholders and the Board believes that such face to face interaction with shareholders can promote mutual understanding between the Company and shareholders.

CONSTITUTIONAL DOCUMENTS

There had been no change in the Company's constitutional documents during the year ended 31 December 2017. A copy of the Company's latest constitutional documents is publicly available on the websites of the Stock Exchange and the Company, respectively.

The Directors are pleased to present their report and the audited consolidated financial statements of the Company for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in note 42 to the consolidated financial statements.

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of likely future developments in the Group's business, can be found in the Management's Discussion and Analysis section set out on pages 9 to 19 of this annual report. This discussion forms part of the report.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 45.

The Board does not recommend payment of a final dividend for the year ended 31 December 2017 (2016: nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 4. This summary does not form part of the audited consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 48 and note 39 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution as at 31 December 2017 amounted to approximately RMB656,643,000 (2016: RMB382,812,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Company are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company are set out in note 39 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Directors

Mr. Huang Mingxiang *(resigned on 24 January 2018)*
Mr. Jin Zhifeng *(appointed on 25 August 2017)*
Mr. Jing Wenping
Mr. Kwok Oi Lung Roy
Mr. Pan Tong *(appointed on 11 August 2017)*
Mr. Xue Hongjian *(resigned on 29 December 2017)*
Mr. Yu Zhenyu *(appointed on 22 September 2017)*
Mr. Zhou Chunhua
Mr. Zhu Xiaodong

Non-executive Director

Mr. Sue Ka Lok *(resigned on 17 January 2018)*

Independent Non-executive Directors

Mr. Chan Chi On, Derek
Mr. Chu Kin Wang, Peleus
Mr. To Yan Ming, Edmond
Mr. David Tsoi *(appointed on 14 July 2017)*
Mr. Xu Xuechuan

Pursuant to Article 87 of the Articles of Association, Mr. Chu Kin Wang, Peleus will retire by rotation at the forth coming annual general meeting (the "AGM") and, being eligible, offer himself for re-election at the AGM.

In accordance with Article 86(3) of the Articles of Association, Mr. Jin Zhifeng, Mr. Pan Tong, Mr. Yu Zhenyu and Mr. David Tsoi will hold office until the AGM and, being eligible, will offer themselves for re- election at the AGM.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, subject to the statutes, every director shall be indemnified out of the assets of the Company against all losses and liabilities which he may sustain or incur in or about the execution of his office or otherwise in relation thereto. The Company has arranged appropriate director and officer liability insurance coverage for the directors and other officers of the Company during the year.

UPDATES ON DIRECTORS' INFORMATION

The following is updated information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

— Mr. Chu Kin Wang, Peleus retired as an independent non-executive director of PT International Development Corporation Limited (formerly known as ITC Corporation Limited) (stock code: 372) in September 2017, and resigned as an independent non-executive director of China Huishan Dairy Holdings Limited (stock code: 6863) and Telecom Service One Holdings Limited (former stock code: 8145) (stock code: 3997) respectively in December 2017.

— Mr. To Yan Ming, Edmond retired as an independent non-executive director of China Vanguard Group Limited (stock code: 8156) in November 2017 and was re-appointed by the board of the company as the same position in December 2017.

DIRECTORS' REMUNERATION

The remuneration paid to the Company's directors is determined based on their respective terms of service agreement (if any). The directors' fee is reviewed annually by the Remuneration Committee and the Board is authorized by the shareholders at the annual general meeting to approve the remuneration of the directors. Details of remuneration paid and to be paid to the Company's directors for the financial year ended 31 December 2017 are set out in note 10 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the sections headed "Related Party Transactions" below, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company and the director's connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHIES OF DIRECTORS

The biographies of the Directors are set out on pages 20 to 22 in this annual report.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, the Directors' interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long position in the shares of the Company

Name of Director	Capacity and nature of interest	Total number of ordinary shares	Approximate percentage of the Company's issued share capital
Mr. Huang Mingxiang (**"Mr. Huang"**)	Beneficial owner	69,600,350[(1)]	9.35%
	Interest under section 317 of the SFO	93,443,650[(2)]	12.55%

Notes:

(1) Of the 69,600,350 Shares held by Mr. Huang, 49,600,350 Shares were acquired by Mr. Huang under a share purchase agreement entered into between Mr. Huang and Cosmic Riches Investments Limited (**"Cosmic Riches"**) on 29 April 2016 (the **"SP Agreement"**).

(2) Under the SP Agreement, the 49,600,350 shares acquired by Mr. Huang from Cosmic Riches are subject to a lock-up undertaking. Pursuant to section 317 of the SFO, Mr. Huang is also deemed to have interest in the 93,443,650 Shares beneficially held by Cosmic Riches.

(b) Short position in the shares of the Company

Name of Director	Capacity and nature of interest	Total number of ordinary shares	Approximate percentage of the Company's issued share capital
Mr. Huang	Beneficial owner	49,600,350 (Note)	6.66%

Note: Pursuant to the SP Agreement, the 49,600,350 Shares (the **"Interested Shares"**) that Mr. Huang acquired from Cosmic Riches are subject to a put option granted to Cosmic Riches. Therefore, Mr. Huang has a short position in the Interested Shares.

Save as disclosed above, as at 31 December 2017, none of the Directors and the chief executive of the Company had registered an interest or short position in the shares, underlying shares and debentures of the Company, or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2017, so far as is known to the Directors of the Company, the following person or corporation (other than a Director or chief executives of the Company) had, or were deemed to have an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Cosmic Riches	Beneficial owner	140,165,475[(1)]	18.82%
	Interest under section 317 of the SFO	49,600,350[(2)]	6.66%
Ms. Du Weilin ("**Ms. Du**")	Interest of controlled corporation	140,165,475[(1)]	18.82%
	Interest under section 317 of the SFO	49,600,350[(2)]	6.66%
China Tian Yuan Manganese Limited ("**China Tian Yuan**")	Beneficial owner	60,590,482[(3)]	8.14%
Ningxia Tianyuan Manganese Industry Co., Ltd ("**Ningxia Tianyuan**")	Interest of controlled corporation	60,590,482[(3)]	8.14%
Mr. Jia Tianjiang ("**Mr. Jia**")	Interest of controlled corporation	60,590,482[(3)]	8.14%

Notes:

(1) Cosmic Riches is 100% owned by Ms. Du.

(2) Pursuant to the SP Agreement, the 49,600,350 Shares acquired by Mr. Huang from Cosmic Riches (the "**Acquired Shares**") are subject to a lock-up undertaking, which in turn deems Cosmic Riches and Ms. Du to be interested in the Acquired Shares under section 317 of the SFO.

(3) Mr. Jia owns 99.62% shareholding interests of Ningxia Tianyuan which in turn holds 100% interest in China Tianyaun. Therefore, Mr. Jia and Ningxia Tianyaun are deemed to be interested in the same block of Shares owned by China Tian Yuan.

Save as disclosed above, the Company had not been notified of any other person or corporation who had an interest or short position in the Company's shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange and as recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTION SCHEME

The share option scheme which was adopted on November 2007 (the "Share Option Scheme") remained valid and effective for a period of 10 years from the date of adoption. During the effective period of the Share Option Scheme, a total of 40,000,000 share options were granted (the "Granted Options") and all Granted Options had been either exercised or cancelled in the year 2015. As at 31 December 2017, the Share Option Scheme had expired and no other share option scheme had been adopted or remain valid and effective.

EQUITY-LINKED ARRANGEMENTS

On 14 July 2017, the Board adopted a share award scheme (the "Share Award Scheme") which has taken effect on the same day to provide individual employees of the Company proposed by the Board with an opportunity to acquire a proprietary interest in the Company for the purpose of (i) encouraging and retaining such individuals to work with the Company; (ii) providing additional incentive for them to achieve performance goals which in turn increase the value of the Company; and (iii) aligning the interests of the beneficiaries of the Share Award Scheme directly with that of the shareholders through ownership of interests in the Company. On the same day of adoption of the Share Award Scheme, the Board also further resolved to approve the proposal of the Remuneration Committee to award a total of 17,874,000 award shares to three proposed beneficiaries, namely Mr. Kwok Oi Iung Roy, Mr. Zhou Chunhua and Mr. Xue Hongjian, being the executive Directors of the Company, subject to the fulfillment of specific vesting conditions as determined by the Remuneration Committee and the Board in the notice of award, by way of purchase of existing shares on the Stock Exchange. For details of the Share Award Scheme, please refer to note 36 to the consolidated financial statements.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save for the Share Option Scheme and Share Award Scheme as stated above, at no time during the year was the Company or any of its subsidiaries or the holding companies of the Company or any subsidiaries of its holdings companies a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Company's directors had no interests in any business that may compete with the Group's business.

MANAGEMENT CONTRACTS

During the year, the Company had not entered into any contract in respect of the management or administration of any business of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentage of purchases from the major suppliers of the Group to total purchases of the Group is as follow:

Percentage of purchases from the largest supplier of the Group to total purchases: approximately 55%

Percentage of purchases from top five suppliers of the Group to total purchases: approximately 74%

None of the Directors, nor their associates or any shareholders (which to the best knowledge of the Directors, holding more than 5% of the share capital of the Company) has an interest in the above suppliers.

During the year, the percentage of sales from the major customers of the Group to the total sales of goods of the Group is as follows:

Percentage of sales from the largest customer of the Group to total sales of goods: approximately 42%

Percentage of goods sold by the Group to its top five customers to total sales of goods: approximately 57%

None of the Directors, nor their associates or any shareholders (which to the best knowledge of the Directors, holding more than 5% of the share capital of the Company) has an interest in the above customers.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had no continuing connected transaction (2016: rental receipt of RMB174,000 and total purchase of RMB54,000 from 深圳市億通科技有限公司, rental receipt of RMB19,000 from 安徽世紀億通數碼科技有限公司).

RELATED PARTY TRANSACTIONS

The related party transactions are set out in note 41 to the consolidated financial statements.

REMUNERATION POLICY

The Group remunerates its employees based on their competence, performance, experience and prevailing market terms. Other employee benefits included provident fund scheme, medical insurance, share option scheme, share award scheme as well as discretionary bonuses.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has confirmed that it has maintained a sufficient public float in the market as at the date of this report.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed the listed shares of the Company during the year ended 31 December 2017.

CORPORATE GOVERNANCE

The principles and practices of corporate governance of the Company are set out under the section of "Corporate Governance Report" on pages 23 to 30 of this annual report.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2017 have been reviewed and recommended to the Board by the Audit Committee before they are duly approved by the Board.

AUDITOR

The consolidated financial statements for the year are audited by Crowe Horwath (HK) CPA Limited ("Crowe Horwath"). Crowe Horwath was re-appointed as an independent auditor of the Company at the annual general meeting held on 5 June 2017. Crowe Horwath will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting.

On behalf of the Board
Zhou Chunhua
Chairman

Hong Kong, 27 March 2018

Crowe Horwath™

國富浩華 (香港) 會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

9/F, Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TIANLI HOLDINGS GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Tianli Holdings Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 45 to 158, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") 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 Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Non-consolidation of structured entities and valuation of financial assets designated as at fair value through profit or loss

Refer to notes 2(g), 20 and 22 to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The management of the Group made significant judgments to assess whether the Group has the power over and is exposed to significant variable returns from structured entities, mainly the private equity funds, to determine whether or not it has control over the structured entities, which the Group has accounted for as financial assets designated as at fair value through profit or loss. The valuation of these financial assets designated as at fair value through profit or loss is based on unobservable inputs which involves significant management judgement. Due to the significance of these structured entities to the Group and the uncertainty inherent in these judgments, this is considered as a key audit matter.	Our procedures to assess the recognition of interests in structured entities as financial assets designated as at fair value through profit or loss and their valuation included the followings: • obtaining and evaluating the management's assessment regarding consolidation or not of the structured entities that the Group holds an interest; • reviewing the terms of the relevant contracts, considered the returns of the underlying assets, and assessed the Group's power on and the exposure to the variability of returns from the structured entities; • testing the controls over financial instrument valuation process; • selecting samples and checked the appropriateness of the valuation methods used and evaluated the assumptions used in those methods; • recalculating fair value estimates and compared the results to the Group's valuations and investigated significant differences, if any; and • obtaining and reviewing inter-firm report prepared by the fund auditors.

Impairment of property, plant and equipment

Refer to notes 2(e), (p)(i) and 14 to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
Increase in costs of production including labour and raw materials has negatively impacted the multi-layer ceramic chips ("MLCC") manufacturing profit of the Company. There is a risk that the carrying value of property, plant and equipment of the MLCC segment may not be recoverable in full through the future cash flows to be generated. Management review the performance of the MLCC segment at the end of each reporting period to identify if there are any negative performance criteria which could indicate impairment or reversal of previously made impairment. The recoverable amount of the property, plant and equipment is determined by management at the higher of the value in use and the fair value less cost of disposal of these assets. In determining the value in use of the cash generating units where the property, plant and equipment belongs to, a valuation is carried out by independent professional valuer with reference to a discounted cash flow forecast prepared by management.	Our audit procedures to assess potential impairment of property, plant and equipment included the following: • challenging the Company's impairment assessment model by assessing the impairment indicators identified by management and by considering whether the discounted cash flow forecasts supported the carrying value of the relevant assets; • evaluating the methodology used by management in the preparation of its discounted cash flow forecast and the valuations performed by independent professional valuers with reference to the requirements of the prevailing accounting standards; • comparing the most significant inputs used in the discounted cash flow forecasts, including future revenue growth rates, future margins and future costs, with the historical performance of the Company, budgets approved by management and agreements signed subsequent to the reporting date; • assessing the discount rates used in the discounted cash flow forecasts by benchmarking against other similar companies;

Impairment of property, plant and equipment (continued)

The Key Audit Matter	How the matter was addressed in our audit
In preparing the discounted cash flow forecasts, key inputs, including future revenue growth rates, future margins and future costs of the Company are determined by management taking into consideration factors which include changes in product mix and changes in expected customers numbers, all of which involve the exercise of significant management judgement. We identified the assessment for impairment of property, plant and equipment as a key audit matter because identifying impairment indicators and determining the level of impairment, if any, involves a significant degree of management judgement, particularly in forecasting future cash flows and estimating the recoverable amounts of these assets, both of which are inherently uncertain and could be subject to management bias.	• obtaining sensitivity analysis of the significant inputs, including future revenue growth rates, future margins and the discount rates used in the cash flow forecasts prepared by management and considering the resulting impact on the impairment charge for the year and whether there were any indicators of management bias; and • evaluating the experience, competence, capabilities and objectivity of independent professional valuer engaged by management to carry out the valuations of property, plant and equipment and to understand the methodologies adopted and key inputs used in the valuation of property, plant and equipment.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by IASB 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.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism 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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 27 March 2018

Sze Chor Chun, Yvonne
Practising Certificate Number P05049

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 *RMB'000*	2016 *RMB'000*
Revenue	6	**1,557,652**	904,168
Cost of sales		**(1,179,036)**	(794,668)
Gross profit		**378,616**	109,500
Other income	7	**30,460**	10,322
Selling and distribution costs		**(23,844)**	(22,847)
Administrative expenses		**(127,836)**	(65,285)
Other expenses		**(3,351)**	(4,358)
Research and development costs	8(c)	**(40,244)**	(20,762)
Impairment of property, plant and equipment	8(c)	**–**	(50,696)
Profit/(loss) from operations		**213,801**	(44,126)
Finance costs	8(a)	**(59,735)**	(36,993)
Share of profit/(loss) of joint ventures		**3,101**	(33)
Profit/(loss) before taxation	8	**157,167**	(81,152)
Income tax (expenses)/credit	9(a)	**(24,543)**	11,989
Profit/(loss) for the year		**132,624**	(69,163)
Other comprehensive income/(loss) for the year, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**2,190**	(7,951)
Other comprehensive income/(loss) for the year, net of income tax		**2,190**	(7,951)
Total comprehensive income/(loss) for the year, net of income tax		**134,814**	(77,114)
Profit/(loss) attributable to:			
Owners of the Company		**134,032**	(68,874)
Non-controlling interests		**(1,408)**	(289)
		132,624	(69,163)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**137,127**	(76,811)
Non-controlling interests		**(2,313)**	(303)
		134,814	(77,114)
		RMB cents	*RMB cents*
Earnings/(loss) per share	13		
Basic and diluted		**18.6**	(12.8)

The notes on pages 51 to 158 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	14	**129,180**	144,858
Investment properties	15	**22,984**	18,542
Prepaid land lease payments	16	**17,897**	18,387
Deposits paid for acquisition of property, plant and equipment and other non-current rental deposit	27	**10,599**	2,949
Deposit paid for acquisition of a subsidiary	27	**32,420**	–
Accounts receivables	25	**–**	4,241
Loan receivables	26	**–**	115,641
Interest in an associate	17	**–**	–
Interests in joint ventures	18	**2,957**	268,758
Available-for-sale investment	19	**26,222**	28,225
Financial assets designated as at fair value through profit or loss ("FVTPL") — fund investments	20	**551,949**	–
Other intangible assets	21	**419**	957
Deferred tax assets	35(a)	**20,795**	25,753
Total non-current assets		**815,422**	628,311
Current assets			
Inventories	24	**113,796**	107,605
Accounts and bills receivables	25	**391,319**	336,871
Loan receivables	26	**2,774**	113,476
Prepayments, deposits and other receivables	27	**15,159**	9,755
Amounts due from joint ventures	18	**829**	588
Pledged bank deposits	28	**28,633**	18,186
Cash and bank balances	28	**668,920**	129,703
		1,221,430	716,184
Assets of disposal group classified as held for sale	23	**15,133**	–
Total current assets		**1,236,563**	716,184
Current liabilities			
Trade and bills payables	29	**123,806**	113,035
Deferred income, accruals and other payables	30	**107,831**	52,074
Tax payable		**32,656**	20,194
Bank and other loans	32	**518,224**	62,526
Bond payable	33	**393,853**	397,762
Obligations under finance lease	34	**110**	115
Dividends payable		**88**	88
Total current liabilities		**1,176,568**	645,794
Net current assets		**59,995**	70,390
Total assets less current liabilities		**875,417**	698,701

	Notes	2017 RMB'000	2016 RMB'000
Non-current liabilities			
Obligations under finance lease	34	**278**	417
Deferred income	31	**22,095**	32,057
Deferred tax liabilities	35(b)	**9,581**	3,462
Other loans	32	**–**	272,999
Total non-current liabilities		**31,954**	308,935
Net assets		**843,463**	389,766
Capital and reserves			
Share capital	39(a)	**6,637**	4,571
Reserves		**825,538**	371,594
Total equity attributable to owners of the company		**832,175**	376,165
Non-controlling interests		**11,288**	13,601
Total equity		**843,463**	389,766

Approved and authorised for issue by the Board of Directors on 27 March 2018.

