PING AN SECURITIES GROUP (HOLDINGS) LIMITED
平安證券集團(控股)有限公司

(Carrying on business in Hong Kong as PAN Securities Group Limited)
(Incorporated in Bermuda with limited liability)
(Stock Code: 00231)

ANNUAL REPORT 2017

This report, in both English and Chinese versions, is available on the Company's website at http://www.pingansecgp.com (the "Company Website").

Shareholders who have chosen or have been deemed consented to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to this report posted on the Company Website will promptly upon request be sent this report in printed form free of charge.

Shareholders may at any time change their choice of the means of receipt (either in printed form or via the Company Website) and/or language(s) (either English only or Chinese only or both languages) of Corporate Communications.

Shareholders may send their request to receive this report in printed form, and/or to change their choice of the means of receipt and/or language(s) of Corporate Communications by notice in writing to the Company's Hong Kong Share Registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or by sending an email to the Hong Kong Share Registrar of the Company at is-ecom@hk.tricorglobal.com.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Mr. Gong Qingli *(Chief Executive Officer)*
Mr. Cheung Kam Fai
Mr. Lin Hongqiao

Non-executive Directors:

Ms. Tao Yanyan *(Chairman)*
Dr. Guan Huanfei
Mr. Wong Sai Hung

Independent Non-executive Directors:

Mr. Tsang Wah Kwong
Dr. Leung Wing Cheung, William, *SBS, BBS, JP*
Dr. Yang Tao

AUDIT COMMITTEE

Mr. Tsang Wah Kwong *(Chairman)*
Dr. Leung Wing Cheung, William, *SBS, BBS, JP*
Dr. Yang Tao

REMUNERATION COMMITTEE

Dr. Leung Wing Cheung, William,
SBS, BBS, JP (Chairman)
Mr. Tsang Wah Kwong
Mr. Gong Qingli
Dr. Yang Tao

NOMINATION COMMITTEE

Dr. Yang Tao *(Chairman)*
Mr. Tsang Wah Kwong
Dr. Leung Wing Cheung, William, *SBS, BBS, JP*
Mr. Gong Qingli

AUTHORISED REPRESENTATIVES

Mr. Cheung Kam Fai
Mr. Chan Kwan Pak

COMPANY SECRETARY

Mr. Chan Kwan Pak

AUDITORS

CHENG & CHENG LIMITED
10/F., Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co. Ltd.
(Hong Kong Branch)
Bank of China

PRINCIPAL REGISTRARS AND TRANSFER OFFICES

MUFG Fund Services Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 3005, 30/F, West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

WEBSITE

www.pingansecgp.com

STOCK CODE

00231

Chief Executive Officer's Statement

On behalf of the board of directors (the "Directors") of Ping An Securities Group (Holdings) Limited (the "Company") and its subsidiaries (together the "Group"), I am pleased to present to the shareholders of the Company the annual report of the Group for the year ended 31 December 2017.

RESULTS

For the year ended 31 December 2017 ("FY2017"), the Group recorded a turnover of HK$26,774,000, while the turnover for the year ended 31 December 2016 ("FY2016") was HK$51,730,000. The Group's audited consolidated loss for the current year was HK$148,102,000, representing an increase of approximately 19 times when compared with the loss of HK$7,231,000 for the last year.

BUSINESS REVIEW

For FY2017, the Company's principal activity continued to be investment holding, whilst its subsidiaries were mainly engaged in the business of provision of securities brokerage, securities underwriting and placements and financial advisory services and property leasing and development.

For FY2017, the Group recorded a turnover of HK$26,774,000 (FY2016: HK$51,730,000), representing a decrease of approximately 48% when compared with FY2016. As the Group's investment properties were still under development and there was no trading of goods sectors, the financial services sector was the only income generator of the Group for the year under review.

The Group's audited consolidated loss for FY2017 amounted to HK$148,102,000, representing an increase of approximately 19 times in loss when compared with the loss of HK$7,231,000 for FY2016. The substantial increase in loss was mainly attributable to (i) recognition of agency fee and the value added tax expenses as distribution costs for pre-leasing of investment properties under development launched by a PRC subsidiary in FY2017 but without recognition of corresponding rental income from pre-leasing as the investment properties are still under development in FY2017; and (ii) significant decrease in fair value gain on derivative financial liabilities and contingent consideration in FY2017 as compared to a total gain of approximately HK$208 million in FY2016.

The Group's land in Foshan City, Guangdong Province, the PRC, the flagship investment property development project of the Group, is being developed into a complex of shops, offices and hotel (including some serviced apartments) with a total gross floor area of approximately 241,000 square metres. Pre-leasing of some serviced apartments has commenced from 2017 with approximately 37,000–38,000 square metres having been pre-leased for over 30 years and rental income amounting to approximately HK$260 million was received in advance. As an initial stage promotion policy, lessees have been granted the right to put their pre-leased units back to the Group at the initial contract price at the 10th anniversary. Corresponding rental income from pre-leasing could not be recognised at this stage.

As mentioned above, one of our principal businesses, Ping An Securities Limited ("PASL"), which provides a wide range of financial services including the provision of securities brokerage, securities underwriting and placements and financial advisory services in Hong Kong, made all the contribution to the Group in FY2017 and recorded a turnover of HK$26,774,000 (FY2016: HK$29,497,000), representing a decrease of approximately 9% when compared with FY2016. The less satisfactory performance of PASL for the year under review was mainly due to the decrease in its IPO related transactions when compared with FY2016.

FINANCIAL REVIEW

PASL recorded a turnover amounting to HK$26,774,000 (FY2016: HK$29,497,000) comprising commission and brokerage income and underwriting income, representing a decrease of approximately 9%.

The joint venture, which was disposed of in FY2016, had waived the amount advanced to the Group amounting to HK$49,475,000, the Group recognised the amount waived as other income in FY2016. As a result of the above waiver, the Group had to share the loss of the joint venture amounting to HK$47,090,000 in FY2016. Moreover, the interest income (included in other income) was decreased from HK$22,232,000 to HK$134,000 in FY2017 as the interest income of FY2016 was mainly generated by a subsidiary which was disposed in FY2016.