Zhou Chunhua
Director

Jing Wenping
Director

The notes on pages 51 to 158 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Statutory reserve RMB'000	(Accumulated losses)/ retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	4,571	189,827	207,757	–	2,854	40,768	(2,987)	442,790	–	442,790
Loss for the year	–	–	–	–	–	–	(68,874)	(68,874)	(289)	(69,163)
Exchange differences arising on translation of foreign operations	–	–	–	–	(7,937)	–	–	(7,937)	(14)	(7,951)
Total comprehensive loss for the year	–	–	–	–	(7,937)	–	(68,874)	(76,811)	(303)	(77,114)
Capital contribution from non-controlling interest	–	–	–	–	–	–	–	–	13,904	13,904
Deemed contribution from owner for the share award transaction (note 36(c))	–	–	10,186	–	–	–	–	10,186	–	10,186
At 31 December 2016 and 1 January 2017	4,571	189,827	217,943	–	(5,083)	40,768	(71,861)	376,165	13,601	389,766
Profit for the year	–	–	–	–	–	–	134,032	134,032	(1,408)	132,624
Exchange differences arising on translation of foreign operations	–	–	–	–	3,095	–	–	3,095	(905)	2,190
Total comprehensive income/(loss) for the year	–	–	–	–	3,095	–	134,032	137,127	(2,313)	134,814
Issuance of shares under open offer (note 39(a))	2,066	307,865	–	–	–	–	–	309,931	–	309,931
Share issue expense under open offer (note 39(a))	–	(6,174)	–	–	–	–	–	(6,174)	–	(6,174)
Deemed contribution from owner for the share award transaction (note 36(c))	–	–	12,920	–	–	–	–	12,920	–	12,920
Recognition of equity-settled share-based payment expenses under share award scheme (note 36(b))	–	–	–	2,206	–	–	–	2,206	–	2,206
At 31 December 2017	6,637	491,518	230,863	2,206	(1,988)	40,768	62,171	832,175	11,288	843,463

The notes on pages 51 to 158 form part of these financial statements.

	Notes	2017 RMB'000	2016 RMB'000
Operating activities			
Profit/(loss) before taxation:		**157,167**	(81,152)
Adjustments for:			
Finance costs	8(a)	**59,735**	36,993
Interest income	7	**(2,876)**	(1,964)
Depreciation	8(c)	**20,425**	34,642
Amortisation of prepaid land lease payments	8(c)	**490**	488
Amortisation of other intangible assets	8(c)	**538**	539
Reversal of write-down of inventories	8(c)	**(8,798)**	(242)
Impairment loss of property, plant and equipment	8(c)	**–**	50,696
Impairment loss of accounts receivables	8(c)	**–**	1,984
Impairment loss of other receivables	8(c)	**–**	980
Reversal of impairment loss for accounts receivables	8(c)	**(209)**	–
Write-down of inventories	8(c)	**–**	1,300
Release of government grants as income	7	**(8,166)**	(957)
Loss on disposal of property, plant and equipment	8(c)	**2,485**	341
Gain on disposal of a subsidiary	7	**(7,609)**	–
Fair value loss/(gain) on derivative financial instruments	8(c)	**1,043**	(1,043)
Fair value gain from financial assets designated as at FVTPL — fund investments	6	**(69,275)**	–
Share of (profit)/loss of joint ventures		**(3,101)**	33
Equity-settled share-based payment expenses	8(b)	**15,126**	9,694
Foreign exchange loss		**–**	6,413
		156,975	58,745
Changes in working capital			
Decrease/(increase) in inventories		**2,607**	(7,532)
Increase in accounts and bills receivables		**(61,830)**	(109,252)
Increase in fund investment		**(403,602)**	–
Decrease/(increase) in loan receivables		**330,186**	(223,192)
Increase in prepayments, deposits and other receivables		**(6,820)**	(3,055)
Increase/(decrease) in trade and bills payables		**10,771**	(9,836)
Increase in deferred income, accruals and other payables		**30,999**	22,114
Cash generated from/(used in) operations		**59,286**	(272,008)
Interest received	7	**2,876**	1,964
PRC tax paid		**(474)**	(372)
Net cash generated from/(used in) operating activities		**61,688**	(270,416)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 *RMB'000*	2016 *RMB'000*
Investing activities			
Cash receipts from dividend income		**8,371**	–
Deposit paid for acquisition of property, plant and equipment		**(8,364)**	(732)
Deposit paid for acquisition of a subsidiary		**(32,420)**	–
Payment for purchase of available-for-sale investment		**–**	(28,225)
Payment for the purchase of property, plant and equipment		**(11,224)**	(26,625)
Proceeds from disposal of property, plant and equipment		**105**	30
Capital contribution to joint ventures		**–**	(33)
Advance to subsidiaries of joint ventures		**(241)**	(588)
Deposit received for disposal of subsidiaries		**22,950**	–
Net cash inflow on disposal of a subsidiary	44	**81,671**	–
Net cash generated from/(used in) investing activities		**60,848**	(56,173)
Financing activities			
Capital element of finance lease rentals paid		**(129)**	(62)
Interest element of finance lease rentals paid		**(12)**	(8)
Proceeds from new bank loans		**113,837**	81,138
Proceeds from new other loans		**173,894**	12,500
Net proceeds from shares issued under open offer	39(a)(ii)	**303,757**	–
Repayment of bank loans		**(105,898)**	(91,140)
Repayment of other loans		**–**	(10,000)
Interest paid		**(12,382)**	(5,641)
Increase in pledged bank deposits with original maturity of over three months when acquired		**(6,147)**	(12,764)
Capital contribution from non-controlling interest		**–**	13,904
Advance from a non-controlling party		**–**	205
Net cash generated from/(used in) financing activities		**466,920**	(11,868)
Net increase/(decrease) in cash and cash equivalents		**589,456**	(338,457)
Cash and cash equivalents at 1 January		**135,125**	472,168
Effect of foreign exchange rate changes, net		**(30,806)**	1,414
Cash and cash equivalents at 31 December		**693,775**	135,125
Analysis of balances of cash and cash equivalents			
Cash and bank balances	28(a)	**668,920**	129,703
Pledged bank deposits with original maturity of less than three months when acquired	28(a)	**9,722**	5,422
Cash and bank balances included in assets of disposal group held for sale	23	**15,133**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		**693,775**	135,125

The notes on pages 51 to 158 form part of these financial statements.

1. GENERAL INFORMATION

Tianli Holdings Group Limited (the "Company") was incorporated in the Cayman Islands on 6 March 2007 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised). The Company's registered office address is the office of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and the head office and the principal place of business of the Company in Hong Kong is located at Unit 907–909, 9/F., Three Pacific Place, 1 Queen's Road East, Admiralty, Hong Kong.

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company are set out in note 42 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs which are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from the initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in joint ventures and associates.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Renminbi ("RMB") which is the Company's functional currency and the Group's presentation currency, and all value are rounded to the nearest thousand RMB except where otherwise indicated.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— financial assets designated as at FVTPL (see note 2(g));

— financial instruments classified as available-for-sale investment (see note 2(g));

— derivative financial instruments (see note 2(m)).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

Disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 2(z)).

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

(c) Subsidiaries and non-controlling interest

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. 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. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and non-controlling interests (Continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss (see note 2(p)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Joint ventures and an associate

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

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

An investment in a joint venture and an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale (see note 2(z))). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(p)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

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

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

If an investment in a joint venture becomes an investment in an associate or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Joint ventures and an associate (Continued)

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

(e) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses (see note 2(p)). The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

	Estimated useful lives	Residual values
Buildings	40 years or over the remaining term of the lease, if shorter	10%
Leasehold improvements	3 years or over the remaining term of the lease, if shorter	0%
Plant and machinery	5–10 years	10%
Office and other equipment	3–10 years	0%–10%
Motor vehicles	4–10 years	0%–10%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed and adjusted if appropriate, at least at the end of each reporting period.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment (Continued)

Construction in progress represents plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for its intended use.

(f) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(o)) to earn rental income and/or for capital appreciation. Such properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on the straight-line basis over the estimated useful lives of 40 years.

Any gains or losses from the retirement or disposal of an investment property are recognised in the profit or loss. Rental income from investment properties is accounted for as described in note 2(w)(iii).

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its carrying amount at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment” up to the date of change in use.

(g) Investments and other financial assets

Initial recognition and measurement

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Investments and other financial assets (Continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as revenue in the statement of profit or loss. These net fair value changes include any dividends or interest earned on these financial assets.

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

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

Loans and receivables

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

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Investments and other financial assets (Continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Derecognition of financial assets

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

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

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

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

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

(i) Impairment of financial assets

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

Financial assets carried at amortised cost

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

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

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

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

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of financial assets (Continued)

Available-for-sale financial investments (Continued)

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

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

(j) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bond payable, derivative financial instruments and interest-bearing bank and other loans.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial liabilities (Continued)

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

(k) Derecognition of financial liabilities

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

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

(l) Offsetting of financial instruments

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

(m) Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Derivative financial instruments (Continued)

Initial recognition and subsequent measurement (Continued)

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

(n) Intangible assets

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

The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— computer software	10 years straight-line

(o) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset or, if lower, the present value of the minimum lease payments of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(e). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(p). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Leased assets (Continued)

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the reporting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged as expenses in the reporting period in which they are incurred.

(iv) Leasehold land and building

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

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 land lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

(p) Impairment of other assets

(i) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— investment properties;

— prepaid land lease payments;

— interest in an associate;

— interests in joint ventures;

— deposits and prepayments;

— other intangible assets; and

— investments in subsidiaries in the Company's statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Impairment of other assets (Continued)

(i) Impairment of other assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (that is, a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— *Reversal of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(ii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(i) and (p)(i)).

Impairment losses recognised in an interim period in respect of available-for-sale equity securities are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

(r) Inventories

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

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

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(t) Employee benefits

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

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

(ii) Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial lattice model or Black-Scholes Option Pricing Model, if applicable.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Employee benefits (Continued)

(ii) Share-based payment transactions (Continued)

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

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

(u) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Income tax (Continued)

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(v) Provisions and contingent liabilities

Other provisions and contingent liabilities

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

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

(w) Revenue recognition

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

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

(ii) advisory income and management fee income is recognised when services are rendered;

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Translation of foreign currencies

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

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

Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value is measured.

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

On the disposal of a foreign operation, all of the exchange differences accumulated in consolidated equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

(y) Borrowing costs

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

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(z) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Non-current assets held for sale (Continued)

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non — current asset is not depreciated or amortised.

(aa) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

(ab) Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ac) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

(ad) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's board of directors (the chief operating decision maker) for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised IFRSs issued by the IASB.

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014–2016 Cycle

Amendments to IAS 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.

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 28(b). 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 28(b), the application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments provide guidance on how an entity determines, in accordance with IAS 12 Income Taxes, whether to recognise a deferred tax asset in relation to unrealised losses of a debt instrument that is measured at fair value under certain specific facts and circumstances, such as it is probable that all the contractual cash flows of the debt instrument will be collected and any gains/losses on the debt instrument are taxable (deductible only when realized).

Amendments to IFRS 12 As part of the Annual Improvements to IFRSs 2014–2016 Cycle

The Group has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014–2016 Cycle for the first time in the current year. The amendments to IAS 28 Investments in Associates and Joint Ventures included in the annual improvements are not yet mandatorily effective and they have not been early applied by the Group.

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that except for summarised financial information, all other disclosure requirements under IFRS 12 are applicable.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

(a) Judgements

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

(i) Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

(ii) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(iii) Control on structured entities

The Group's management needs to assess whether the Group has all the following: (a) power over the structured entity, (b) exposure to significant variable returns from its involvement with the structured entity, and (c) the ability to use its power over the structured entity to affect its returns. If such power, exposure and ability exist, the Group has to consolidate such structured entity. When the Group served as manager or trustee of the structured entity, the Group uses the following judgments to determine whether control exists in a structured entity: the scope of decision-making as a manager or trustee, the power held by other parties, the remuneration and the exposure to variability of returns.

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

For private equity funds where the Group involves as both general partner and limited partner, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the fund that is of such significance that it indicates that the fund manager is a principal. The fund shall be consolidated if the Group acts in the role of principal.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(a) Judgements (Continued)

(iv) Classification of financial assets

The Group's management needs to make critical judgment in classifying financial assets based on the purpose and nature on the initial recognition date. Due to the differences of the subsequent measurement of financial assets, the classification will affect the financial position and operating results.

(v) Impairment of available-for-sale investment

The Group classifies certain assets as available-for-sale and recognises movements of their fair value in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the consolidated statement of profit or loss and other comprehensive income.

(b) 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 discussed below.

(i) Useful lives and residual values of property, plant and equipment and investment properties (Carrying amount: RMB152,164,000 (2016: RMB163,400,000))

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

(ii) Fair value of financial instruments (Carrying amount: RMB578,171,000 (2016: RMB29,268,000))

The Group uses valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis or other valuation methods as appropriate. To the extent practical, models use only observable data. However, areas such as cash flows, credit risk, volatilities, discount rates and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments. As at 31 December 2017, the total fair value of level 2 and level 3 financial assets that are measured at fair value on a recurring basis amounted to RMB578,171,000 (2016: RMB29,268,000).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(b) Estimation uncertainty (Continued)

(iii) Deferred tax assets (Carrying amount: RMB20,795,000 (2016: RMB25,753,000))

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(iv) Impairment assessment of non-financial assets (Carrying amount: RMB225,957,000 (2016: RMB192,230,000))

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(v) Write-down of inventories to net realisable value (Carrying amount: RMB113,796,000 (2016: RMB107,605,000))

Write-down of inventories to net realisable value is made based on the estimated net realisable value of inventories. The assessment of the required write-down amount involves management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such difference will have an impact on the carrying amounts of inventories and the write-down charge/write-back amount in the period in which such estimate has been changed.

(vi) Impairment of accounts and bills receivables, loan receivables, other receivables and amounts due from related parties (Carrying amount: RMB400,580,000 (2016: RMB841,395,000))

The Group estimates the provisions for impairment of accounts and bills receivables, loan receivables, other receivables and amounts due from related parties by assessing their recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Provisions are applied to accounts receivables, loan receivables, other receivables and amounts due from related parties where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of accounts receivables, loan receivables, other receivables and amounts due from related parties and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the provisions at the end of the reporting period.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(b) Estimation uncertainty (Continued)

(vii) Tax payable (Carrying amount: RMB32,656,000 (2016: RMB20,194,000))

The subsidiaries of the Company are subject to income tax in the PRC and Hong Kong. Significant judgement is required in determining the provision for income tax. There are many transactions for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the financial period in which such determination is made.

5. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Board (the chief operating decision maker) for the purposes of resources allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

(a) MLCC: manufacture and sale of MLCC;

(b) Investment and financial services: include but not limited to (i) direct investments in debt, equity and/or any other asset; (ii) asset management; (iii) provision of financial advisory services; and (iv) financial technologies; and

(c) Other general trading: trading of goods other than MLCC, including but not limited to electronic components and commodities such as metals, minerals and petroleum products.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Board monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets, deferred tax assets and current assets with the exception of corporate assets. Segment liabilities include all payables, deferred income and deferred tax liabilities attributable to the activities of the individual segments and borrowings managed directly by the segments.

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

The measure used for reporting segment profit/(loss) is earnings and loss of each segment without allocation of corporate interest income, central administration expenses, central finance costs, share of profit/(loss) of joint ventures and associates and income tax.