As mentioned in business review section, the increase in distribution costs from HK$4,418,000 to HK$194,075,000 in FY2017 was mainly attributable to the recognition of agency fee and value added tax expenses for pre-leasing of investment properties under development launched by a PRC subsidiary in FY2017.

During FY2017, finance costs decreased from HK$169,845,000 to HK$55,680,000. The change were mainly attributable to the decrease of promissory notes interests of HK$57,018,000 upon extinguishment of the promissory notes in FY2016 and the disposals of subsidiaries which incurred of bank and other borrowings interests of approximately HK$41,000,000 in FY2016.

The investment properties under development located in Foshan City recorded a gain from change in fair value of HK$109,274,000 at the end of FY2017 (FY2016: gain of HK$4,260,000) which also led to a corresponding deferred tax charge of approximately HK$27,000,000 in FY2017.

During FY2016, the Group recorded a loss from change in fair value of investment properties, which were held by subsidiaries disposed in the same year, amounting to HK$111,015,000. Deferred tax credit of approximately HK$27,000,000 was arisen as a result of the change in fair value in FY2016.

For FY2017, the Group recognised a fair value gain on derivative financial liabilities of HK$36,650,000 as compared to aggregated fair value gain on derivative financial liabilities and contingent consideration of HK$207,837,000 for FY2016.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING, CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2017, the Group's current assets and current liabilities were HK$344,369,000 and HK$442,896,000 respectively.

As at 31 December 2017, no assets of the Group were charged.

The Group's gearing ratio as at 31 December 2017 was 43%, which is calculated on the Group's total liabilities divided by its total assets.

As at 31 December 2017, capital commitments contracted but not provided for were approximately HK$890,791,000.

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

Chief Executive Officer's Statement

USE OF PROCEEDS FOR FUND RAISED DURING THE YEAR

On 20 January 2017, the Company and Topsource International Holding Co., Limited ("Topsource") entered into a subscription agreement (the "Subscription Agreement") whereby Topsource has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the new convertible bonds for the aggregate principal amount of HK$200 million pursuant to the terms and conditions set out therein.

Of the net proceeds from the new convertible bonds, approximately HK$169,528,000 was used for redemption of previously issued convertibles notes (including both principal and interests); approximately HK$3,123,000 was used for payment of interest of convertible bonds; and the rest for normal work capital.

PROSPECTS AND OUTLOOK

Looking forward, we believe Fintech is the way to go for the future financial services sector. Fintech has become one of the hottest financial buzzwords in recent years and it will eventually affect the consumers' way of spending, saving and investing.

The Group has devoted more resources to the development of online investment platforms, mobile apps and automated Fintech solutions. Big data and algorithms will be used to provide our customers with more diversified and smart finance services. Besides the Fintech development, the Group has also eyed on development of Blockchain and has set up our Blockchain Research Institute, focusing on research and analysis of the Blockchain technology, application scenarios, and companies within the industry supply chain.

We are confident that by the combination of Fintech and the traditional way of operation by our wholly owned subsidiary, Ping An Securities Limited, with its solid foundation in Hong Kong for over 40 years, coupled with research and development of Blockchain, the financial services business of the Group will head for a brighter future, which will in turn bring better return for the Company and its shareholders as a whole in the longer run.

APPRECIATION

The Directors would like to express our sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as our shareholders, business partners, bankers and auditors for their support to the Group throughout the year.

Gong Qingli
Chief Executive Officer and Executive Director
Hong Kong, 17 March 2018

CAPITAL COMMITMENTS

As at 31 December 2017, capital commitments contracted but not provided for were approximately HK$890,791,000.

CONTINGENT LIABILITIES

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

FOREIGN EXCHANGE RISK

The Group's operations are principally in the PRC and Hong Kong and all assets and liabilities were denominated either in Renminbi or Hong Kong dollars. The Directors consider that the Group does not have any material exposure to fluctuations in exchange. Therefore, no hedging measures have been taken at present.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had a total of approximately 100 employees (2016: approximately 60), who were remunerated according to nature of the job and market trend, as well as individual qualifications and performance. The Group has participated in the Mandatory Provident Fund Scheme. On the job training was provided to its staff from time to time.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Gong Qingli, aged 50, has been an executive Director and the CEO since 1 December 2017. Mr. Gong obtained his accounting qualification from Shanghai Lixin Accounting College (立信會計專科學校) in 1989. Mr. Gong is a member of the Chinese Institute of Certified Public Accountants. Mr. Gong had over 27 years of experience in accounting, business advisory and risk management services, including some with an international accounting firm. Mr. Gong is an executive director of HongDa Financial Holding Limited (Stock Code: 1822), a 14% indirect shareholder of Well Up (Hong Kong) Limited, which holds 63.43% of the share capital of the Company. He was an executive director of Fufeng Group Limited (Stock Code: 546), a company listed on the main board of the Stock Exchange, from 2007 to 2011.

Mr. Cheung Kam Fai, aged 45, has been an executive Director since 23 January 2016, and was the managing director of the Company from 17 August 2016 to 30 November 2017. Mr. Cheung was the managing director of a finance company's China subsidiary before joining the Company, responsible for promoting the company's business in China. He has over 17 years of experience in the securities sector and has established extensive networks in the field.

Mr. Lin Hongqiao, aged 52, has been an executive Director since 8 September 2017. Mr. Lin obtained his Bachelor of Finance from the Shanghai University of Finance and Economics in July 1988, the Master of Economics from Fudan University in January 1997 and the securities practice qualification from China Securities Association of China in February 2008. Mr. Lin was a director of the business department of Orient Securities Company Limited (stock code: 3958), an integrated securities company whose shares are listed on the Main Board of the Stock Exchange, from June 2006 to April 2017. Since January 2017 he has been a director of King Focus International Limited and its wholly owned subsidiary Well Up (Hong Kong) Limited, which holds 63.43% of the share capital of the Company.