In addition to receiving segment information concerning segment profit/(loss), the Board is provided with segment information concerning revenue, interest income, depreciation, amortisation, impairment losses, reversal of impairment losses, finance costs, income tax and additions to non-current segment assets used by the segments in their operations.

The accounting policies of the operating segments are the same as the Group's accounting policies.

5. SEGMENT REPORTING (Continued)

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

Information regarding the Group's reportable segments as provided to the Board for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2017 and 2016 is set out below:

	Year ended 31 December 2017			
	MLCC *RMB'000*	Investment and financial services *RMB'000*	Other general trading *RMB'000*	Total *RMB'000*
Segment revenue:				
Sales to external customers	739,343	152,450	665,859	1,557,652
Segment profit	142,046	101,835	1,215	245,096
Corporate interest income				1
Central administration expenses				(49,330)
Central finance costs				(41,701)
Share of profit of joint ventures				3,101
Consolidated profit before taxation				157,167
Segment assets	783,468	897,472	5,202	1,686,142
Cash and bank balances				347,742
Unallocated corporate assets				18,101
Consolidated total assets				2,051,985
Segment liabilities	322,935	24,440	41	347,416
Bond payable				393,853
Other loan				447,760
Other unallocated corporate liabilities				19,493
Consolidated total liabilities				1,208,522
Other segment information				
Additions to non-current assets	18,763	33,421	–	52,184
Unallocated				–
				52,184
Depreciation and amortisation	(20,542)	(911)	–	(21,453)
Unallocated				–
				(21,453)
Interest income	217	22,537	8	22,762
Unallocated corporate interest income				1
				22,763
Finance costs	(5,279)	(12,755)	–	(18,034)
Unallocated				(41,701)
				(59,735)
Income tax expenses	(24,329)	(199)	(15)	(24,543)
Reversal of impairment loss for accounts receivables	209	–	–	209

5. SEGMENT REPORTING (Continued)

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

	Year ended 31 December 2016			
	MLCC *RMB'000*	Investment and financial services *RMB'000*	Other general trading *RMB'000*	Total *RMB'000*
Segment revenue:				
Sales to external customers	585,833	31,752	286,583	904,168
Segment (loss)/profit	(41,443)	8,352	263	(32,828)
Corporate interest income				917
Central administration expenses				(21,926)
Central finance costs				(27,282)
Share of loss of joint ventures				(33)
Consolidated loss before tax				(81,152)
Segment assets	605,944	643,733	91,979	1,341,656
Unallocated corporate assets				2,839
Consolidated total assets				1,344,495
Segment liabilities	264,605	279,060	11,592	555,257
Bond payable				397,762
Other unallocated corporate liabilities				1,710
Consolidated total liabilities				954,729
Other segment information				
Additions to non-current assets	32,728	4,876	65	37,669
Unallocated				35
				37,704
Depreciation and amortisation	(35,340)	(328)	–	(35,668)
Unallocated				(1)
				(35,669)
Interest income	1,033	26,474	3	27,510
Unallocated corporate interest income				917
				28,427
Finance costs	(5,366)	(4,345)	–	(9,711)
Unallocated				(27,282)
				(36,993)
Income tax credit	11,989	–	–	11,989
Impairment loss recognised:				
Property, plant and equipment	(50,696)	–	–	(50,696)
Accounts receivables	(1,984)	–	–	(1,984)
Other receivables	(980)	–	–	(980)

There are no inter-segment sales for the years ended 31 December 2017 and 2016.

5. SEGMENT REPORTING (Continued)

(b) Geographical information

(i) Revenue from external customers

The geographical analysis of the Group's revenue from external customers by geographical location based on where the goods are sold and delivered or the services were provided is as follows:

	2017	2016
	RMB'000	*RMB'000*
Mainland China (place of domicile)	**1,259,313**	794,790
Hong Kong	**150,462**	78,440
Other countries	**147,877**	30,938
	1,557,652	904,168

(ii) Non-current assets

No non-current assets information is presented for the Group's geographical location, as over 90% of the Group's non-current assets (excluding financial instruments and deferred tax assets) are located in Mainland China.

(c) Information about major customers

Revenue from customers contributing 10% or more of the Group's revenue are as follows:

	2017	2016
	RMB'000	*RMB'000*
Other general trading		
— Customer A	**653,326**	–
— Customer B	**–**	163,011
— Customer C	**–**	103,323
	653,326	266,334

5. SEGMENT REPORTING (Continued)

(d) Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2017 *RMB'000*	2016 *RMB'000*
Sale of MLCC	**739,343**	585,833
Trading of electronic components	**653,326**	–
Trading of heavy sulphur fuel oil	**–**	266,334
Trading of chrome ore	**12,533**	20,249
Interest income from financial investment	**19,887**	26,463
Advisory service income	**24,627**	5,289
Assets management fee income	**38,661**	–
Gain from financial assets designated as at fair value through profit or loss — fund investments	**69,275**	–
	1,557,652	904,168

6. REVENUE

The principal activities of the Group are the manufacture and sale of MLCC, investment and financial services and other general trading.

The amount of each significant category of revenue is as follows:

	2017 *RMB'000*	2016 *RMB'000*
Sale of MLCC	**739,343**	585,833
Other general trading	**665,859**	286,583
Investment interest income (note)	**19,887**	26,463
Advisory service income	**24,627**	5,289
Assets management fee income	**38,661**	–
Gain from financial assets designated as at fair value through profit or loss — fund investments	**69,275**	–
Revenue from investment and financial services	**152,450**	31,752
	1,557,652	904,168

Note: For the year ended 31 December 2017, total amount of interest income on financial assets not at fair value through profit or loss, including bank interest income (note 7), was RMB22,763,000 (2016: RMB28,427,000).

7. OTHER INCOME

	2017 RMB'000	2016 RMB'000
Bank interest income	**2,876**	1,964
Rental income	**5,943**	4,366
Government grants (note)	**2,427**	665
Release of government grants as income	**8,166**	957
Sale of materials	**69**	21
Other management fee income	**708**	91
Fair value gain on derivative financial instruments	**–**	1,043
Net foreign exchange gain	**–**	234
Gain on disposal of a subsidiary (note 43)	**7,609**	–
Sundry income	**2,662**	981
	30,460	10,322

Note: Government grants represented the subsidy to the Group by the government of the PRC as incentive primarily to encourage the development of the Group and the contribution to the local economic development.

8. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting) the following:

(a) Finance costs

	2017 RMB'000	2016 RMB'000
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest on bank loans	**5,279**	5,366
Interest on other loans	**29,051**	4,337
Interest on bond payable	**25,393**	27,282
Finance charges on obligations under finance lease	**12**	8
	59,735	36,993

8. PROFIT/(LOSS) BEFORE TAXATION (Continued)

(b) Staff costs (including directors' emoluments)

	2017 RMB'000	2016 RMB'000
Contributions to defined contribution retirement plans	**8,048**	11,561
Equity-settled share-based payment expenses	**15,126**	9,694
Salaries, wages and other benefits (notes i and ii)	**150,435**	99,287
	173,609	120,542

(c) Other items

	Notes	2017 RMB'000	2016 RMB'000
Carrying amount of inventories sold		**1,178,388**	793,610
Write-down of inventories		**–**	1,300
Reversal of write-down of inventories (note iii)		**(8,798)**	(242)
Cost of inventories (note i)		**1,169,590**	794,668
Depreciation (notes i and ii)	14&15	**20,425**	34,642
Amortisation of prepaid land lease payments	16	**490**	488
Amortisation of other intangible assets	21	**538**	539
Research and development costs:			
Current year expenditure (note ii)		**40,244**	20,762
Minimum lease payments under operating leases in respect of buildings		**6,832**	2,723
Auditor's remuneration		**1,705**	1,181
Net foreign exchange loss/(gain)		**5,451**	(234)
Reversal of impairment loss for accounts receivables		**(209)**	–
Impairment loss of accounts receivables *		**–**	1,984
Impairment loss of other receivables *		**–**	980
Loss on disposal of property, plant and equipment		**2,485**	341
Impairment loss of property, plant and equipment		**–**	50,696
Fair value loss on derivative financial instruments *		**1,043**	–
Rental income on investment properties less direct outgoings of RMB391,000 (2016: RMB308,000)		**(5,552)**	(4,058)

* The fair value loss on derivative financial instruments and impairment loss for accounts receivables and other receivables are included in "other expenses" of the consolidated statement of profit or loss and other comprehensive income.

8. PROFIT/(LOSS) BEFORE TAXATION (Continued)

(c) Other items (Continued)

Notes:

(i) Cost of inventories includes depreciation of RMB13,813,000 (2016: RMB32,211,000) and staff costs of RMB63,706,000 (2016: RMB55,551,000), which are also included in the respective total amounts disclosed separately above.

(ii) Included in research and development costs are depreciation of RMB4,398,000 (2016: RMB414,000) and staff costs of RMB9,988,000 (2016: RMB7,056,000), which are also included in the respective total amounts disclosed separately above.

(iii) During the year, there was a reversal of write-down of inventories due to subsequent sale of obsolete inventories. As a result, a reversal of write-down of finished goods of approximately RMB8,798,000 (2016: RMB242,000) has been recognised.

9. INCOME TAX EXPENSES/CREDIT

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

	2017 ***RMB'000***	2016 *RMB'000*
Current tax		
— Hong Kong Profits Tax for the year	**214**	–
— PRC Enterprise Income Tax ("EIT") for the year	**15,595**	1,218
— Over provision of EIT in prior year	**(2,343)**	–
Deferred taxation		
— Origination and reversal of temporary differences (note 35)	**11,077**	(13,207)
Income tax expenses/(credit) for the year	**24,543**	(11,989)

Notes:

(i) The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

(ii) The provision for Hong Kong profits tax for 2017 is calculated at 16.5% of the estimated assessable profits for the year. No provision for Hong Kong profits tax had been made as the Group had no assessable profits derived from or earned in Hong Kong during the year ended 31 December 2016.

(iii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI respectively.

(iv) For the year ended 31 December 2017, all PRC subsidiaries were subject to EIT at the standard rate of 25% (2016: 25%) on their respective taxable profit during the year.

9. INCOME TAX EXPENSES/CREDIT (Continued)

(b) Reconciliation between tax expenses/(credit) and accounting profit/(loss) at applicable tax rate:

	2017	2016
	RMB'000	*RMB'000*
Profit/(loss) before taxation	**157,167**	(81,152)
Tax at the statutory tax rate	**39,292**	(20,288)
Tax effect of:		
Lower tax rates for specific districts or countries	**(1,285)**	2,583
Share of (profit)/loss of joint ventures	**(512)**	8
Income not subject to tax	**(51,034)**	(11,592)
Expenses not deductible for tax	**37,283**	13,315
Tax losses not recognised	**1,059**	3,702
Utilisation of tax losses	**(8,942)**	–
Overprovision in prior years	**(2,343)**	–
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**11,077**	283
Others	**(52)**	–
Income tax expenses/(credit) for the year	**24,543**	(11,989)

10. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2017

	Notes	Fees *RMB'000*	Salaries and allowances *RMB'000*	Retirement benefit contributions *RMB'000*	Discretionary bonus *RMB'000*	Sub-total *RMB'000*	Share-based payments *RMB'000*	Total emoluments *RMB'000*
Executive directors:								
Mr. Zhou Chunhua ("Mr. Zhou") (Chairman)	(i)	–	2,593	16	174	2,783	1,103*	3,886
Mr. Jin Zhifeng (Chief Executive Officer)	(ii)	–	1,837	–	435	2,272	–	2,272
Mr. Yu Zhenyu	(iii)	–	574	–	87	661	–	661
Mr. Pan Tong	(iv)	–	511	–	87	598	–	598
Mr. Jing Wenping		–	258	15	420	693	–	693
Mr. Zhu Xiaodong		–	1,043	–	–	1,043	–	1,043
Mr. Kwok Oi Lung Roy ("Mr. Kwok")	(vi)	–	2,593	16	–	2,609	1,103*	3,712
Mr. Huang Mingxiang ("Mr. Huang")	(vii)	–	5,201	16	–	5,217	12,920	18,137
Mr. Xue Hongjian ("Mr. Xue")	(viii)	–	2,608	11	–	2,619	–	2,619
Non-executive director:								
Mr. Sue Ka Lok	(ix)	312	–	–	–	312	–	312
Independent non- executive directors:								
Mr. Chan Chi On, Derek		157	–	–	–	157	–	157
Mr. Chu Kin Wang, Peleus		157	–	–	–	157	–	157
Mr. To Yan Ming, Edmond		157	–	–	–	157	–	157
Mr. David Tsoi	(xi)	54	–	–	–	54	–	54
Mr. Xu Xuechuan		157	–	–	–	157	–	157
		994	17,218	74	1,203	19,489	15,126	34,615

* No share in respect of the Share Award Scheme has reached to its first vesting date and therefore no outstanding awarded share has fulfilled the vesting conditions or vested to any awardee up to the reporting date. See Note 36 for more details.

10. DIRECTORS' EMOLUMENTS (Continued)

Year ended 31 December 2016

	Notes	Fees *RMB'000*	Salaries and allowances *RMB'000*	Retirement benefit contributions *RMB'000*	Discretionary bonus *RMB'000*	Sub-total *RMB'000*	Share-based payments *RMB'000*	Total emoluments *RMB'000*
Executive directors:								
Mr. Huang Mingxiang (Chairman and Chief Executive Officer)	(vii)	–	2,742	8	–	2,750	9,694	12,444
Mr. Kwok Oi Lung Roy	(vi)	–	2,176	14	–	2,190	–	2,190
Mr. Xue Hongjian	(viii),(x)	–	1,148	–	–	1,148	–	1,148
Mr. Zhou Chunhua	(i)	–	2,227	14	–	2,241	–	2,241
Mr. Zhu Xiaodong	(v)	–	938	–	–	938	–	938
Mr. Jing Wenping		–	256	15	54	325	–	325
Mr. Sue Ka Lok	(ix)	–	349	13	–	362	–	362
Non-executive director:								
Mr. Sue Ka Lok	(ix)	45	–	–	–	45	–	45
Independent non- executive directors:								
Mr. Chan Chi On, Derek	(x)	71	–	–	–	71	–	71
Mr. To Yan Ming, Edmond	(x)	71	–	–	–	71	–	71
Mr. Chu Kin Wang, Peleus		124	–	–	–	124	–	124
Mr. Liang Rong	(xii)	36	–	–	–	36	–	36
Mr. Xu Xuechuan		124	–	–	–	124	–	124
		471	9,836	64	54	10,425	9,694	20,119

Notes:

(i) Appointed as "Executive director" on 29 January 2016 and appointed as "Chairman" on 24 January 2018

(ii) Appointed as "Executive director" and "Chief Executive Officer" on 25 August 2017

(iii) Appointed as "Executive director" and "Chief Financial Officer" on 22 September 2017

(iv) Appointed as "Executive director" and "Chief Risk Officer" on 11 August 2017

(v) Appointed on 29 January 2016

(vi) Appointed on 24 February 2016 and resigned on 14 February 2018 with resignation effect from 15 May 2018

(vii) Appointed on 3 May 2016, resigned as "Chief Executive Officer" on 25 August 2017 and resigned as "Chairman" and "Executive director" on 24 January 2018

(viii) Resigned on 29 December 2017

(ix) Re-designated as "Non-executive director" on 8 November 2016 and resigned on 17 January 2018

(x) Appointed on 14 July 2016

(xi) Appointed on 25 August 2017

(xii) Retired on 14 June 2016

10. DIRECTORS' EMOLUMENTS (Continued)

Certain directors were granted award share during the year ended 31 December 2017 in respect of their services to the Group under the share award scheme of the Company adopted on 14 July 2017, further details of which are set out in note 36(b) to the financial statements. The fair value of such award shares which was recognised in profit or loss over the vesting period was determined as at the date of grant. During the years ended 31 December 2017, equity-settled share-based payment expenses of RMB2,206,000 were recognised (2016: nil).

Mr. Huang has been appointed as an Executive Director of the Company, the Chairman of the Board and the Chief Executive Officer of the Company with effect from 3 May 2016.

A share award arrangement was entered into by Mr. Huang and Cosmic Riches Investments Limited ("Cosmic Riches"), a shareholder of the Company, on 29 April 2016, pursuant to which Mr. Huang acquired 49,600,350 shares of the Company from Cosmic Riches at a consideration of HK$101,681,000 (equivalent to approximately RMB86,690,000), which is payable by five yearly instalments and is offset by the yearly sign-on bonus of the same amount for five years granted by Cosmic Riches to Mr. Huang as an incentive to join the Company. Further details of the share award transaction is set out in note 36(c) to the financial statements. During the year ended 31 December 2017, equity-settled share-based payment expenses of RMB12,920,000 were recognized (2016: RMB9,694,000).

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid employees during the year included five directors (2016: three directors), details of whose emoluments are set out in note 10 above. Details of the emoluments of the remaining nil (2016: two) non-director and non-chief executive and highest paid employees for the year are as follows:

	2017 ***RMB'000***	2016 *RMB'000*
Salaries and allowances	**–**	2,824
Retirement benefit contributions	**–**	18
	–	2,842

The number of non-director and non-chief executive and highest paid employees whose emoluments fell within the following bands are as follows:

	2017 **Number of individuals**	2016 Number of individuals
HK$1,500,001 to HK$2,000,000 (2017: RMB1,304,001 to RMB1,739,000; 2016: RMB1,275,001 to RMB1,700,000)	**0**	2

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

During the years ended 31 December 2017 and 2016, except for the share-based payments set out in note 10 above, no emolument was paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or any of the five highest paid individuals has waived or agreed to waive any emolument for the years ended 31 December 2017 and 2016.

12. DIVIDEND

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

13. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the profit attributable to the owners of the Company of RMB134,032,000 (2016: loss of RMB68,874,000) and the weighted average number of 719,245,000 ordinary shares (2016: 537,875,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2017	2016
	'000	*'000*
Issued ordinary shares at 1 January	**496,500**	496,500
Effect of completion of open offer on 14 February 2017 (note 39(a))	**222,745**	41,375
Weighted average number of ordinary shares at 31 December	**719,245**	537,875

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share for the years ended 31 December 2017 and 2016 is the same as the basic earnings/(loss) per share as there were no potential ordinary shares outstanding during the year.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Office and other equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress ("CIP") *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
At 1 January 2016:							
Cost	79,074	387,619	14,850	1,746	2,625	–	485,914
Accumulated depreciation and impairment	(15,674)	(269,910)	(9,717)	(955)	(273)	–	(296,529)
Carrying amount	63,400	117,709	5,133	791	2,352	–	189,385
At 1 January 2016, net of accumulated depreciation and impairment	63,400	117,709	5,133	791	2,352	–	189,385
Additions	58	26,089	5,248	570	–	1,565	33,530
Construction expenditure capitalised	–	–	–	–	1,190	–	1,190
Disposals	–	(360)	(11)	–	–	–	(371)
Transfer to investment properties (note 15)	(10,676)	–	–	–	–	–	(10,676)
Transfer from investment properties (note 15)	16,461	–	–	–	–	–	16,461
Transfer from CIP to other property, plant and equipment	487	–	–	–	(487)	–	–
Depreciation provided during the year	(2,365)	(29,727)	(1,584)	(188)	–	(224)	(34,088)
Impairment losses recognised in profit or loss	–	(45,872)	(3,339)	(253)	(1,232)	–	(50,696)
Effect of foreign currency exchange differences	–	–	26	29	–	68	123
At 31 December 2016, net of accumulated depreciation and impairment	67,365	67,839	5,473	949	1,823	1,409	144,858
At 31 December 2016 and at 1 January 2017:							
Cost	83,382	411,823	20,112	2,345	3,328	1,644	522,634
Accumulated depreciation and impairment	(16,017)	(343,984)	(14,639)	(1,396)	(1,505)	(235)	(377,776)
Carrying amount	67,365	67,839	5,473	949	1,823	1,409	144,858
At 1 January 2017, net of accumulated depreciation and impairment	**67,365**	**67,839**	**5,473**	**949**	**1,823**	**1,409**	**144,858**
Additions	**–**	**4,804**	**5,247**	**1,484**	**–**	**–**	**11,535**
Construction expenditure capitalised	**–**	**–**	**–**	**–**	**421**	**–**	**421**
Disposals	**–**	**(2,581)**	**–**	**(9)**	**–**	**–**	**(2,590)**
Transfer to investment properties (note 15)	**(11,534)**	**–**	**–**	**–**	**–**	**–**	**(11,534)**
Transfer from investment properties (note 15)	**6,603**	**–**	**–**	**–**	**–**	**–**	**6,603**
Depreciation provided during the year	**(2,452)**	**(14,227)**	**(2,309)**	**(401)**	**–**	**(547)**	**(19,936)**
Effect of foreign currency exchange differences	**–**	**–**	**(39)**	**(61)**	**–**	**(77)**	**(177)**
At 31 December 2017, net of accumulated depreciation and impairment	**59,982**	**55,835**	**8,372**	**1,962**	**2,244**	**785**	**129,180**
At 31 December 2017:							
Cost	**75,428**	**302,290**	**24,091**	**3,660**	**3,749**	**1,527**	**410,745**
Accumulated depreciation and impairment	**(15,446)**	**(246,455)**	**(15,719)**	**(1,698)**	**(1,505)**	**(742)**	**(281,565)**
Carrying amount	**59,982**	**55,835**	**8,372**	**1,962**	**2,244**	**785**	**129,180**

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) The Group's buildings are held under medium term leases in Mainland China.

(b) Details of the Group's building and plant and machinery pledged to secure the Group's bank loans are set out in note 32.

(c) Certificates of ownership in respect of certain buildings of the Group located in Dongguan with a net carrying amount of approximately RMB6,661,000 as at 31 December 2017 (RMB8,112,000 as at 31 December 2016) have not yet been issued by the relevant PRC authorities.

(d) At 31 December 2017 and 2016, impairment reviews on the machinery and equipment under the MLCC segment are performed by the directors. For the purpose of the review, the recoverable amounts of the related assets are determined based on value in use calculations. These calculations use cash flow projections based on the financial budget estimated by Board of Directors covering a five-year period. Cash flows beyond the five-year period are extrapolated according to a constant 3% growth assumption for terminal value.

The key assumptions used for value in use calculations are as follows:

	2017	2016
Gross margin	**16% to 32%**	14%
Growth rate	**(9)% to 5%**	3% to 8%
Discount rate (pre-tax)	**30%**	24%

The budgeted gross margin was determined by the directors based on past performance and their expectation of the market development. The annual discount rates are before tax and reflect market assessments of the time value of money and the specific risks relating to the relevant segment. Judgment is required to determine the key assumptions adopted in the cash flow projections and the changes to key assumptions can significantly affect these cash flow projections. According to the assessments, the recoverable amount of the related assets was approximately RMB424,000,000 (2016: RMB352,000,000), the Group made an impairment loss of approximately RMB Nil (2016: RMB50,696,000) on the property, plant and equipment.

The above value in use calculations were contained in a report based on a valuation carried out by an independent professional valuer, Roma Appraisal Limited with recent experience for this type of valuations in the manufacturing industry in PRC.

(e) During the year, additions to motor vehicle financed by finance lease was RMBNil (2016: RMB570,000). At the end of the reporting period, the carrying amount of motor vehicle held under finance lease was RMB394,000 (2016: RMB573,000).

15. INVESTMENT PROPERTIES

	RMB'000
At 1 January 2016:	
Cost	27,710
Accumulated depreciation	(2,829)
Carrying amount	24,881
Cost at 1 January 2016, net of accumulated depreciation	24,881
Transfer from property, plant and equipment (note 14)	10,676
Transfer to owner-occupied property (note 14)	(16,461)
Depreciation provided during the year	(554)
At 31 December 2016	18,542
At 31 December 2016 and at 1 January 2017:	
Cost	19,688
Accumulated depreciation	(1,146)
Carrying amount	18,542
Cost at 1 January 2017, net of accumulated depreciation	**18,542**
Transfer from property, plant and equipment (note 14)	**11,534**
Transfer to owner-occupied property (note 14)	**(6,603)**
Depreciation provided during the year	**(489)**
At 31 December 2017	**22,984**
At 31 December 2017:	
Cost	**24,466**
Accumulated depreciation	**(1,482)**
Carrying amount	**22,984**

(a) The Group's investment properties are held under medium term leases and are situated in Mainland China.

(b) Certain investment properties were pledged to secure the Group's bank loans as set out in note 32.

15. INVESTMENT PROPERTIES (Continued)

(c) Fair value hierarchy

The following table presents the details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2017, categorised into the three-level fair value hierarchy as defined in IFRS 13 Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

At 31 December 2017 and 31 December 2016, the fair value of the Group's investment properties was approximately RMB126,000,000 (prepaid land lease payment: RMB79,110,000; and buildings: RMB46,890,000) and RMB53,119,000 (prepaid land lease payment: RMB32,005,000; and buildings: RMB21,114,000) respectively, based on the valuations performed by Roma Appraisals Limited, independent professionally qualified valuer.

The details of fair value of the investment properties as at 31 December 2017 and 2016 determined by the external valuer is as below:

	Fair value measurements at 31 December 2017 using		
Description	**Quoted prices in active markets for identical assets *(Level 1)*** ***RMB'000***	**Significant other observable inputs *(Level 2)*** ***RMB'000***	**Significant unobservable inputs *(Level 3)*** ***RMB'000***
Investment properties	**–**	**–**	**126,000**

	Fair value measurements at 31 December 2016 using		
Description	Quoted prices in active markets for identical assets (Level 1) *RMB'000*	Significant other observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*
Investment properties	–	–	53,119

15. INVESTMENT PROPERTIES (Continued)

For the year ended 31 December 2017, there is no investment properties located in Anhui. For the year ended 31 December 2016, the valuation for the investment properties located in Anhui was based on their depreciated replacement costs ("DRC"). DRC is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the existing structures less deductions for physical deterioration and all relevant forms of obsolescence and optimization.

For the years ended 31 December 2017 and 2016, the valuation for the investment properties located in Dongguan and Shenzhen was based on income capitalisation approach (term and reversionary method) which use unobservable inputs (Level 3) at 31 December 2017 and 2016 respectively. The key inputs are term yield, reversionary yield and market unit rent.

16. PREPAID LAND LEASE PAYMENTS

	2017 ***RMB'000***	2016 *RMB'000*
Carrying amount at 1 January	**18,877**	19,365
Amortisation provided during the year	**(490)**	(488)
Carrying amount at 31 December	**18,387**	18,877
Current portion included in prepayments, deposits and other receivables (Note 27)	**(490)**	(490)
Non-current portion	**17,897**	18,387

(a) The Group's leasehold lands are held under medium-term leases and are situated in Mainland China.

(b) Certain prepaid land lease payments were pledged to secure bank loans as set out in note 32.

17. INTEREST IN AN ASSOCIATE

	2017 RMB'000	2016 RMB'000
Unlisted investment:		
Share of net assets	–	–

Details of the Group's interest in an associate, which is unlisted limited partnership whose quoted market price is not available and accounted for using the equity method in the consolidated financial statements, are as follows:

Name of company	Place of establishment/ operation	Issued and paid up registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
深圳市農什投資合夥企業(有限合夥)	PRC/PRC	Paid-up capital of RMB nil out of registered capital of RMB10,000,000	1% (note 2)	–	1%	Inactive (note 1)

Note 1: 深圳市農什投資合夥企業(有限合夥) was established by the Group, Mr. Xue Hongjian ("Mr. Xue"), a former executive director of the Company, and an independent third party investor to engage in investment holding in PRC.

Note 2: Pursuant to the Articles of Association of the associate, each of the Group, Mr. Xue and the independent third party investor has one vote over the associate, accordingly the Group has significant influence in the associate.

As the associate has not yet commenced any business, no financial information of the associate is disclosed.

18. INTERESTS IN JOINT VENTURES

	2017 RMB'000	2016 RMB'000
Loan receivable from a joint venture	–	268,758
Unlisted investments:		
Share of net assets	2,957	–
	2,957	268,758

The loan receivable from a joint venture is unsecured, interest-bearing at the rate of 6% per annum and repayable on 27 September 2018, with a repayment on demand clause which can be exercised at the Group's sole discretion. The loan was fully repaid on 9 May 2017.

Details of the Group's joint ventures, which are unlisted corporate entities whose quoted market price is not available and are accounted for using the equity method in the consolidated financial statements, are as follows:

			Proportion of ownership interest			
Name of company	Place of incorporation/ operation	Issued and fully paid-up capital	Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Universal Blossom Limited	BVI/Macau	10,000 ordinary shares of US$1 each	50%	–	50%	Investment holding (note i)
Wasen-Tianli Investment Management Limited	Cayman Island	2 ordinary shares of US$1 each	50%	–	50%	Assets managements (note ii)

Note i: Universal Blossom Limited ("UBL") was established by the Group and an independent third party investor to engage in property investment and financial investment business in PRC and Macau.

Note ii: Wasen-Tianli Investment Management Limited ("Wasen-Tianli") was established by the Group and an independent third party investor to engage in asset management business.

18. INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information of the joint ventures, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2017		
	Wasen-Tianli	**UBL**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Gross amounts			
Current assets	1,580	6,494	8,074
Non-current assets	–	–	–
Current liabilities	(1,219)	(941)	(2,160)
Non-current liabilities	–	–	–
Equity	361	5,553	5,914
Revenue	1,653	4,491	6,144
Profit from continuing operations	401	12,084	12,485
Other comprehensive income	–	635	635
Total comprehensive income	401	12,719	13,120
Reconciled to the Group's interests in the joint ventures:			
Net assets	361	5,553	5,914
Proportion of the Group's ownership interest	50%	50%	50%
	180	2,777	2,957
Carrying amount of the Group's interest	180	2,777	2,957

18. INTERESTS IN JOINT VENTURES (Continued)

	2016		
	Wasen-Tianli	UBL	Total
	RMB'000	*RMB'000*	*RMB'000*
Gross amounts			
Current assets	23	542,998	543,021
Non-current assets	–	518,194	518,194
Current liabilities	(48)	(28,583)	(28,631)
Non-current liabilities	–	(1,039,666)	(1,039,666)
Equity	(25)	(7,057)	(7,082)
Revenue	–	1,809	1,809
Loss from operations	(24)	(9,362)	(9,386)
Other comprehensive (expenses)/income	(1)	2,236	2,235
Total comprehensive expenses	(25)	(7,126)	(7,151)
Reconciled to the Group's interests in the joint ventures:			
Net liabilities	(25)	(7,057)	(7,082)
Proportion of the Group's ownership interest	50%	50%	50%
	(13)	(3,528)	(3,541)
Carrying amount of the Group's interest	–	–	–

The Group has discontinued recognition of its share of losses of the joint ventures during the year ended 31 December 2016. The amounts of unrecognized share of losses of the joint ventures, extracted from the relevant management accounts of the joint ventures, both for the year and cumulatively are as follows:

	2017	2016
	RMB'000	*RMB'000*
Unrecognised share of losses of the joint ventures for the year	**–**	3,508
Accumulated unrecognised share of losses of the joint ventures	**–**	3,508

18. INTERESTS IN JOINT VENTURES (Continued)

	2017 RMB'000	2016 RMB'000
Amounts due from subsidiaries of joint ventures	829	588

The amounts due from subsidiaries of joint ventures are unsecured, interest-free and repayable on demand.

19. AVAILABLE-FOR-SALE INVESTMENT

	2017 RMB'000	2016 RMB'000
Unlisted investment in equity securities, at fair value	26,222	28,225

The above unlisted equity investment represents an investment in the unlisted equity securities issued by a private entity incorporated in Hong Kong. The Group does not intend to dispose of it in the near future.

The fair value of the unlisted equity securities was arrived at by reference to the valuation performed by management by using cash flow projections based on the financial budget estimated by board of directors of the investee entity covering a five-year period.

For the year ended 31 December 2016, the valuation was performed by Access Partner Professional Services Limited, a firm of independent professional qualified valuer, using the same basis.

20. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL") — FUND INVESTMENT

	2017 RMB'000	2016 RMB'000
Unlisted investments outside Hong Kong — fund investments	551,949	–

All of the Group's investment in unlisted equity funds were designated as financial assets at FVTPL on initial recognition. The fair values of the investments were measured with reference to the audited net asset value as reported by the funds management.

21. OTHER INTANGIBLE ASSETS

	2017	2016
	RMB'000	*RMB'000*
Cost		
At 1 January and at 31 December	**3,390**	3,390
Accumulated amortisation		
At 1 January	**2,433**	1,894
Amortisation provided during the year	**538**	539
At 31 December	**2,971**	2,433
Carrying amount		
At 31 December	**419**	957

Other intangible assets represent computer software held by the Group. The amortisation charge for the year is included in "administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

22. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

To determine whether control exists in a structured entity, the Group uses the following judgments:

For private equity funds where the Group involves as both general partner and limited partner, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the fund that is of such significance that it indicates that the fund manager is a principal. The fund shall be consolidated if the Group acts in the role of principal.

The Group served as general partner, manager of structured entities, therefore had power over them. In the opinion of the directors of the Company, the variable returns the Group exposed to over the structured entities that the Group has interests in are not significant. The Group therefore did not consolidate these structured entities.

The Group classified the investments in these unconsolidated structured entities as financial assets designated as at FVTPL.

22. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

The size of assets under management, carrying amount and maximum exposure to loss of the Group's investments to unconsolidated structured entities are as follows:

	31 December 2017				
	Size of assets under management *RMB'000*	**Carrying amount** *RMB'000*	**Maximum exposure to loss** *RMB'000*	**Income from structured entity** *RMB'000*	**Income type**
Private equity funds	6,893,398	551,949	551,949	107,936	
				38,661	Management fee income
				69,275	Investment gain

23. DISPOSAL GROUP HELD FOR SALE

In December 2017, 深圳市天農科技有限公司, an indirect non-wholly owned subsidiary of the Company, entered into a sales and purchases agreement with an independent third party to dispose of the entire issued capital of 深圳市香納商業保理有限公司 and 北京希為科技有限公司, subsidiaries within the investment and financial services segment, at total cash consideration of approximately RMB28,695,000, of which RMB22,950,000 was received by the Group and recorded as "deposit received for disposal of subsidiaries" at 31 December 2017 (note 30). Accordingly, assets and liabilities of these two subsidiaries are presented as a disposal group held for sale. The disposal of the two subsidiaries completed on 9 January 2018 and 17 January 2018 respectively.