NON-EXECUTIVE DIRECTORS

Ms. Tao Yanyan, aged 38, has been a non-executive Director and Chairman of the Board since 1 December 2017. She holds a Bachelor's degree in Economics and Management Economics from the School of Economics, Beijing Normal University, and Master's degree in Economics from the School of Finance, Graduate School of the Chinese Academy of Social Sciences. Ms. Tao has more than 16 years of experience in various positions. From July 2001 to September 2014, she worked with the "Banker" magazine and was its vice president before her departure. From September 2014 to July 2015, Ms. Tao was the deputy general manager of the strategic planning department of Hangzhou Bank. From July 2015 to January 2017, she was the chief financial officer and compliance officer of Netcom Group, as well as the chief executive officer of Netcom Fortune Group. Since January 2017, Ms. Tao has been the public relations director HongDa Financial Holding Limited (Stock Code: 1822), a 14% indirect shareholder of Well Up (Hong Kong) Limited, which holds 63.43% of the share capital of the Company.

Biographical Details of Directors

Dr. Guan Huanfei, aged 60, has been a non-executive Director since 1 December 2017. Dr. Guan has extensive experience in the finance and insurance industry in Hong Kong and the PRC. He served various senior managerial positions in the People's Insurance Company of China (Jilin Branch), the business department of Hong Kong and Macao Regional Office of China Insurance Group, Ming An Insurance Company (Hong Kong) Limited and China Pacific Insurance Co., (HK) Limited. Dr. Guan also held offices at the Bank of Communications, including the deputy chairman of the risk asset management committee, deputy chairman of credit asset management committee, chairman of loan verification committee, deputy general manager of the Bank of Communications Hong Kong Branch, the director of Bank of Communications Trustee Limited, the chairman and chief executive of China BOCOM Insurance Co., Limited and an executive director and general manager of BoComm Life Insurance Company Limited. Dr. Guan is also an economic and technical consultant of Jilin Provincial Government. Dr. Guan has been a part-time researcher of the Insurance Research Centre of Fudan University since 2004. He has also been appointed as a part-time lecturer of professional degree of Fudan University since 2013. Dr. Guan obtained a doctor's degree in Economics in 2000 from Wuhan University and was a post-doctoral researcher in Theoretical Economics with Fudan University from 2000 to 2002.

Dr. Guan is an independent non-executive director of China Nonferrous Mining Corporation Limited (stock code: 1258), Sunwah Kingsway Capital Holdings Limited (stock code: 188) and Huarong International Financial Holdings Limited (stock code: 993), China Shandong Hi-Speed Financial Group Limited (stock code: 412) and Wing Lung Insurance Company Limited. He has been appointed as the chairman emeritus of Culturecom Holdings Limited (stock code: 343) and the chairman of the board of directors of UCAN. COM Group Limited, a subsidiary of Culturecom Holdings Limited, since July 2013 to February 2016. Dr. Guan was an executive director of CCT Land Holdings Limited (stock code: 261) from August 2015 to September 2017 and an independent non-executive director of Silver Base Group Holdings Limited (stock code: 886) from March 2008 to January 2011. He was re-designated as an executive director and appointed as the chief executive officer of Silver Base Group Holdings Limited from January 2011 to December 2012 and has been engaged as its senior consultant since January 2013.

Biographical Details of Directors

Mr. Wong Sai Hung, aged 62, has been a non-executive Director since 7 February 2018. Mr. Wong graduated from The Hong Kong Polytechnic University (then College) with a Higher Diploma in Business Studies in October 1977. Mr. Wong was an executive director of LW Asset Management Advisors Limited, which is an investment management company registered under the Securities and Future Commission of Hong Kong, from April 2013 to April 2014. Mr. Wong has been a director of One Asset Management Limited, a company incorporated in Thailand, since 1992. Mr. Wong was the chairman and a non-executive director of China Regenerative Medicine International Limited (formerly known as China Bio-Med Regeneration Technology Limited) (Stock Code: 8158) since July 2009 and June 2008 respectively, and was re-designated from a non-executive director to an executive director in January 2016 and was re-designated from chairman to vice-chairman in October 2016 until his resignation in November 2017. Mr. Wong has been an independent non-executive director of Ping An Insurance (Group) Company of China, Limited (Stock Code: 2318) since June 2013, and was an independent non-executive director of Hong Kong Exchanges and Clearing Limited (Stock Code: 0388) from 2003 until his retirement in April 2016. Mr. Wong has also been an independent non-executive director of JP Morgan Chinese Investment Trust plc, which is listed on the London Stock Exchange since 1 August 2014. Mr. Wong was a non-executive director of Chong Sing Holdings FinTech Group Limited (formerly known as Credit China FinTech Holdings Limited) (Stock Code: 8207)), a 37% indirect shareholder of Well Up (Hong Kong) Limited, which holds 63.43% of the share capital of the Company, from 17 March 2014 to 5 February 2018.

Mr. Wong was a non-executive director of ARN Investment SICAV, a company listed on the Luxembourg Stock Exchange, from June 2010 to January 2014. Mr. Wong was the chief executive officer of ICBC (Asia) Investment Management Company Limited from 2008 to 2011. Mr. Wong was also the chief executive officer of BOCI-Prudential Asset Management Limited, a joint venture between Bank of China International and Prudential of the United Kingdom, during 2001 to 2005, and was the regional managing director of Prudential Portfolio Managers Asia during 1999 and 2000 when the joint venture started. In addition, he held senior positions at LGT Asset Management from 1977 to 1998.

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tsang Wah Kwong, aged 65, has been an independent non-executive Director since 16 February 2016. Mr. Tsang holds a bachelor degree in business administration from the Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Chartered Association of Certified Accountants, as well as a member of the Chinese Institute of Certified Public Accountants.

Mr. Tsang was a former partner of PricewaterhouseCoopers in Hong Kong and China, where he worked from July 1978 to June 2011, and has over 30 years of experience in auditing and providing support for initial public offerings and acquisition transactions. Mr. Tsang is currently an independent non-executive director of a number of listed companies, namely China Merchants China Direct Investments Limited (Stock code: 133), Sihuan Pharmaceutical Holdings Group Limited (Stock code: 460), TK Group (Holdings) Limited (Stock code: 2283), and China Animation Characters Company Limited (Stock code: 1566). Mr. Tsang was an independent director of Agria Corporation (formerly listed on the New York Stock Exchange) from August 2011 to October 2017, a director of PGG Wrightson Limited (a company listed on the New Zealand Stock Exchange) from December 2014 to October 2017 and an independent non-executive director of PanAsialum Holdings Company Limited (Stock code: 2078) from January 2013 to January 2016.

Dr. Leung Wing Cheung, William, *SBS, BBS, JP*, aged 63, has been an independent non-executive Director since 1 December 2018. Dr. Leung graduated from the Hong Kong Baptist University (then College) and obtained a Diploma in Arts in English Language and Literature in 1978. In 2017, He was conferred an honorary doctorate by the Hong Kong Academy for Performing Arts. He was appointed a Justice of the Peace in 2005 and honoured with a Bronze Bauhinia Star and a Silver Bronze Bauhinia Star by the HKSAR Government in 2009 and 2016 respectively.

Dr. Leung has over 30 years of experience in the banking and financial services industry. He joined Hang Seng Bank Limited ("HS Bank") (Stock Code: 11) in 1994 as assistant general manager and head of credit card centre until his departure in December 2011 as executive director and head of personal banking. Prior to joining HS Bank in Hong Kong, he had worked with American Express International Inc., Standard Chartered Bank in Hong Kong, VISA International and Mastercard International in Sydney. He was an executive director of Sun Hung Kai & Company Limited (Stock Code: 86), a company listed on the Main Board of the Stock Exchange, from March 2012 to June 2015.

Dr. Leung ardently participates in public service and is involved in a number of Government and industry committees and non-profit organizations in Hong Kong, including being chairman of the Estate Agents Authority, chairman of the Employee Retraining Board, chairman of the Jockey Club Creative Arts Centre, chairman of HKU SPACE Foundation Committee, chairman of the Business School's Advisory Committee of Hong Kong Baptist University, vice-chairman of Hong Kong Heart Foundation, treasurer of Concerted Efforts Resource Centre, advisor of Our Hong Kong Foundation, and member of the HKSAR's Manpower Development Committee and Human Resources Planning Commission. He previously served Hong Kong Academy for Performing Arts and Hong Kong Dance Company as chairman, Hong Kong Baptist University Council and Court as treasurer, and the Consultative Panel of the West Kowloon Cultural District Authority, Hong Kong Sports Institute Strategic Initiative Task Force, Digital 21 Strategy Advisory Committee and Investor Education Advisory Committee of SFC as member.

Dr. Yang Tao, aged 44, has been an independent non-executive Director since 26 February 2017, Dr. Yang graduated from Nanjing University of Science and Technology in 1995 with a bachelor's degree in engineering, and obtained his master's degree in economics from the Graduate School of the Ministry of Finance Research Institute in 2000 and doctorate in economics from the Graduate School of Finance and Trade Department of the Chinese Academy of Social Sciences in 2003. Dr. Yang is a research fellow, a PhD supervisor, and a non-practising member of the Institute of Certified Public Accountants in Beijing and holds a China lawyer qualification certificate.

Dr. Yang is currently the deputy director of the National Institute of Finance and Development (國家金融與發展實驗室) and the director of the Industrial Finance Research Institute of the Chinese Academy of Social Sciences (中國社會科學院產業金融研究基地). He also holds many senior positions in different high level committees and forums. Dr. Yang's major research areas include monetary and fiscal policies, financial markets; Internet finance, payment and settlement etc. On the academic contribution front, Dr. Yang has long been engaged in the study of financial theories, policies and practices, focusing on interdisciplinary research in economics, finance, sociology and information technology. In recent years, he has conducted research in financial markets, banking reform, payment and settlement, Internet finance, financial science and technology and made outstanding achievements.

Corporate Governance Report

The Company is committed to maintaining the highest standards of corporate governance that properly protect and promote the interests of all shareholders at all times. The Board believes that good corporate governance practices are the cornerstones for a successful business.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Board regularly reviews the Group's corporate governance guidelines and practices. During the year, the Company has applied the principles and complied with all the relevant code provisions prescribed in the Corporate Governance Code ("Code Provisions") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") except deviation from the following Code Provisions:

Under Code Provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. Except one of the independent non-executive directors was appointed with no specific term, all other non-executive director or independent non-executive directors are appointed for a specific term but all of them would be subject to retirement by rotation in accordance with the Company's Bye-laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all Directors regarding any non-compliance with the Model Code during the year and they all confirmed that they have fully complied with the required standard set out in the Model Code.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and performances. The senior management was delegated the authority and responsibilities by the Board of the day-to-day management and operations of the Group. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management.

All Directors have full and timely access to all relevant information in relation to the Company as well as the advice and services of the company secretary, if and when required, with a view ensuring that the Board procedures and all applicable rules and regulations are followed.

There are established procedures for Directors to seek independent professional advice for them to discharge their duties and responsibilities, where appropriate at the Company's expenses.

The Board currently comprises three executive Directors, namely, Mr. Gong Qingli, Mr. Cheung Kam Fai and Mr. Ling Hongqiao; two non-executive Directors, namely, Ms. Tao Yanyan, Dr. Guan Huanfei and Mr. Wong Sai Hung; and three independent non-executive Directors, namely, Mr. Tsang Wah Kwong, Dr. Leung Wing Cheung, William and Dr. Yang Tao.

The Code Provisions require regular meetings of the Board be held at least four times a year at approximately quarterly intervals. Such Board meetings involve the active participation, either in person or by telephone conference.