At 31 December 2017, the disposal group comprised the following assets and nil liabilities.

	2017 *RMB'000*
Cash and bank balances	**15,133**
Assets of disposal group held for sale	**15,133**

Cumulative income or expenses included in other comprehensive income

There are no cumulative income or expenses included in other comprehensive income relating to the disposal group.

24. INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials	**22,519**	20,947
Work in progress	**19,392**	17,275
Finished goods	**85,832**	92,128
	127,743	130,350
Provision against slow-moving inventories	**(13,947)**	(22,745)
	113,796	107,605

25. ACCOUNTS AND BILLS RECEIVABLES

	2017 RMB'000	2016 RMB'000
Accounts receivables (note a)	**321,831**	270,479
Less: Impairment (note a)	**(7,417)**	(7,990)
	314,414	262,489
Bills receivables (note b)	**76,905**	78,623
	391,319	341,112
Current portion	**(391,319)**	(336,871)
Non-current portion	**–**	4,241

25. ACCOUNTS AND BILLS RECEIVABLES (Continued)

(a) Accounts receivables

	2017 RMB'000	2016 RMB'000
Accounts receivables		
— from third parties	**321,831**	266,238
— from a joint venture	**–**	4,241
	321,831	270,479
Less: Impairment	**(7,417)**	(7,990)
	314,414	262,489

(i) Accounts receivables consist of trade receivables, assets management fee receivables, advisory service fee receivables and interest receivables. The Group's trading terms with its customers are mainly on credit. The credit periods are generally one to four months. The assets management fee is received or receivable at the end of each quarter. Each customer is assigned a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise its credit risk. Overdue balances are reviewed regularly by management. The accounts receivables are non-interest-bearing.

(ii) As at 31 December 2017 and 2016, the interest receivables were arising from the loan receivables (note 26).

(iii) An ageing analysis of the accounts receivables as at the end of the reporting period based on the revenue recognition date is as follows:

	2017 RMB'000	2016 RMB'000
Within 90 days	**272,469**	225,391
91 to 180 days	**31,691**	32,307
181 to 360 days	**10,438**	5,415
1 to 2 years	**797**	1,084
2 to 3 years	**422**	155
Over 3 years	**6,014**	6,127
	321,831	270,479

25. ACCOUNTS AND BILLS RECEIVABLES (Continued)

(a) Accounts receivables (Continued)

(iv) The movements in the provision for impairment of accounts receivables are as follows:

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**7,990**	6,006
Impairment losses recognised	**–**	1,984
Reversal of impairment	**(209)**	–
Exchange realignment	**(364)**	–
At 31 December	**7,417**	7,990

Included in the above provision for impairment of accounts receivables is a provision for individually impaired accounts receivables of RMB7,417,000 (2016: RMB7,990,000) with a carrying amount of RMB7,417,000 (2016: RMB7,990,000). The individually impaired accounts receivables relate to customers that were in financial difficulties and are doubtful. The Group does not hold any collateral or other credit enhancements over these balances.

(v) An ageing analysis of the accounts receivables that are neither individually nor collectively considered to be impaired is as follows:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**280,086**	243,213
Less than 90 days past due	**21,831**	16,555
91 to 180 days past due	**5,703**	2,446
181 to 360 days past due	**6,626**	256
1 to 2 years past due	**145**	17
Over 2 years past due	**23**	2
	314,414	262,489

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

25. ACCOUNTS AND BILLS RECEIVABLES (Continued)

(a) Accounts receivables (Continued)

(v) (Continued)

The accounts 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.

Interest receivables are due every one to six months or due on maturity of corresponding loan receivables according to the relevant loan agreements. Receivables that were neither past due nor impaired relate to customers for whom there were no significant history of default.

(vi) Included in the Group's interest receivables is amount due from a joint venture of the Group of RMB nil (2016: RMB4,241,000) which is due on 27 September 2018 with a repayment on demand clause which can be exercised at the Group's sole discretion. The interest receivable due from the joint venture was repaid on 9 May 2017.

(b) Bills receivables

	2017	2016
	RMB'000	*RMB'000*
Bills receivables	**76,905**	78,623

(i) The bills receivables were all due within one year (2016: 60 to 180 days) from the end of the reporting period.

(ii) As at the end of the reporting period, the ageing analysis of bills receivables based on bills issue date is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**54,146**	56,668
91 to 180 days	**21,840**	21,955
181 to 360 days	**919**	–
	76,905	78,623

25. ACCOUNTS AND BILLS RECEIVABLES (Continued)

(b) Bills receivables (Continued)

(iii) An ageing analysis of the bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**76,905**	78,623

26. LOAN RECEIVABLES

	2017 RMB'000	2016 RMB'000
Loan receivables from third parties:		
— due within one year	**2,774**	113,476
— due after one year	**–**	115,641
	2,774	229,117
Less: Impairment	**–**	–
	2,774	229,117
Current portion	**(2,774)**	(113,476)
Non-current portion	**–**	115,641

(a) The loan receivables comprise of:

(i) Loan receivable of HK$120,000,000 (approximate to RMB107,503,000) due from an independent third party borrower (the "Borrower 1"), which is secured by (i) a second charge over the equity interests in each of the Borrower 1 and its subsidiary; (ii) second floating charge of all undertaking, property, assets and rights of a subsidiary of the Borrower 1; and (iii) second deed of assignment and subordination of the indebtedness due by the Borrower 1's subsidiary to the Borrower 1. The loan receivable is interest-bearing at 22% per annum and repayable after 9 months after the date of drawdown of the loan. The loan receivable was repaid on 12 January 2017.

26. LOAN RECEIVABLES (Continued)

(a) The loan receivables comprise of: (Continued)

(ii) Loan receivable of AUD10,000,000 (approximate to RMB50,069,000) due from an independent third party financier (the "Financier 1") under a sub-participation agreement pursuant to which the Group has agreed to assume a sub-participation of up to AUD10,000,000 (equivalent to approximately RMB50,069,000) for a term of up to 30 September 2018 (the "Loan Facility 1") in the rights, benefits, interests and obligations of the Financier 1 under a mezzanine facility agreement (the "Mezzanine Facility Agreement 1").

The Financier 1 entered into Mezzanine Facility Agreement 1 with another independent third parties borrower and guarantors to provide a facility of up to AUD33,500,000 to the borrower (the "Mezzanine Facility 1"). The Mezzanine Facility 1 is secured by (i) the first-ranking freehold mortgage over the land of a residential property development project located in Melbourne, Australia (the "Development Project 1"); (ii) a general security deed given by the borrower and guarantors of the Mezzanine Facility Agreement 1; and (iii) the guarantees provided by a number of individuals and corporate entities associated with the sponsors of the Development Project 1. The Mezzanine Facility 1 is interest-bearing at a range of 18% to 19% per annum and repayable by 30 September 2018.

The Loan Facility 1 is unsecured, interest-bearing at a range of 17.2% to 18.2% per annum and recoverable within 2 business days of receipt by the Financier 1 from the borrower.

On 20 February 2017, the loan receivable and interest accrued were disposed of through the disposal of a subsidiary (note 43).

(iii) Loan receivable of AUD12,500,000 (approximate to RMB62,586,000) due from an independent third party financier (the "Financier 2") under a sub-participation agreement pursuant to which the Group has agreed to assume a sub-participation of up to AUD12,500,000 (equivalent to approximately RMB62,586,000) for a term of up to 22 months (the "Loan Facility 2") in the rights, benefits, interests and obligations of the Financier 2 under a mezzanine facility agreement (the "Mezzanine Facility Agreement 2").

26. LOAN RECEIVABLES (Continued)

(a) The loan receivables comprise of: (Continued)

(iii) (Continued)

The Financier 2 entered into Mezzanine Facility Agreement 2 with another independent third parties borrower and guarantors to provide a facility of up to AUD34,200,000 to the borrower (the "Mezzanine Facility 2"). The Mezzanine Facility 2 is secured by (i) the second-ranking freehold mortgage over the land of a residential property development project located in Queensland, Australia (the "Development Project 2"); (ii) a general security deed given by the borrower and guarantors of the Mezzanine Facility Agreement 2; and (iii) the guarantees provided by a number of individuals and corporate entities associated with the sponsors of the Development Project 2. The Mezzanine Facility 2 is interest-bearing at 18% per annum and repayable by 21 May 2018.

The Loan Facility 2 is unsecured, interest-bearing at 15.5% per annum and recoverable within 7 business days of receipt by the Financier 2 from the borrower.

On 20 February 2017, the loan receivable and interest accrued were disposed of through the disposal of a subsidiary (note 43).

(iv) Loan receivable of HK$3,333,000 (approximately to RMB2,774,000) (2016: HK$10,000,000, approximate to RMB8,959,000), due from an independent third party borrower (the "Borrower 2"), which is secured by (i) charge over the equity interests in the Borrower 2 and 11.7% equity interests in a subsidiary of Borrower 2; and (ii) personal guarantees provided by the members of Borrower 2. The loan receivable is interest-bearing at 10.5% per annum and repayable by three installments every six months with final due date on 19 April 2018.

(b) There is no movement in the provision for impairment of loan receivables during the years ended 31 December 2017 and 2016.

(c) All of the loan receivables were neither past due nor impaired and relate to creditworthy borrowers for whom there was no significant history of default.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Prepayments to suppliers	1,998	3,545
Prepaid land lease payment (note 16)	490	490
Other prepaid expenses	466	72
Deposits paid for acquisition of property, plant and equipment	8,364	732
Deposits paid for acquisition of a subsidiary (note 47(b))	32,420	–
Rental deposits	2,235	2,217
Other deposits	801	2,190
Other tax receivables	5,746	240
Other receivables	6,638	2,800
Derivative financial instruments		
— forward foreign exchange contracts (note 44(d))	–	1,398
	59,158	13,684
Impairment (note)	(980)	(980)
	58,178	12,704
Representing:		
Current	15,159	9,755
Non-current	43,019	2,949
	58,178	12,704

Note:

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

	2017 RMB'000	2016 RMB'000
At 1 January	980	386
Uncollectible amounts written off	–	(386)
Impairment losses recognised	–	980
At 31 December	980	980

Included in the above provision for impairment of other receivables is a provision for individually impaired other receivables of RMB980,000 (2016: RMB980,000) with a carrying amount of RMB980,000 (2016: RMB980,000). The individually impaired other receivables relate to debtors that were in financial difficulties and are doubtful. The Group does not hold any collateral or other credit enhancements over these balances.

28. CASH AND BANK BALANCES, PLEDGED BANK DEPOSITS AND OTHER CASH FLOW INFORMATION

(a) Cash and bank balances and pledged bank deposits

	2017 *RMB'000*	2016 *RMB'000*
Cash and bank balances	**403,146**	60,681
Amounts receivable from banks for wealth management products purchased (note iii)	**47,034**	69,022
Time deposits	**247,373**	18,186
	697,553	147,889
Less: Pledged bank deposits for bills payable (note 29(d))	**(27,583)**	(4,858)
Pledged bank deposits for letter of credit	**(1,050)**	(8,558)
Pledged bank deposits for derivative financial instruments (note (iv))	**–**	(4,770)
	668,920	129,703
Add: Bank deposits with original maturity of less than three months when acquired:		
Pledged for bills payable and letters of credit	**9,722**	4,772
Pledged for derivative financial instruments	**–**	650
	9,722	5,422
Cash and cash equivalents in the consolidated statement of cash flows	**678,642**	135,125

Notes:

(i) At the end of the reporting period, the Group's cash and bank balances, time deposits and wealth management products denominated in RMB amounted to RMB145,373,000 (2016: RMB80,110,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(ii) Cash at banks and pledged bank deposits earn interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between three months to one year depending on the immediate cash requirements of the Group and earn interest at the respective time deposit rates. The bank balances and pledged bank deposits are deposited with creditworthy banks. The carrying amounts of the cash and bank balances and the pledged bank deposits approximate their fair values.

28. CASH AND BANK BALANCES, PLEDGED BANK DEPOSITS AND OTHER CASH FLOW INFORMATION (Continued)

(a) Cash and bank balances and pledged bank deposits (Continued)

Notes: (Continued)

(iii) This represents the RMB wealth management products purchased by the Group from Industrial and Commercial Bank of China and China Merchants Bank during the years ended 31 December 2017 and 2016 respectively. The return of total principals of RMB47,034,000 (2016: RMB69,022,000) is guaranteed. Given that the amounts of return of these wealth management products are determinable by known amounts of cash and there is no fixed maturity dates, the Group has recorded the amounts as cash equivalents.

(iv) At the end of the reporting period, the Group's derivative financial instruments were RMB nil (2016: RMB1,398,000) (note 27) and RMB nil (2016: RMB355,000) (note 30), which are secured by the pledged bank deposits of RMB nil (2016: RMB4,770,000).

(b) Reconciliation of liabilities arising from financing activities

	Bank and other loans *RMB'000* (Note 32)	Obligations under finance lease *RMB'000* (Note 34)	Total *RMB'000*
At 1 January 2017	335,525	532	336,057
Changes from financing cash flows	169,451	(141)	169,310
Exchange adjustments	(21,082)	(15)	(21,097)
Finance charges on obligations under finance lease (note 8(a))	–	12	12
Interest expenses (note 8(a))	34,330	–	34,330
At 31 December 2017	518,224	388	518,612

29. TRADE AND BILLS PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	71,966	96,800
Bills payables	51,840	16,235
	123,806	113,035

(a) An ageing analysis of the trade payables as at the end of the reporting period based on the suppliers statements date is as follows:

	2017 RMB'000	2016 RMB'000
Within 90 days	59,371	84,326
91 to 180 days	11,261	10,822
181 to 360 days	65	664
1 to 2 years	67	487
Over 2 years	1,202	501
	71,966	96,800

(b) The trade payables are non-interest-bearing and are normally settled within 30 to 120 days.

(c) An ageing analysis of the bills payables as at the end of the reporting period based on bills issue date is as follows:

	2017 RMB'000	2016 RMB'000
Within 90 days	756	16,095
91 to 180 days	25,666	140
181 to 360 days	25,240	–
1 to 2 years	178	–
	51,840	16,235

(d) At 31 December 2017, included within trade and bills payables were bills payable of RMB50,373,000 (2016: RMB16,235,000) being secured by the pledged bank deposits of approximately RMB27,583,000 (2016: approximately RMB4,858,000).

30. DEFERRED INCOME, ACCRUALS AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Accruals	**10,523**	6,065
Salary payable	**38,504**	29,186
Other payables for acquisition of property, plant and equipment	**4,658**	7,765
Other payables	**8,323**	–
Due to a non-controlling party of a non-wholly-owned subsidiary	**191**	205
Financial liabilities measured at amortised cost	**62,199**	43,221
Deferred income (note 31)	**3,324**	888
Deposit received for disposal of subsidiaries (note 23)	**22,950**	–
Receipts in advance	**732**	–
Other tax payable	**18,626**	7,610
Derivative financial instruments		
— forward foreign exchange contracts (note 44(d))	**–**	355
	107,831	52,074

The amount due to a non-controlling party of a non-wholly-owned subsidiary is unsecured, interest-free, and repayable on demand.

31. DEFERRED INCOME

Government grants

	2017 RMB'000	2016 RMB'000
Carrying amount at 1 January	**32,945**	23,903
Granted during the year	**640**	9,999
Released as income (note 7)	**(8,166)**	(957)
Carrying amount at 31 December	**25,419**	32,945
Current portion included in deferred income, accruals and other payables (note 30)	**(3,324)**	(888)
Non-current portion	**22,095**	32,057

The government grants have been received from various government authorities specifically for the purchases of qualified plant and equipment in respect of the production of MLCC. Except for the condition that the government grants must be specifically used for the purchases of qualified plant and equipment in respect of the production of MLCC, there are no other conditions attached to these grants.

32. BANK AND OTHER LOANS

	2017 RMB'000	2016 RMB'000
Bank loans:		
Secured and repayable within one year	**67,939**	60,000
Other loans:		
Unsecured and repayable within one year	**450,285**	2,526
Unsecured and repayable after one year but within two years	**–**	272,999
	518,224	335,525
Less: Current portion	**(518,224)**	(62,526)
Non-current portion	**–**	272,999

(a) The Group's bank loans and bank facilities are secured by:

(i) certain buildings, prepaid land lease payments, investment properties and accounts and bills receivables of the Group with carrying amounts of approximately RMB42,615,000, RMB10,345,000, RMB22,984,000 and RMB330,394,000 respectively as at 31 December 2017 (2016: RMB58,871,000, RMB10,869,000, RMB15,479,000 and RMB222,574,000 respectively);

(ii) all equity interests in Anhui Jineyang Electronic Technology Co., Ltd., a wholly-owned subsidiary of the Company;

(iii) a corporate guarantee provided by 深圳微容電子有限公司, a related company controlled by a member of key management personnel;

(iv) a corporate guarantee of RMB nil (2016: HK$100,000,000; equivalent to RMB89,586,000) executed by the Company; and

(v) a personal guarantee provided by a key management personnel of the Group as to the bank loan of RMB10,000,000 (2016: RMB20,000,000).