During the year under review, 14 board meetings and 1 general meetings were held during the year of 2017. The individual attendance record is as follows:

Director	Board Meetings attended/Eligible to attend	General Meetings attended/Eligible to attend
Executive Directors		
Mr. Zhang Guodong *(Note 1)*	0/2	0/0
Mrs. Nijssen Victoria *(Note 2)*	11/11	1/1
Mr. Cheung Kam Fai	13/14	1/1
Mr. Lin Hongqiao *(Note 3)*	4/5	0/0
Mr. Gong Qingli *(Note 4)*	3/3	0/0
Non-executive Directors		
Ms. Cui Xintong *(Note 5)*	1/5	0/0
Ms. Tao Yanyan *(Note 6)*	1/3	0/0
Dr. Guan Huanfei *(Note 7)*	3/3	0/0
Independent Non-executive Directors		
Dr. Dong Ansheng *(Note 8)*	10/11	0/1
Mr. Wong Yee Shuen, Wilson *(Note 9)*	9/11	1/1
Mr. Tsang Wah Kwong	14/14	1/1
Dr. Leung Wing Cheung, William *(Note 10)*	3/3	0/0

Notes:

1. Mr. Zhang Guodong resigned on 12 January 2017.
2. Mrs. Nijissen Victoria resigned on 1 December 2017.
3. Mr. Lin Hongqiao was appointed on 8 September 2017.
4. Mr. Gong Qingli was appointed on 1 December 2017.
5. Ms. Cui Xintong was appointed on 8 September 2017 and resigned on 29 December 2017.
6. Ms. Tao Yanyan was appointed on 1 December 2017.
7. Dr. Guan Huanfei was appointed on 1 December 2017.
8. Dr. Dong Ansheng resigned on 1 December 2017.
9. Mr. Wong Yeee Shuen, Wilson resigned on 1 December 2017.
10. Dr. Leung Wing Cheung, William was appointed on 1 December 2017.

The Board members have no financial, business, family or other material/relevant relationships with each other.

The biographical details of the Directors are set out in the section "Biographical Details of Directors" of this Annual Report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In the year under review, the Company has no Chairman and Chief Executive Officer (CEO) until Ms. Tao Yanyan was appointed as the Chairman and Mr. Gong Qingli was appointed as the Chief Executive Officer on 1 December 2017. However, the Board considers that the absence of the posts of Chairman and CEO for some time has not impaired the management of the Group. Decisions of the Company were made collectively by the executive Directors to execute strategies set by the Board and assume daily management of the Group and report back to the Board on a regular basis.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has three independent non-executive Directors, representing one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise.

The functions of independent non-executive Directors are primarily to bring an independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts at board meetings.

CONFIRMATION OF INDEPENDENCE

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

The Company has arranged appropriate liability insurance to indemnify its Directors and officers in respect of legal actions against the Directors and officers. Throughout the year under review, no claim had been made against the Directors and the officers of the Company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Appointment of any new Director is considered upon recommendation by the Nomination Committee and approved by the Board by taking into account criteria such as expertise, experience, integrity and commitment of a candidate as well as the diversity policy of the Company.

In accordance with the Bye-laws of the Company ("Bye-laws"), all Directors are subject to retirement by rotation and re-election at annual general meetings ("AGMs") of the Company. New Directors appointed by the Board are required to retire and submit themselves for re-election at the first general meeting immediately following their appointments. Further, at each AGM, one-third of the Directors, or if their number is not a multiple of three, then the number nearest to but not exceeding one-third, are required to retire from office.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

The Company provides regular updates on the business development of the Group. The Directors are regularly provided information on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices. All Directors have participated in appropriate continuous professional development and refreshed their knowledge and skills during the year for ensuring that their contribution to the Board remains informed and relevant and be kept abreast of the ever changing business environment. Such professional development was undergone either by way of attending briefings, conference, courses, forum and seminars, or through teaching, self-reading and participating in business-related researches which are relevant to the business of the Group or Directors' duties.

AUDIT COMMITTEE

The Audit Committee comprises all three independent non-executive Directors and is chaired by Mr. Tsang Wah Kwong, who has appropriate professional qualifications and experience as required by the Listing Rules. The Audit Committee's terms of reference are in conformity with the requirements of the Code Provisions. The primary duties of the Audit Committee include the following:

(a) monitoring and ensuring a proper relationship with the Company's external auditor;

(b) review of the Group's interim and annual reports and compliance with accounting standards, the Listing Rules, and legal requirements before submission to the Board; and

(c) oversight of the Company's financial reporting process and risk management and internal control systems.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2017 and recommended the same to the Board for its approval. With effect from 1 January 2016, the Audit Committee has extended its functions to oversee the Group's risk management system.

During the year under review, the Audit Committee held two meetings, to review the Group's interim and final financial statements, to meet and discuss with the external auditor about audit findings, and discuss with the management about appointment of the external auditor. The attendance records are as follows:

Committee Member	Number of attendance
Dr. Dong Ansheng *(Note 1)*	2/2
Mr. Wong Yee Shuen, Wilson *(Note 2)*	2/2
Mr. Tsang Wah Kwong	2/2
Dr. Leung Wing Cheung, William *(Note 3)*	0/0

Notes:

1. Dr. Dong Ansheng resigned on 1 December 2017.

2. Mr. Wong Yee Shuen, Wilson resigned on 1 December 2017.

3. Dr. Leung Wing Cheung, William became a member of Audit Committee on 1 December 2017.

REMUNERATION COMMITTEE

The Remuneration Committee comprises all three independent non-executive Directors and an executive Director Mrs. Nijssen Victoria (until 1 December 2017) or Mr. Gong Qingli (since 1 December 2017), and was/is chaired by Dr. Dong Ansheng (until 1 December 2017) and Dr. Leung Wing Cheung, William (since 1 December 2017).

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Group's policy and structure for the Directors and senior management remuneration, make recommendations on the remuneration packages of individual Director and ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration. The terms of reference of the Remuneration Committee are in conformity with the requirements of the Code Provisions.