(b) The bank and other loans of approximately RMB70,464,000 (2016: RMB62,526,000) and RMB447,760,000 (2016: RMB272,999,000) are denominated in RMB and Hong Kong dollars ("HK$"), respectively.

(c) The carrying amounts of the bank and other loans approximate their fair values.

(d) Of the total bank loans, RMB67,939,000 were arranged at floating rates ranging from 2.01%–6.53% (2016: RMB20,000,000 and RMB40,000,000 were arranged at floating rates and fixed rates, respectively ranging from 4.95%–5.40%).

(e) The other loans comprise of outstanding principal and interests of RMB418,655,000 (2016: RMB271,258,000) and RMB31,630,000 (2016: RMB4,267,000), respectively, which are due to the independent third parties to the Group. The principal of the other loans bear interest at the rate of 6% (2016: 6%) per annum.

33. BOND PAYABLE

	2017	2016
	RMB'000	*RMB'000*
Bond payable — repayable within one year	**393,853**	397,762

The bond payable comprise of outstanding principal and interests of RMB332,923,000 (2016: RMB358,344,000) and RMB60,930,000 (2016: RMB39,418,000), respectively, and the bond payable is denominated in Hong Kong dollars ("HK$").

On 14 August 2015, a wholly-owned subsidiary of the Company issued a two-year corporate bond with a principal amount of HK$400,000,000 (equivalent to approximately RMB329,620,000) to an independent third party at an issue price equal to the face value of the bond. The bond is secured by all equity interests in two wholly-owned subsidiaries of the Company and is repayable on 13 August 2017, the maturity date of the bond. The principal of the bond payable bears interest at the rate of 8% per annum.

On 14 August 2017, the Group entered into an amendment deed with bond holder to revise the maturity date of the bond to 14 August 2018 and amend the interest rate to 6% per annum for the outstanding principal for the period from 15 August 2017 to 14 August 2018.

The Group may at any time after the first anniversary of the issue date of the bond to the maturity date to early redeem the whole outstanding bond payable, including the principal amount of HK$400,000,000 and the interest accrued thereon, with the prior written consent from the bond holder provided that not less than 15 days' advance notice of such redemption intention shall have been given to the bond holder.

34. OBLIGATIONS UNDER FINANCE LEASE

At 31 December 2017, the Group had obligations under finance lease repayable as follows:

	2017		2016	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within 1 year	**110**	**119**	115	128
After 1 year but within 2 years	**113**	**119**	118	128
After 2 years but within 5 years	**165**	**168**	299	308
	278	**287**	417	436
	388	**406**	532	564
Less: Total future interest expenses		**(18)**		(32)
Present value of lease obligations		**388**		532

The obligations under finance lease are denominated in Hong Kong dollars.

35. DEFERRED TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Deferred tax assets recognised

	Provision against slow-moving inventories *RMB'000*	Impairment of accounts and other receivables *RMB'000*	Impairment of items of property, plant and equipment *RMB'000*	Impairment of other intangible assets *RMB'000*	Total *RMB'000*
At 1 January 2016	5,421	1,502	5,312	29	12,264
Credited to the consolidated statement of profit or loss and other comprehensive income during the year (note 9)	265	550	12,674	–	13,489
At 31 December 2016 and 1 January 2017	5,686	2,052	17,986	29	25,753
Charged to the consolidated statement of profit or loss and other comprehensive income during the year (note 9)	(2,199)	(60)	(2,699)	–	(4,958)
At 31 December 2017	3,487	1,992	15,287	29	20,795

(b) Deferred tax liabilities recognised

	Withholding taxes *RMB'000*
At 1 January 2016	3,180
Charged to the consolidated statement of profit or loss and other comprehensive income during the year (note 9)	282
At 31 December 2016 and 1 January 2017	3,462
Charged to the consolidated statement of profit or loss and other comprehensive income during the year (note 9)	6,119
At 31 December 2017	9,581

35. DEFERRED TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax liabilities recognised (Continued)

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2017, there was no significant unrecognised deferred tax liability (2016: nil) for taxes that would be payable on the unremitted earnings of certain Group's subsidiaries.

(c) Deferred tax assets not recognised

As at 31 December 2017, the Group has unused tax losses of approximately RMB17,740,000 (2016: RMB20,474,000) available for offset against future profits. No deferred tax was recognised in the consolidated statement of financial position as at 31 December 2017 (2016: nil) since it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Included in unrecognized tax losses as follows:

	2017	2016
	RMB'000	*RMB'000*
Unrecognized tax losses will expire in:		
2017	**–**	2,037
2018	**234**	1,554
2019	**1,758**	1,878
2020	**933**	933
2021	**4,734**	4,734
2022	**–**	–
	7,659	11,136
Unrecognized tax losses without expiry date	**10,081**	9,338
	17,740	20,474

36. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

(a) Share options

The Company operates a share option scheme (the "Scheme A") 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 A include (a) any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group; (b) a director or proposed director (including an independent non-executive director) of any member of the Group; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and (g) an associate of any of the foregoing persons. The Scheme A became effective on 30 November 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Accordingly, the Scheme A was expired on 30 November 2017.

The maximum number of shares in respect of which share options may be granted under the Scheme A shall not exceed 10% of the Shares in issue as at the date of listing of the Shares on the Main Board of the Stock Exchange (which is 21 December 2007) (the "Scheme Mandate Limit") provided that the Company may at any time as the Board may think fit seek approval from its shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all share options to be granted under the Scheme A and any other schemes of the Company shall not exceed 10% of the Shares in issue as at the date of approval by the shareholders of the Company in general meeting where the Scheme Mandate Limit is refreshed. The maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme A and any other share options granted and yet to be exercised under any other schemes shall not exceed 30% of the Company's issued share capital from time to time. The maximum number of shares issuable under share options to each eligible participant in the Scheme A 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.

The total number of securities available for issue under the share option scheme as at 31 December 2017 was nil (2016: nil) shares which represented approximately 0% (2016: 0%) of the issued share capital of the Company at 31 December 2017.

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 and 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.

36. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(a) Share options (Continued)

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 per grant by the grantee. The exercise period of the share options granted under the Scheme A is determinable by the directors of the Company, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of offer of the share options or the expiry of the Scheme A, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than whichever the highest of (i) the nominal value of the Company's shares; (ii) the Stock Exchange closing price of the Company's shares on the date of grant of the share options; and (iii) the average Stock Exchange closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

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

Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

There is no share option outstanding as at 31 December 2017 and 2016.

(b) Share award scheme by the Company

On 14 July 2017 (the "Adoption Date"), the Board adopted a share award scheme (the "Scheme B") for the purposes of (i) providing the beneficiaries with an opportunity to acquire a proprietary interest in the Company; (ii) encouraging and retaining the beneficiaries to work with the Company; and (iii) providing additional incentive for the beneficiaries to achieve performance goals, with a view to achieving the objectives of increasing the value of the Company and aligning the interests of the beneficiaries directly to the shareholders of the Company through ownership of shares. A trustee, as an independent third party, was appointed by the Company for the administration of the Scheme B. The award shares may be satisfied by (i) existing shares to be acquired by the trustee from the market; or (ii) new shares to be allotted and issued to the trustee by the Company under the mandate sought from the shareholders in its general meeting, in both case the costs of which will be borne by the Company. The trustee shall hold such shares in trust until they are vested to the beneficiaries in accordance to the rules of the Scheme B.

The directors of the Company may, from time to time, at its discretion select any employee of the Group for participation in the Scheme B and grant such number of awarded shares to any selected employee of the Group at nil consideration. The directors of the Company are entitled to impose any conditions with respect to the vesting of the awarded shares.

The Scheme B came into effect on the Adoption Date, and shall terminate on the earlier of (i) the tenth anniversary date of the Adoption Date; and (ii) such date of early termination as determined by the directors of the Company.

36. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(b) Share award scheme by the Company (Continued)

The aggregate number of shares, whether they are new shares to be allotted and issued by the Company or existing shares to be purchased on-market by the trustee, underlying all grants made pursuant to the Scheme B shall not exceed in total 10% of the Company's issued share capital as at the adoption date (the "Scheme Limit"). No account shall be taken into the calculation of the Scheme Limit of any shares where the right to acquire such shares has been released or lapsed in accordance with the Scheme B. The Scheme Limit may be refreshed from time to time subject to obtaining of prior approval from the Board (the "New Approval") but in any event the aggregate number of award shares administered under the Scheme B shall not exceed 10% of the issued share capital of the Company as at the date of the New Approval.

During the year ended 31 December 2017, no shares of the Company has been purchased from the open market. At 31 December 2017, no shares of the Company was held in trust by the trustee.

Movements in the number of awarded shares outstanding during the year are as follows:

			Number of awarded shares				
Categories of awardees	Date of grant (Note i)	Fair value per share (Note ii)	Balance at 1 January 2017	Granted during the year	Lapsed during the year	Balance at 31 December 2017	Vesting period
Directors of the Company (note iv)	14 July 2017	RMB1	–	17,874,000	(5,958,000)	11,916,000	note iii

Notes:

(i) The date of award refers to the date on which the selected employees agree to undertake to hold the awarded shares on the terms on which they are granted and agreed to be bound by the rules of the Scheme B.

(ii) The fair value of the awarded shares are based on the fair value at grant date.

(iii) The awarded shares granted to the beneficiaries during the year ended 31 December 2017 would be vested in three tranches of 1,986,000 shares each on the vesting date at 31 March 2018, 2019 and 2020 respectively. Subject to the expiration of the Scheme B, in the event that the specific vesting conditions cannot be fulfilled on a particular vesting date of any given year, the entire vesting schedule shall be adjourned until such conditions are met. Upon expiry of the Scheme B, any outstanding but unvested award shares shall lapse and become returned shares.

(iv) 17,874,000 awarded shares granted during the year ended 31 December 2017 were granted to Mr. Zhou Chunhua, Mr. Kwok Oi Lung Roy and Mr. Xue Hongjian, each of them were granted 5,958,000 awarded shares.

The Group recognised the expense of RMB2,206,000 for the year ended 31 December 2017 (2016: nil) in relation to shares granted under the Scheme B by the Company.

36. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(c) Share award granted by the Company's shareholder

A share award arrangement was entered into by Mr. Huang and Cosmic Riches Investments Limited ("Cosmic Riches"), a shareholder of the Company, on 29 April 2016, pursuant to which Mr. Huang acquired 49,600,350 shares of the Company ("Interested Shares") from Cosmic Riches at a consideration of HK$101,681,000 (equivalent to approximately RMB86,690,000), which is payable by five yearly installments and is offset by the yearly sign-on bonus of the same amount for five years granted by Cosmic Riches to Mr. Huang as an incentive to join the Company. The Interested Share are subject to a lock-up period of five years and maximum of 20% of the Interested Shares may be disposed of in each year thereafter. The vesting of Interested Shares is five years.

The average fair value of each Interested Share of HK$1.53 is estimated by using the fair value (that is market value) of the Company's share closing price at the date of grant less the cost for securing put options ("Put Options"). The Black-Scholes Option Pricing Model was employed in deriving the fair value of the Put Options which was estimated on the date of grant using the following assumptions:

Expected volatility (%)	64.67%–73.90%
Risk fee interest rate (%)	1.54%–1.77%
Lock-up period (years)	6–10 years

37. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

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

The total cost charged to profit or loss of RMB8,048,000 (2016: RMB11,561,000) represents contributions paid to these schemes by the Group for the year ended 31 December 2017. As at 31 December 2017, there were no material forfeitures available to offset the Group's future contributions (2016: nil).

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2017 *RMB'000*	2016 *RMB'000*
Non-current assets			
Property, plant and equipment		**4**	4
Investments in subsidiaries		**252,255**	252,191
		252,259	252,195
Current assets			
Due from subsidiaries		**809,119**	548,585
Deposits and prepayments		**19**	209
Cash and bank balances		**8,441**	116
		817,579	548,910
Current liabilities			
Accruals and other payables		**13,152**	1,359
Dividends payable		**88**	88
Due to subsidiaries		**393,918**	412,275
		407,158	413,722
Net current assets		**410,421**	135,188
NET ASSETS		**662,680**	387,383
CAPITAL AND RESERVES			
Share capital	39(a)	**6,637**	4,571
Reserves	39(b)	**656,043**	382,812
TOTAL EQUITY		**662,680**	387,383

39. CAPITAL AND RESERVES

(a) Share capital

(i) Authorised and issued share capital

	2017	2016
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.01 each	**10,000**	10,000
Issued and fully paid:		
At the beginning of the year 496,500,000 (2016: 496,500,000) ordinary shares of HK$0.01 each	**4,965**	4,965
Issuance of 248,250,000 ordinary shares of HK$0.01 each upon open offer on 14 February 2017	**2,483**	–
At the end of the year 744,750,000 (2016: 496,500,000) ordinary shares of HK$0.01 each	**7,448**	4,965
Equivalent to RMB'000	**6,637**	4,571

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Shares issued upon open offer

The Company completed the open offer on 14 February 2017 which raised net proceeds of HK$365,049,000 (equivalent to approximately RMB303,757,000) by way of an open offer of 248,250,000 offer shares at subscription price of HK$1.50 per offer share on the basis of one offer share for every two shares. Of the net proceeds raised approximately HK$2,483,000 (equivalent to approximately RMB2,066,000) was credited to share capital and the remaining balance of approximately HK$362,566,000 (equivalent to approximately RMB301,691,000) was credited to share premium account.

(b) Capital and Reserves

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

39. CAPITAL AND RESERVES (Continued)

(b) Capital and Reserves (Continued)

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Attributable to owners of the Company					
	Share capital *RMB'000*	Share premium account *RMB'000*	Contributed surplus *RMB'000*	Share award reserve *RMB'000*	Accumulated loss *RMB'000*	Total equity *RMB'000*
At 1 January 2016	4,571	189,827	364,952	–	(119,909)	439,441
Loss and total comprehensive loss for the year	–	–	–	–	(62,244)	(62,244)
Deemed contribution from owner for the share-award transactions (note 36(c))	–	–	10,186	–	–	10,186
At 31 December 2016	4,571	189,827	375,138	–	(182,153)	387,383
At 1 January 2017	**4,571**	**189,827**	**375,138**	**–**	**(182,153)**	**387,383**
Loss and total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(43,586)**	**(43,586)**
Deemed contribution from owner for share-award transactions (note 36(c))	**–**	**–**	**12,920**	**–**	**–**	**12,920**
Recognition of equity-settled share-based payment expenses under share award scheme (note 36(b))	**–**	**–**	**–**	**2,206**	**–**	**2,206**
Issuance of shares upon open offer (note 39(a))	**2,066**	**307,865**	**–**	**–**	**–**	**309,931**
Share issue expense under open offer (note 39(a))	**–**	**(6,174)**	**–**	**–**	**–**	**(6,174)**
At 31 December 2017	**6,637**	**491,518**	**388,058**	**2,206**	**(225,739)**	**662,680**

(c) Nature and purpose of reserves

(i) Share premium

Under the Companies Law (Revised) of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

39. CAPITAL AND RESERVES (Continued)

(c) Nature and purpose of reserves (Continued)

(ii) Contributed surplus

The contributed surplus of the Group represents:

— the difference of RMB203,536,000 being the excess of the nominal value of the shares and contributed surplus of the subsidiaries acquired pursuant to the group reorganisation over the nominal value of the Company's shares issued in exchange therefor;

— the deficit of RMB2,823,000 arising from the acquisition of Dongguan Eyang Technology Development Co., Ltd. ("DG Eyang") from the non-controlling shareholders of DG Eyang;

— the deficit of RMB1,774,000 arising from the disposal of Shenzhen Eycom Technology Co., Ltd. to the related party;

— the credit of RMB9,468,000 arising from the deemed contribution from the shareholders when acquiring Shenzhen Eyang Energy Company Limited and its subsidiary (the "Energy Group") during the year ended 31 December 2012;

— the deficit of RMB650,000 arising from deemed distribution to the shareholders when disposing of the Energy Group during the year ended 31 December 2013; and

— the credit of RMB10,186,000 and RMB12,920,000 arising from the deemed contribution from the shareholder when Mr. Huang, the director of the Company, acquired 49,600,000 shares of the Company from the shareholder, recognised in the years ended 31 December 2016 and 2017, respectively, as more fully described in notes 10 and 36(c).

(iii) Share award reserve

The share award reserve comprises the portion of the fair value of unvested outstanding award shares granted by the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(t)(ii).

(iv) Exchange fluctuation reserve

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

(v) Statutory reserve

Pursuant to applicable PRC regulations, certain PRC subsidiaries in the Group are required to appropriate 10% of their profit after tax (after offsetting prior year losses) to the statutory reserve until such reserve reaches 50% of their registered capital. Transfers to the reserve must be made before distribution of dividends to shareholders. Upon approval by relevant authorities, the statutory reserve can be utilised to offset the accumulated loss or to increase the registered capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

39. CAPITAL AND RESERVES (Continued)

(d) Capital 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 maximize shareholders' value.

The Group is not subject to any externally imposed capital requirements except for one subsidiary licensed by the Securities and Futures Commission is obliged to meet the regulatory liquid capital requirements under the Securities and Futures (Financial Resources) Rules ("FRR") at all times.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. For the licensed subsidiary, the Group ensures the licensed subsidiary maintains a liquid capital level adequate to support the level of activities with sufficient buffer to accommodate for increase in liquidity requirements arising from potential increase in the level of business activities. During the financial year, the licensed subsidiary complied with the liquid capital requirements under the FRR at all times. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated as the sum of bank and other loans, bond payable, obligations under finance lease, trade and bills payables, accruals and other payables (excluding deferred income) and dividends payable less cash and cash equivalents. Capital represents equity attributable to owners of the Company (excluding share capital). The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios as at the end of the reporting periods are as follows:

	2017 ***RMB'000***	2016 *RMB'000*
Bank and other loans	**518,224**	335,525
Bond payable	**393,853**	397,762
Obligations under finance lease	**388**	532
Trade and bills payables	**123,806**	113,035
Accruals and other payables	**80,825**	51,186
Dividends payable	**88**	88
Less: Cash and cash equivalents (note 28)	**(678,642)**	(135,125)
Net debt	**438,542**	763,003
Total equity excluding share capital	**825,538**	371,594
Equity and net debt	**1,264,080**	1,134,597
Gearing ratios	**35%**	67%

40. COMMITMENTS

(a) Operating lease commitments

(i) The Group as lessor

The Group leases its investment properties (note 15) under operating lease arrangements. Leases are negotiated for terms ranging from one to twenty years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

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

	2017 RMB'000	2016 RMB'000
Within one year	**6,369**	2,107
After one year but within five years	**13,821**	2,365
	20,190	4,472

(ii) The Group as lessee

The Group leases certain of its factories and office premises under operating lease arrangements. Leases for properties are negotiated for terms of two to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

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

	2017 RMB'000	2016 RMB'000
Within one year	**6,188**	4,465
After one year but within five years	**2,940**	6,698
	9,128	11,163

(b) Capital commitments

Capital commitments outstanding at 31 December 2017 not provided for in the financial statements were as follows:

	2017 RMB'000	2016 RMB'000
Contracted for:		
Plant and machinery	**34,129**	3,241
Fund Investments	**72,414**	–
Investment in an associate	**100**	100
	106,643	3,341

41. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year and balances with related parties at the end of the reporting period:

(a) Recurring transactions

Name of parties	**Nature of transactions**	**2017** *RMB'000*	2016 *RMB'000*
Shenzhen Eycom Technology Co., Ltd. ("SZ Eycom") (i)	Sale of MLCC to SZ Eycom (iv)	**–**	54
	Rental income received from SZ Eycom (iii) (v)	**–**	174
Anhui Century Eycom Digital Technology Co., Ltd ("Anhui Eycom") (安徽世紀億通數碼科技有限公司) (ii)	Rental income received from Anhui Eycom (iii) (v)	**–**	19
	Management fee income received from Anhui Eycom (iii)	**–**	16
Wasen-Tianli Investment Management Limited ("Wasen-Tianli") (vii)	Management fee paid or payable to Wasen-Tianli (iv)	**1,653**	–
	Management fee received or receivable from Wasen-Tianli (iv)	**1,075**	–
UBL	Interest income from UBL (vi)	**5,488**	4,036

Notes:

(i) One of the ultimate shareholders of SZ Eycom is Mr. Chen Weirong ("Mr. Chen"), a director of a principal subsidiary and a key management personnel of the Group.

(ii) One of the ultimate shareholders of Anhui Eycom is Mr. Chen.

(iii) The tenancy agreements entered into between the Group and the related parties and the management fee are based on mutually agreed terms.

(iv) The transactions were conducted in accordance with terms mutually agreed by the parties.

(v) No operating lease commitment as lessor at 31 December 2017 (2016: nil) as set out in note 40(a)(i).

(vi) The interest income is arising from loan receivable from joint venture detailed in note 18.

(vii) Wasen-Tianli is a joint venture of the Group.

41. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Outstanding balances with related parties

			Maximum amount outstanding	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Due from				
SZ Eycom	**–**	–	**–**	850
Anhui Eycom	**–**	–	**–**	130
Due from subsidiaries of joint ventures (ii)	**829**	588	**829**	588
UBL (ii)	**–**	272,999	**272,999**	272,999
	829	273,587		

Notes:

(i) The carrying amounts of these balances approximate their fair values.

(ii) Details of the terms and conditions of the amounts due from joint ventures and loan and interest receivables from the joint venture are disclosed in notes 18 and 25 respectively.

(iii) All outstanding balances with related parties will be settled in cash. No guarantees have been given or received. No provision of bad or doubtful debts in respect of the amounts owed by related parties (2016: RMB980,000) has been recognised in the year ended 31 December 2017.

(c) Key management personnel remuneration

The key management personnel include directors of the Company (the remuneration for them disclosed in note 10) and Mr. Chen, as follows:

	2017	2016
	RMB'000	*RMB'000*
Short-term employee benefits	**21,631**	10,821
Post-employment benefits	**96**	80
Equity compensation benefits	**15,126**	9,694
	36,853	20,595

Total remuneration is included in "staff costs" (see note 8(b)).

42. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

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

Name	Place of incorporation/ operation	Issued and fully paid-up/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Eyang Management Co., Ltd.	BVI/HK	10,000 ordinary shares of US$1 each	100	–	Investment holding
Hong Kong Eyang Holdings (Group) Co., Ltd. (香港宇陽控股(集團)有限公司)	HK/PRC	10,000 ordinary shares	–	100	Investment holding and trading of MLCC
Hong Kong Eyang Technology Co., Ltd. (香港宇陽科技有限公司)	HK/PRC	500,000 ordinary shares	–	100	Trading of MLCC
SZ Eyang *	PRC/PRC	Registered capital of RMB350,000,000	–	100	Manufacture and sale of MLCC
Donnguan Eyang Technology Development Co., Ltd. ("DG Eyang") (東莞市宇陽科技發展有限公司) #	PRC/PRC	Registered capital of RMB20,000,000	–	100	Lease of properties and trading of MLCC
Anhui Jineyang Electronic Technology Co., Ltd. (安徽金宇陽電子科技有限公司) #	PRC/PRC	Registered capital of RMB5,000,000	–	100	Manufacture of MLCC
NER Management Ltd.	BVI/HK	1 ordinary share of US$1 each	100	–	Inactive
Eyang Energy Management Co., Limited	BVI/HK	100 ordinary shares of US$1 each	100	–	Investment holding
Shenzhen Weichang New Energy Co., Ltd. (深圳市威長新能源有限公司) *	PRC/PRC	Registered capital of HK$3,000,000	–	100	Investment holding
EY Management Services Limited	HK/HK	1 ordinary share	–	100	Trading of commodities and financial investment

42. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name	Place of incorporation/ operation	Issued and fully paid-up/ registered capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Principal activities
Tianli Financial Limited	HK/HK	45,000,000 ordinary shares	–	100	License corporation and provision of advisory services
Tianli Investment Management Limited	Cayman	1 ordinary share of US$1 each	–	100	Provision for fund management services
Tianli Financial Group Limited	Cayman/HK	1 ordinary share of US$1 each	100	–	Investment holding
Tianli Capital Limited	Cayman/Cayman	1 ordinary share of US$1 each	–	100	Investment in private funds
Tianli Global Opportunities Investment Partners Limited (formerly known as Tianli Real Estate Investment Partners Limited)	Cayman/Cayman	1 ordinary share of US$1 each	–	100	General partner of investment private fund
Tianli China Opportunities Fund I Limited (formerly known as Tianli Real Estate Investment Limited)	Cayman/Cayman	1 ordinary share of US$1 each	–	100	General partner of investment private fund
Tianli China Opportunities Fund II Limited (formerly known as Tianli Real Estate Investment II Limited)	Cayman/Cayman	1 ordinary share of US$1 each	–	100	General partner of investment private fund
Tianli UK Opportunities Fund Limited (formerly known as Tianli Real Estate Investment III Limited)	Cayman/Cayman	1 ordinary share of US$1 each	–	100	General partner of investment private fund
Tianli US Opportunities Fund Limited (formerly known as Tianli Real Estate Investment IV Limited)	Cayman/Cayman	1 ordinary share of US$1 each	–	100	General partner of investment private fund
Tianli Private Debt Investment Partners Limited	Cayman/Cayman	1 ordinary share of US$1 each	–	100	General partner of investment private fund

42. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name	Place of incorporation/ operation	Issued and fully paid-up/ registered capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Principal activities
Tianli Private Debt Fund Investment Limited	Cayman/Cayman	1 ordinary share of US$1 each	–	100	General partner of investment private fund
Tianli Public Markets Investment Partners Limited	Cayman/Cayman	1 ordinary share of US$1 each	–	100	General partner of investment private fund
Tianli Special Situations Investment Partners Limited	Cayman/Cayman	1 ordinary share of US$1 each	–	100	General partner of investment private fund
Tianli M & A Investment Limited	Cayman/Cayman	1 ordinary share of US$1 each	–	100	General partner of investment private fund
Asia Enhanced Income Investment Ltd.	Cayman/Cayman	1 ordinary share of US$1 each	–	100	General partner of investment private fund
Most Glorious Limited	BVI/HK	100 ordinary shares of US$1 each	100	–	Financial investment
Tianli Financial Holdings Limited	HK/HK	2,000,000 ordinary shares	–	100	Investment holding and provision of financial services
Tianhe Medical Investment Limited	BVI/HK	1,000 ordinary shares of US$1 each	–	50.7	Investment holding
First Promise Limited	BVI/HK	100 ordinary shares of US$1 each	–	50.7	Financial investment
Tianli Investment Trading Limited	HK/HK	1 ordinary share	–	100	General trading
Celestial Hope Limited	BVI/HK	10,000 ordinary shares of US$1 each	–	100	Investment holding

42. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name	Place of incorporation/ operation	Issued and fully paid-up/ registered capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Principal activities
深圳盛騰資產管理有限公司 #	PRC/PRC	Paid-up capital of RMB nil out of registered capital of RMB5,000,000	–	100	Financial technology
瑾融資產管理(深圳)有限公司 #	PRC/PRC	Paid-up capital of RMB nil out of registered capital of RMB5,000,000	–	100	Inactive
深圳市天望諮詢合夥企業(有限合夥)@	PRC/PRC	Paid-up capital of RMB nil out of registered capital of RMB5,000,000	–	100	Inactive
深圳天譽投資合夥企業(有限合夥)@	PRC/PRC	Paid-up capital of RMB nil out of registered capital of RMB5,000,000	–	100	Inactive
深圳市天盛諮詢管理合夥企業(有限合夥)@	PRC/PRC	Paid-up capital of RMB nil out of registered capital of RMB5,000,000	–	100	Inactive
深圳市香納商業保理有限公司 #+	PRC/PRC	Paid-up capital of RMB10,000,000 out of registered capital of RMB50,000,000	–	70	Financial technology
北京希為科技有限公司 #+	PRC/PRC	Paid up capital of RMB10,000,000 out of registered capital of RMB10,000,000	–	70	Financial technology

42. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name	Place of incorporation/ operation	Issued and fully paid-up/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
深圳市天農科技有限公司 ^	PRC/PRC	Paid-up capital of RMB70,000,000 out of registered capital of RMB100,000,000	–	70	Financial technology
天榆諮詢(深圳)有限公司 *	PRC/PRC	Paid-up capital of RMB2,500,000 out of registered capital of RMB5,000,000	–	100	Investment holding
深圳潤利投資管理有限公司 #	PRC/PRC	Paid-up capital of RMB2,500,000 out of registered capital of RMB10,000,000	–	100	Financial investment

* These companies were established in the PRC in the form of wholly-foreign-owned enterprises.

\# These companies were established in the PRC as PRC domestic-invested companies.

@ These companies were established in the PRC in the form of limited partnership.

^ This company was established in the PRC in the form of sino-foreign equity joint venture.

\+ This company was disposed to independent third party after 31 December 2017.

At 31 December 2017 and 2016, there is no subsidiary of the Group which has material non-controlling interests.

The English name of companies established in the PRC are for identification purpose only.

43. DISPOSAL OF A SUBSIDIARY

On 20 February 2017, the Group disposed of the entire equity interests in Noble Sky Investment Limited, which carried out financial investment business, and shareholder's loan due from it at a total consideration of US$18,481,000 (equivalent to approximately RMB124,904,000).

Consideration received

	2017 *RMB'000*
Consideration received in cash and cash equivalents	**81,689**
Consideration set off against the Group's capital contribution payable to fund investments	**43,215**
Total consideration received	**124,904**
Analysis of assets and liabilities over which control was lost	
Current assets	
Cash and cash equivalents	**18**
Loan receivables	**109,337**
Accounts receivables	**7,940**
Current liabilities	
Shareholder's loan due to the Group	**(115,538)**
Net assets disposed of	**1,757**
Gain on disposal of a subsidiary	
Consideration received	**124,904**
Net assets disposed of	**(1,757)**
Assignment of shareholder's loan due to the Group	**(115,538)**
Gain on disposal	**7,609**

The gain on disposal is included in "other income".

Net cash inflow on disposal of a subsidiary	
Consideration received in cash and cash equivalents	**81,689**
Less: Cash and cash equivalent balances disposed of	**(18)**
	81,671

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include the followings:

Categories of financial instruments

	2017 *RMB'000*	2016 *RMB'000*
Financial assets		
Accounts and bills receivables	**391,319**	341,112
Loan receivables from independent third parties	**2,774**	229,117
Loan receivables from joint ventures	**–**	268,758
Other receivables	**5,658**	1,820
Due from joint ventures	**829**	588
Pledged bank deposits	**28,633**	18,186
Cash and bank balances	**668,920**	129,703
Loans and receivables	**1,098,133**	989,284
Available-for-sale investment	**26,222**	28,225
Financial assets designated as at FVTPL — fund investments	**551,949**	–
Derivative financial instruments	**–**	1,398
Financial assets at fair value through profit or loss	**551,949**	1,398
Financial liabilities		
Trade and bills payables	**123,806**	113,035
Accruals and other payables	**62,199**	43,221
Bank and other loans	**518,224**	335,525
Bond payable	**393,853**	397,762
Obligations under finance lease	**388**	532
Dividends payable	**88**	88
Financial liabilities measured at amortised cost	**1,098,558**	890,163
Derivative financial instruments	**–**	355
Financial liabilities at fair value through profit or loss	**–**	355

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Categories of financial instruments (Continued)

The Group's principal financial instruments comprise bank and other loans, bond payable, and cash and bank balances and pledged bank deposits. The main purpose of these financial instruments is to raise/provide finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and interest receivables, loan receivables, trade and bills and other payables, which arise directly from its operations. The Group also invests in available-for-sale investment.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Fair values

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group has a team headed by the finance manager with the assistance of independent valuers to perform valuations for the financial instruments, including available-for-sale investment which is categorised into Level 3 of the fair value hierarchy. The team reports directly to the Executive Directors and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the Executive Directors. Discussion of the valuation process and results with the Executive Directors and the audit committee is held twice a year, to coincide with the reporting dates.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Fair values (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

	Fair value at 31 December 2017	Fair value measurements as at 31 December 2017 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets:				
Available-for-sale investment				
— Unlisted (note (a))	26,222	–	–	26,222
Financial assets designated as at FVTPL — fund investments (note (b))	551,949	–	–	551,949
Derivative financial instruments:				
— Forward foreign exchange contracts (note (c))	–	–	–	–
	578,171	–	–	578,171
Liabilities:				
Derivative financial instruments:				
— Forward foreign exchange contracts (note (c))	–	–	–	–

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Fair values (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

	Fair value at 31 December 2016 *RMB'000*	Fair value measurements as at 31 December 2016 categorised into		
		Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*
Recurring fair value measurements				
Assets:				
Available-for-sale investment				
— Unlisted (note (a))	28,225	–	–	28,225
Derivative financial instruments:				
— Forward foreign exchange contracts (note (c))	1,398	–	1,398	–
	29,623	–	1,398	28,225
Liabilities:				
Derivative financial instruments:				
— Forward foreign exchange contracts (note (c))	355	–	355	–

During the years ended 31 December 2016 and 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Fair values (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy *(Continued)*

Notes:

(a) The valuation techniques and key inputs used for unlisted available-for-sale investment in Level 3 fair value measurement at the end of the reporting period are as follows:

	Valuation techniques	Significant unobservable inputs	Range
Unlisted available-for-sale investment	Discounted cash flow	Discount for lack of marketability (note 1)	20% (2016: 20%)
		Discounted for lack of control (note 2)	15% (2016: 15%)
		Weighted average cost of capital (note 3)	20% (2016: 20%)
		Long-term revenue growth rate (note 4)	3% (2016: 3%)
		Long term pre-tax operating margin (note 5)	34% (2016: 30%)

The fair value of unlisted available-for-sale investment is determined using the discounted cash flow adjusted for lack of marketability discount and lack of control discount. The fair value measurement is negatively correlated to the discount for lack of marketability, lack of control discount and weighted average cost of capital.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Fair values (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy *(Continued)*

Notes: (Continued)

(a) *(Continued)*

(1) At 31 December 2017, it is estimated that a general increase/decrease of discount for lack of marketability by 3% (2016: 3%), with all other variables held constant, would have decreased/increased the Group's other comprehensive income by approximately RMB1,147,000 (2016: RMB1,308,000).