During the year under review, the Remuneration Committee held four meetings to review the remuneration package of the Directors and senior management. The attendance records are as follows:

Committee Member	**Number of attendance**
Dr. Dong Ansheng *(Note 1)*	1/2
Mr. Wong Yee Shuen, Wilson *(Note 2)*	1/2
Mr. Tsang Wah Kwong	2/2
Mrs. Nijssen Victoria *(Note 3)*	2/2
Mr. Gong Qingli *(Note 4)*	0/0
Dr. Leung Wing Cheung, William *(Note 5)*	0/0

Notes:

1. Dr. Dong Ansheng resigned on 1 December 2017.

2. Mr. Wong Yee Shuen, Wilson resigned on 1 December 2017.

3. Mrs. Nijssen Victoria resigned on 1 December 2017.

4. Mr. Gong Qingli was appointed on 1 December 2017.

5. Dr. Leung Wing Cheung, William was appointed on 1 December 2017.

NOMINATION COMMITTEE

The Nomination Committee comprises all three independent non-executive Directors and an executive Director Mrs. Nijssen Victoria (until 1 December 2017) or Mr. Gong Qingli (since 1 December 2017), and was/is chaired by Dr. Dong Ansheng (until 1 December 2017) and Dr. Leung Wing Cheung, William (since 1 December 2017).

The primary duties of the Nomination Committee are to review the size, structure, composition and diversity of the Board, identify suitably qualified individuals for appointment to the Board, assess the independence of independent non-executive Directors and make recommendations to the Board on the election or re-election of the Directors and succession planning for the Directors. The terms of reference of the Nomination Committee are in conformity with the requirements of the Code Provisions.

The Nomination Committee held four meetings during the year to nominate candidates to the Board and review the composition of the Board and the suitability of the Directors proposed for re-election at the AGM. The attendance records are as follows:

Committee Member	Number of attendance
Dr. Dong Ansheng *(Note 1)*	1/2
Mr. Wong Yee Shuen, Wilson *(Note 2)*	1/2
Mr. Tsang Wah Kwong	2/2
Mrs. Nijssen Victoria *(Note 3)*	2/2
Mr. Gong Qingli *(Note 4)*	0/0
Dr. Leung Wing Cheung, William *(Note 5)*	0/0

Notes:

1. Dr. Dong Ansheng resigned on 1 December 2017.
2. Mr. Wong Yee Shuen, Wilson resigned on 1 December 2017.
3. Mrs. Nijssen Victoria resigned on 1 December 2017.
4. Mr. Gong Qingli was appointed on 1 December 2017.
5. Dr. Leung Wing Cheung, William was appointed on 1 December 2017.

COMPANY SECRETARY

Mr. Chan Kwan Pak is the Company Secretary of the Company. He is an external service provider and was appointed by the Board. Mr. Chan supports the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. He also advises the Board on corporate governance matters and facilitates induction and professional development of the Directors. Mr. Chan reports directly to the Board. All the Directors have access to the advice and services of the Company Secretary at any time in relation to their duties and operation of the Board. The Company Secretary participated in no less than 15 hours of relevant professional training during the year.

RISK MANAGEMENT AND INTERNAL CONTROL

The board is responsible for overseeing the internal control system and risk management of the Group and for reviewing its effectiveness and adequacy on an ongoing basis.

In order to safeguard the Group's assets, effectiveness of business operation, ensure the reliability of financial report that the Company employs in its business or releases to the public and ensure compliance with relevant laws and regulations, the Company has established the risk management and internal control system and conducts regular reviews of the effectiveness of the such system through the Audit Committee, executive management, functional departments, external advisers and external auditors. The internal control system and risk management are designed to manage rather than eliminate the risk of to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year, in order to comply with the applicable CG Code to the Listing Rules, the Board has retained an external professional consultant to carry out the internal audit functions of the Company, with a view to facilitating adequacy of resources and quality of review to satisfy the Group's internal audit function as required by the Stock Exchange and to assist the Board in performing annual reviews on the effectiveness of the Group's internal control systems for the year ended 31 December 2017. The reviews cover material controls including financial, operational and compliance controls at entity and operational levels. The Audit committee and the Board have discussed and reviewed the relevant results of the review. The Board had conducted review of the effectiveness of the risk management. The Group will continuously enhance its internal control systems according to findings therein and recommendations made to the Group and risk management.

The Group has established procedures in handling and dissemination of inside information in an accurate and secure manner and to avoid possible mishandling of inside information within the Group.

Based on the risk management and internal control systems established and maintained by the Group, the review of the effectiveness of risk management and internal control systems performed by the management, respective Board Committees and the Board, the Board is of the view that the Group has maintained sound and effective risk management and internal control system during the year ended 31 December 2017.

AUDITOR'S REMUNERATION

Total auditor's remuneration in relation to statutory audit work of the Group for the year ended 31 December 2017 amounted to HK$1,300,000 (2016: HK$1,200,000). HK$412,000 was incurred for non-audit services provided by the auditor for the Group during the year (2016: HK$522,000).

The responsibilities of the auditor with respect to financial reporting are set out in the section of "Independent Auditor's Report" on pages 31 to 35.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are 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 flow for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently, and that judgments and estimates made are prudent and reasonable.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board has established a shareholders' communication policy to maintain an on-going dialogue with its shareholders and investors in a timely, open and transparent manner. The Board reviews the policy on a regular basis to ensure effective communication between the Company and its shareholders and investors.

The Board communicates with its shareholders and investors through various channels. The Board members meet and communicate with shareholders and investors at AGMs and other general meetings. Corporate communications (such as interim and annual reports, notices, circulars and announcements) are sent to shareholders in a timely manner and are available on the websites of the Company and the SEHK.

SHAREHOLDERS' RIGHTS

Procedures for Nomination of a Director

A notice in writing of the intention to propose a person for election as a director of the Company and a notice in writing by that person of his willingness to be elected together with his/her particulars (such as qualifications and experience) and information as required to be disclosed under Rule 13.51(2) of the Rules Governing the Listing of Securities on the SEHK shall be lodged at the Company's head office and principal place of business (Suite 3005, 30/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong). The period for lodgment of the notices required will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting, and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Shareholders to convene a Special General Meeting

Special general meetings shall be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board of Directors or the Secretary of the Company (Suite 3005, 30/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong) for the purpose of requiring a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may convene such meeting, 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. Such meeting shall be held within 3 months after the deposit of such requisition.