(2) At 31 December 2017, it is estimated that a general increase/decrease of discount for lack of control by 3% (2016: 3%), with all other variables held constant, would have decreased/increased the Group's other comprehensive income by approximately RMB1,147,000 (2016: RMB1,308,000).

(3) At 31 December 2017, it is estimated that a general increase/decrease of weighted average cost of capital by 3% (2016: 3%), with all other variables held constant, would have decreased/increased the Group's other comprehensive income by approximately RMB7,168,000 (2016: RMB7,149,000).

(4) At 31 December 2017, it is estimated that a general increase/decrease of long-term revenue growth rate by 3% (2016: 3%), with all other variables held constant, would have increased/decreased the Group's other comprehensive income by approximately RMB318,000 (2016: RMB1,552,000).

(5) At 31 December 2017, it is estimated that a general increase/decrease of long-term pre-tax operating margin by 3% (2016: 3%), with all other variables held constant, would have increased/decreased the Group's other comprehensive income by approximately RMB2,462,000 (2016: RMB1,798,000).

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	Unlisted available-for-sale investments *RMB'000*
At 1 January 2016	–
Purchase	28,225
At 31 December 2016 and 1 January 2017	28,225
Exchange differences included in "exchange fluctuation reserve" in other comprehensive income	(2,003)
At 31 December 2017	26,222

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Fair values (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy *(Continued)*

Notes: (Continued)

(b) For unlisted investment funds classified under Level 3 of the fair value measurement hierarchy, the fair values are determined based on the net asset values of those investment funds determined with reference to valuation of underlying investment portfolio and adjustments of related expenses. The higher the net assets values, the higher the fair value.

The movements during the year in the balance of these Level 3 fair value measurements are as follow:

	Unlisted fund investments included in financial assets designated as at FVTPL RMB'000
At 1 January 2016, 31 December 2016 and 1 January 2017	–
Additions	495,521
Gain recognised in profit or loss	69,275
Exchange differences included in "exchange fluctuation reserve" in other comprehensive income	(4,476)
Divided received	(8,371)
At 31 December 2017	551,949
Changes in unrealised gains for the year included in "revenue" in profit or loss for assets held at the end of the year	60,904

(c) *Valuation techniques and inputs used in Level 2 fair value measurements*

The fair value of forward foreign exchange contracts in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2017 and 2016.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk

(i) Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

(ii) In respect of accounts and other receivables and amounts due from related parties, in order to minimise the credit risk, the management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis. Ongoing credit evaluation is performed on the financial condition of debtors. These evaluations focus on the debtors' past history of making payments when due and current ability to pay, and take into account information specific to the debtor as well as pertaining to the economic environment in which the debtor operates. The Group does not require collateral in respect of its financial assets. Credit periods are generally one to four months.

(iii) In respect of accounts receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group has a certain concentration of credit risk as 12% (2016: 17%) and 33% (2016: 39%) of the accounts and bills receivables were due from the Group's largest customer and the five largest customers respectively. Taking into account the creditworthiness of the Group's customers, the credit risk measures and the historical levels of the bad debts, the directors consider that such concentration of credit risk would not result in significant credit default exposure to the Group.

(iv) The Group has taken measures to identify credit risks arising from loan receivables. The Group conducts debtor acceptance and due diligence prior to the approval of the loan transactions.

The management of the Group monitors the credit risk on an ongoing basis. Ongoing credit evaluation is performed on the financial condition of debtors. These evaluations focus on the debtors' current ability to pay, and take into account information specific to the debtor as well as pertaining to the economic environment in which the debtor operates. Based on the evaluations, management believes that no impairment allowance is necessary in respect of the loan receivables and interest receivables as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

(v) In respect of loan receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual debtors. At the end of the reporting period, 100% (2016: 54%) and 100% (2016: 100%) of the total loan receivables was due from the Group's largest loan debtor and the five largest loan debtors respectively.

(vi) In respect of the credit risk on liquid funds, the risk is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from accounts and bills receivables are set out in note 25 and credit risk arising from loan receivables are set out in note 26.

(c) Interest rate risk

The Group's interest rate risk arises primarily from loan receivables, bank deposits, bank and other loans and bond payable.

Bank deposits and bank loans at variable rates and time deposits, loan receivables, bank and other loans and bond payable at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The management continuously monitors interest rate fluctuation and will consider further hedging interest rate risk should the need arise.

Bank deposits are carried at low interest rates and the interest income thereon is not significant.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Interest rate risk (Continued)

The effective interest rates of the interest-bearing financial instruments of the Group are set out below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest-bearing financial instruments at the end of the reporting period:

	2017 Effective interest rate %	2017 *RMB'000*	2016 Effective interest rate %	2016 *RMB'000*
Fixed interest rate				
Financial assets				
Bank deposits	**0.3–1.0**	**247,373**	0.3	18,186
Amount receivables from banks for wealth management products purchased	**3.1–3.95**	**47,034**	2.4–2.5	69,022
Loan receivables				
— from independent third parties	**10.5**	**2,774**	10.5-22.0	229,117
— from a joint venture	**–**	**–**	6.0	268,758
		297,181		585,083
Financial liabilities				
Bank loans	**–**	**–**	5.0–5.4	(40,000)
Other loans	**6.0**	**(450,285)**	6.0	(275,525)
Bond payable	**5.8273**	**(393,853)**	7.412	(397,762)
Obligations under finance lease	**3.2**	**(388)**	3.2	(532)
		(844,526)		(713,819)
Net		**(547,345)**		(128,736)
Variable interest rate				
Financial assets				
— Cash at bank	**0.35**	**403,120**	0.35	60,660
Financial liabilities				
— Bank loans	**2.0–6.525**	**(67,939)**	5.0	(20,000)
Net		**335,181**		40,660
Fixed rate liabilities as a percentage of total liabilities		**92.6**		97.3

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Interest rate risk (Continued)

(i) Sensitivity analysis

Bank deposits, loan receivables, bank and other loans, bond payable and obligations under finance lease of the Group which are fixed rate instruments, are insensitive to any change in interest rates. A change in interest rates at the end of the reporting period would not affect profit or loss.

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. For variable-rate financial instruments, the analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2016: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The analysis is performed on the same basis for 2016.

At 31 December 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable-rate financial instruments, with all other variables held constant, would increase/decrease the Group's profit after tax and retained profits by approximately RMB2,799,000 (2016: decrease/increase the Group's loss after tax and accumulated loss by approximately RMB327,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

(d) Currency risk

(i) Exposure to currency risk

The Group is exposed to currency risk primarily through sales and purchases and loan investments which give rise to receivables, payables and cash and bank deposits that are denominated in a foreign currency, that is, a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States Dollars, Hong Kong Dollars, Australian Dollars and Japanese Yen. The Group manages this risk as follows:

Recognised assets and liabilities

Changes in the fair value of forward foreign exchange contracts that minimise the foreign currencies risk of certain monetary assets and liabilities are recognized in profit or loss (see note 7 and 8(c)). The fair value of forward foreign exchange contracts used by the Group at 31 December 2017 was RMBnil (2016: RMB1,398,000) (note 27) and RMBnil (2016: RMB355,000) (note 30), recognised as derivative financial instruments under assets and liabilities respectively.

In respect of other assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk (Continued)

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the end of the reporting period.

Exposure to foreign currencies (expressed in RMB)

	2017				2016			
	United States Dollars	**Hong Kong Dollars**	**Australian Dollars**	**Japanese Yen**	United States Dollars	Hong Kong Dollars	Australian Dollars	Japanese Yen
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accounts and bills receivables and other receivables	**63,803**	**7,143**	**–**	**–**	78,046	17,130	5,920	–
Loan receivables	**–**	**–**	**–**	**–**	–	–	112,655	–
Pledged bank deposits and cash and bank balances	**468,683**	**32,312**	**–**	**–**	37,345	1,566	–	–
Trade and bills payables and other payables	**(33,570)**	**(18,894)**	**–**	**(3,283)**	(56,038)	(4,847)	–	(4,250)
Dividends payables	**–**	**(88)**	**–**	**–**	–	(88)	–	–
Gross exposure arising from recognised assets and liabilities	**498,916**	**20,473**	**–**	**(3,283)**	(59,353)	13,761	118,575	(4,250)
Notional amount of forward foreign exchange contracts used to minimise the foreign currency risk	**–**	**–**	**–**	**–**	104,156	–	–	–
Net exposure arising from recognised assets and liabilities	**498,916**	**20,473**	**–**	**(3,283)**	163,509	13,761	118,575	(4,250)

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar, Hong Kong dollar, Australian dollars and Japanese yen exchange rates, with all other variables held constant, of the Group's profit/loss before tax.

	2017		2016	
	Increase/ (decrease) in rate	**Increase/ (decrease) in profit before income tax** *RMB'000*	Increase/ (decrease) in rate	(Increase)/ decrease in loss before income tax *RMB'000*
United States dollars ("US$")	**5**	**24,946**	5	4,421
	(5)	**(24,946)**	(5)	(4,421)
Hong Kong dollars ("HK$")	**5**	**1,024**	5	682
	(5)	**(1,024)**	(5)	(682)
Australian dollars	**5**	**–**	5	5,929
	(5)	**–**	(5)	(5,929)
Japanese Yen	**5**	**(164)**	5	(213)
	(5)	**164**	(5)	213

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit/loss before tax measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. In this respect, it is assumed that the pegged rate between the HK$ and US$ would not be materially affected by any changes in movement in value of the US$ against other currencies. The analysis is performed on the same basis for 2016.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to the parent company's board approval.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial liabilities and financial assets (for example, accounts receivables) and projected cash flows from operations.

The Group's policy is to maintain sufficient cash and cash equivalents and have available funding through bank loans to meet its working capital requirements.

The maturity profile of the Group's non-derivative financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period and the earliest date the Group can be required to pay, is as follows:

	2017					
	Contractual undiscounted cash outflow					
	On demand	Less than 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities						
Bank and other loans	–	539,759	–	–	539,759	518,224
Bond payable	–	406,167	–	–	406,167	393,853
Trade and bills payables	–	123,806	–	–	123,806	123,806
Accruals and other payables	–	62,199	–	–	62,199	62,199
Obligations under finance lease	–	119	119	168	406	388
Dividends payable	–	88	–	–	88	88
	–	1,132,138	119	168	1,132,425	1,098,558

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Liquidity risk (Continued)

	2016					
	Contractual undiscounted cash outflow					
	On demand	Less than 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities						
Bank and other loans	–	65,723	298,181	–	363,904	335,525
Bond payable	–	415,679	–	–	415,679	397,762
Trade and bills payables	–	113,035	–	–	113,035	113,035
Accruals and other payables	–	43,221	–	–	43,221	43,221
Obligations under finance lease	–	128	128	308	564	532
Dividends payable	–	88	–	–	88	88
	–	637,874	298,309	308	936,491	890,163

The following tables set out the remaining contractual maturities at the end of the reporting period of the Group's derivative financial liabilities based on contractual undiscounted cash flows and the earliest date the Group can be required to pay.

	2017		2016	
	Within 1 year or on demand	**Total**	Within 1 year or on demand	Total
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Derivative settled gross:				
Forward foreign exchange contracts				
— outflow	–	–	(103,113)	(103,113)
— inflow	–	–	104,156	104,156

45. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been early adopted in these financial statements.

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2014–2016 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle[2]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 40	Transfers of Investment Property[1]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2021

45. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

Except as described below, the directors of the Company anticipate that the application of the new and amendments to IFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 9 *Financial Instruments*

IFRS 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 IFRS 9 which are relevant to the Group are:

- All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized 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 amortized 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 IFRS 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 recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effect of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

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

45. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

IFRS 9 *Financial Instruments (Continued)*

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

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

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

Classification and measurement

- Equity securities classified as available-for-sale investments carried at fair value as disclosed in note 19: these securities qualified for designation as measured at FVTOCI under IFRS 9, however, the fair value gains or losses accumulated as at 1 January 2018 will no longer be subsequently reclassified to profit or loss under IFRS 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. Upon initial application of IFRS 9, investment revaluation reserve of RMBnil related to these available-for-sale investments will be transferred to retained profits at 1 January 2018.

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

45. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

IFRS 9 *Financial Instruments (Continued)*

Impairment

In general, the directors anticipate that the application of the expected credit loss model of IFRS 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 IFRS 9 by the Group.

Based on the assessment by the directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would be slightly increased as compared to the accumulated amount recognised under IAS 39 mainly attributable to expected credit losses provision on accounts receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits at 1 January 2018.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a single comprehensive model for entities to account for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

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

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when or as the entity satisfies a performance obligation

Under IFRS 15, an entity recognized revenue when or as a performance obligation is satisfied, that is, when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, Clarifications to IFRS 15 was issued in relation to the identification of performance obligations, principal versus agent considerations, as well as licencing application guidance.

Based on preliminary analysis, the directors of the Company anticipate that the adoption of IFRS 15 in the future is unlikely to have a significant impact on the timing and amounts of revenue recognised in the respective reporting periods but will result in more disclosures.

45. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

IFRS 16 *Leases*

As disclosed in note 2(o), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 40(a)(ii), at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB9,128,000, some of which is payable between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

45. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

IFRIC 22 addresses how to determine the "date of transaction" for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example a non-refundable deposit or deferred revenue).

The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group, and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*

The amendments clarify classification and measurement of cash-settled share-based payment under certain specific circumstances and share-based payments in which the Group is required by local tax law or regulation to withhold certain number of equity instruments for settlement of the employee's tax obligation. The directors do not anticipate that the application of Amendments to IFRS 2 will have a material impact on the classification and measurement of the Group's share-based payment transactions.

Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

45. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

Amendments to IAS 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 IAS 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 leases.

The directors 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.

46. MAJOR NON-CASH TRANSACTIONS

For the year ended 31 December 2017

(i) On 12 January 2017, a loan previously lent to a borrower (as the "Borrower") by Most Glorious Limited (as the "Lender"), a wholly-owned subsidiary of the Company, was settled by entering into an assignment. According to the assignment, the loan together with interest receivable arising from the loan was partially settled by cash of approximately RMB72,840,000 and the remaining of approximately RMB48,704,000 (equivalent to USD7,218,000) was settled through investment in funds on behalf of Tianli Capital Limited, a wholly-owned subsidiary of the Company and a fellow subsidiary of Lender. All rights and benefits relating to the loan were transferred to the fund investments.

(ii) As referred to note 44, the Group's capital contribution payable to fund investments of RMB43,215,000 were set off against the partial consideration of disposal of a subsidiary.

For the year ended 31 December 2016

On 30 November 2016, Celestial Hope Limited (as the "Transferee"), a wholly-owned subsidiary of the Company, entered into a novation deed (the "Deed") with UBL (as the "Transferor"), a joint venture of the Company, and an independent third party lender (the "Lender"). According to the Deed, the Transferee takes up the rights of, and assumes the obligations of, the Transferor under a split amended and restated loan agreement (the "Loan Agreement") in relation to the loan of HK$300,000,000 (equivalent to approximately RMB266,736,000) advanced by the Lender to the Transferor.

Accordingly, the Transferor ceases to be a party to the Loan Agreement and the Transferee becomes a party to the Loan Agreement and is indebted to the Lender for the loan of HK$300,000,000 (equivalent to approximately RMB266,736,000) the terms of which are disclosed in note 32.

On the same date, Transferor and Transferee also entered into a shareholder's loan agreement for loan of HK$300,000,000 (equivalent to approximately RMB266,736,000) under which Transferor becomes a borrower of the loan made available to it by the Transferee, the terms of which are disclosed in note 18.

47. EVENTS AFTER THE REPORTING PERIOD

The following events took place subsequent to 31 December 2017:

(a) 深圳市天農科技有限公司, an indirect non-wholly owned subsidiary of the Company, entered into a sales and purchases agreement with an independent third party to dispose of the entire issued capital of 深圳市香納商業保理有限公司 and 北京希為科技有限公司 at total cash consideration of approximately RMB28,695,000. The disposal of the two subsidiaries completed on 9 January 2018 and 17 January 2018 respectively, resulted in a gain on disposal of RMB13,562,000 to the Group.

(b) On 17 July 2017, Star Chaser Ventures Limited, an indirect wholly owned subsidiary of the Company, entered into a subscription and shareholders agreement with independent third parties and Asia Capital Real Estate V Pte. Limited ("ACRE V") to subscribe for the new shares of ACRE V at a cash consideration of approximately USD5,019,000 (approximately RMB32,420,000). After the completion of acquisition of ACRE V on 2 March 2018, the Company holds 94.42% equity interest in ACRE V.

ACRE V is an investment holding company which is primarily investing in an associate, which is engaged in the asset management business located in Korea.