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in detail in notes 40 to the financial statements.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 December 2017 is set out in note 7 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2017 and the state of affairs of the Group at that date are set out in the financial statements on pages 36 to 118.

The Directors do not recommend the payment of any dividends in respect of the year ended 31 December 2017 (2016: Nil).

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Chief Executive Officer's Statement on pages 4 to 6 of this Annual Report. Description of the financial risk management objectives and policies of the Group can be found in Note 6 to the financial statements. An analysis of the Group's performance during the year using financial key performance indicators are provided in the Chief Executive Officer's Statement on pages 4 to 6 of this Annual Report. The Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Corporate Governance Report are discussed below.

Environmental Policy and Performance

The Group commits to the principle and practice of recycling and reducing. To help conserve the environment, it implements green office practices such as re-deployment of idle office furniture as far as possible, encourage use of recycled paper for printing and copying, double-sided printing and copying, setting up recycling bins, reduce energy consumption by switching off idle lightings, air conditioning and electrical appliances.

The Group will review its environmental practices from time to time and consider implementing further eco-friendly measures, sustainability targets and practices in the operation of the Group's businesses to embrace the principles of reducing, recycling and reusing, and further minimizing our already low impact on the natural environment.

Compliance with Relevant Laws and Regulations

For the year ended 31 December 2017, compliance procedures were in place to ensure adherence to applicable laws, rules and regulations, in particular those have significant impact on the Group. The Company encourages its employees to understand, comply with and keep themselves abreast of the laws, rules and regulations applicable to their positions and the operation of the businesses of the Group. The Company has employed suitable personnel and engaged professional advisers as and when appropriate to provide legal advice on the applicability, existence or interpretation of any laws, rules and regulations.

Relationship with Stakeholders

The Group is committed to create good internal and external corporate relationships, and build a harmonious enterprise to take its responsibilities for its various stakeholders, such as customers, employees, shareholders and community. The Board recognizes the importance of fostering loyalty and mutual trust with the Group's employees, customers, suppliers and business partners as this creates immense long-term benefits for the Group. To achieve the above purpose, the Group strives to promote constant and effective communications. The Board considers that the Group has overall maintained good relationship with employees, customers, suppliers and business partners for the operation of its businesses.

Environmental, Social and Governance

The details of environmental, social and governance policies and performance of the Group will be disclosed in a standalone Environmental, Social and Governance Report, which will be available on the Company's website (www.pingansecgp.com) and on the website of the Stock Exchange (www.hkexnews.hk).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years ended 31 December 2017, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 119. The summary is not part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 16 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 35 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group are set out in note 41 to the financial statements and on page 40 respectively.

DISTRIBUTABLE RESERVES

At 31 December 2017 the Company did not have any reserves available for distribution to equity shareholders of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for more than 30% of the total sales for the year, and the purchases attributable of the five largest suppliers accounted for less than 30% of the Group's total purchases. Information about major customers are set out in note 7 to the financial statements.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Zhang Guodong	*(Resigned on 12 January 2017)*
Mrs. Nijssen Victoria	*(Resigned on 1 December 2017)*
Mr. Cheung Kam Fai	
Mr. Lin Hongqiao	*(Appointed on 8 September 2017)*
Mr. Gong Qingli	*(Appointed on 1 December 2017)*

Non-executive Directors

Ms. Cui Xintong	(Appointed on 8 September 2017 & Resigned on 29 December 2017)
Ms. Tao Yanyan	*(Appointed on 1 December 2017)*
Dr. Guan Huanfei	*(Appointed on 1 December 2017)*
Mr. Wong Sai Hung	*(Appointed on 7 February 2018)*

Independent Non-executive Directors

Dr. Dong Ansheng	*(Resigned on 1 December 2017)*
Mr. Wong Yee Shuen, Wilson	*(Resigned on 1 December 2017)*
Mr. Tsang Wah Kwong	
Dr. Leung Wing Cheung, William	*(Appointed on 1 December 2017)*
Dr. Yang Tao	*(Appointed on 26 February 2018)*

At the forthcoming annual general meeting ("AGM"), Mr. Lin Hongqiao, Mr. Gong Qingli, Ms. Tao Yanyan, Dr. Guan Huanfei, Mr. Wong Sai Hung, Dr. Leung Wing Cheung, William and Dr. Yang Tao shall retire in accordance with Bye-law 100, while Mr. Tsang Wah Kwong shall retire by rotation in accordance with Bye-law 109(A). All of them being eligible, will offer themselves for re-election thereat.

DIRECTORS' SERVICE AGREEMENTS

Mr. Cheung Kam Fai, Mr. Lin Hongqiao and Mr. Gong Qingli have each entered into a service agreement with the Company for an initial term of three years commencing on 23 January 2016, 8 September 2017 and 1 December 2017 respectively and the agreements shall be renewed automatically thereafter unless terminated in accordance with the terms of the agreements.

Each of the non-executive Directors and independent non-executive Directors have entered into a letter of appointment with the Company. Except that one has no specific term of office, all of them are for an initial term of one year, renewable automatically for a successive term of one year upon expiry of every term of appointment. All of them shall be subject to retirement by rotation and be eligible for re-election at the AGMs of the Company pursuant to the Bye-laws.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the year or at the end of the year has been/was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Company's Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There has been no transaction, arrangement or contract of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director of the Company or an entity connected with the Director is or was materially interested, either directly or indirectly, subsisting during or at the end of the year.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme of the Company as disclosed below, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

At 31 December 2017, none of the Directors were interested in any business apart from the Group's businesses which competed or was likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 31 December 2017, the interests of the Directors and chief executives of the Company or their associates had any 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) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the SEHK pursuant to the Model Code.

Long position in underlying shares:

Name of Director	Nature of interests	Description of securities	Number of underlying shares	Approximate % of interests
Mr. Cheung Kam Fai	Beneficial owner	Convertible Bonds	125,000,000	0.66%

INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, the interests of substantial shareholders (other than the Directors or chief executives) in the Shares or the underlying shares of the Company which were required to be notified to the Company pursuant to Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long position in Shares:

(a) Interest in Shares:

Name of substantial shareholder	Nature of interests	Number or attributable number of shares held or short positions	Approximate percentage or attributable percentage of shareholding
Well Up (Hong Kong) Limited ("Well Up") *(Note)*	Beneficial owner	11,984,542,634	63.43%
King Focus International Limited ("King Focus") *(Note)*	Interests of controlled corporation	11,984,542,634	63.43%
Ever Step Holdings Limited ("Ever Step") *(Note)*	Interests of controlled corporation	11,984,542,634	63.43%
Chong Sing Holdings FinTech Group Limited ("Chong Sing") *(Note)*	Interests of controlled corporation	11,984,542,634	63.43%
Cui Xintong ("Ms. Cui") *(Note)*	Founder of discretionary trust who can influence how the trustee exercise his discretion	11,984,542,634	63.43%
Lee Ken-yi Terence ("Mr. Lee") *(Note)*	Spouse	11,984,542,634	63.43%
TMF (Cayman) Ltd. ("TMF") *(Note)*	Trustee	11,984,542,634	63.43%
Deep Wealth Holding Limited ("Deep Wealth") *(Note)*	Interests of controlled corporation	11,984,542,634	63.43%
Charm Success Group Limited ("Charm Success") *(Note)*	Interests of controlled corporation	11,984,542,634	63.43%
Finest Achieve Limited ("Finest Achieve") *(Note)*	Interests of controlled corporation	11,984,542,634	63.43%
HongDa Financial Holdings Limited ("HongDa") *(Note)*	Interests of controlled corporation	11,984,542,634	63.43%

Note:

Well Up is wholly-owned by King Focus. King Focus, which is in turn owned as to 49% by Charm Success, 37% by Ever Step and 14% by Finest Achieve, respectively.

Charm Success is wholly-owned by Deep Wealth, which is in turn wholly-owned by TMF as a trustee. Ms. Cui is the founder of the Trust and Mr. Lee is the spouse of Ms. Cui.

Ever Step is wholly-owned by Chong Sing.

Therefore each of King Focus, Ever Step, Chong Sing, Charm Success, Deep Wealth, TMF, Ms. Cui and Mr. Lee is deemed to be interested in 63.43% of the entire issued share capital of the Company. Through such interests, each of them is therefore deemed to be interested in Shares in which Well Up is interested for the purpose of the SFO.

(b) Interests in underlying shares:

Name of substantial shareholder	Nature of interests	Description of securities	Number of underlying shares	Approximate% of interests
Topsource International Holding Co., Limited ("Topsource")	Beneficial owner	Convertible Bonds *(Note)*	2,083,333,333	11.03%
Shanghai Xinhua Distribution Group Co., Ltd. ("Shanghai Xinhui")	Interest of controlled corporation	Convertible Bonds *(Note)*	2,083,333,333	11.03%

Note: Since Topsouce is wholly-owned by Shanghai Xinhua, and Shanghai Xinhui is deemed to be interested in the same number of shares in which Topsource was interested under the SFO.

Save as disclosed above, as at 31 December 2017, there was no other person (other than the Directors or chief executives of the Company) who had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the SEHK.

SHARE OPTION SCHEME

At the AGM held on 23 June 2011, the terms of the share option scheme (the "Scheme") was adopted by providing incentive to eligible participants to work better for the interests of the Group, under which the Board may, at its discretion, offer to grant an option to any full-time or part-time employee and directors of the Company or any of its subsidiaries and service providers of the Group (collectively the "Grantees").

The maximum number of shares in respect of which options may be granted under the Scheme must not in aggregate exceed 10% of the total number of shares in issue on the date of adoption of the Scheme (as refreshed on 29 May 2014), being 1,184,264,739 shares. The total number of shares which may fall to be issued upon exercise of the share options granted under the Scheme to each Grantee in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates is required to be approved by the independent non-executive Directors. If the Board proposed to grant options to a substantial shareholder or any independent non-executive Director or their respective associates which will result in the number of shares to be issued upon exercise of the options granted and to be granted to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the shares in issue on the date of grant and having an aggregate value in excess of HK$5 million, based on the closing price of the shares at the date of each grant, such further grant of options will be subjected to the shareholders' approval in general meeting.

The offer of a grant of share options may be accepted within 28 days from the offer date or within such other period of time as may be determined by the Board. Upon acceptance of the options, the Grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

The subscription price of a share in respect of any option granted under the Scheme shall be priced as the Board in its absolute discretion shall determine, but must be at least the higher of (i) the closing price of the Company's shares as quoted on the SEHK on the date of grant; (ii) the average closing price of the Company's shares as quoted on the SEHK for the five consecutive business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

The period during which an option may be exercise will be determined by the Board in its absolute discretion. An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The shares to be allotted upon the exercise of an option will not carry voting rights until the completion of the registration of the Grantee.

No share option under the Scheme were granted or exercised during the year nor remained outstanding as at 31 December 2017.

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY

Pursuant to the Bye-laws, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force throughout the Year. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the year.

MANAGEMENT CONTRACTS

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

CONTINUING CONNECTED TRANSACTION/RELATED PARTY TRANSACTIONS

Set out below are the details of the continuing connected transactions of the Company as required to be reported under the Listing Rules, but exempted from the independent shareholders' approval requirement:

(i) Pursuant to a loan agreement entered into on 14 September 2017 between the Company and Mr. Cheung Kam Fai ("Mr. Cheung"), a director of the Company. The loan amounting to HK$45,000,000 granted by Mr. Cheung is unsecured, interest free and repayable in September 2018.

(ii) Pursuant to a loan agreement entered into on 14 September 2017 between the Company and Mr. Liang Wenguan ("Mr. Liang"), an ex-substantial shareholder of the Company. The loan amounting to HK$15,000,000 granted by Mr. Liang is unsecured, interest free and repayable in March 2019.

(iii) Pursuant to two loan agreements entered into on 1 March 2017 and 2 August 2017 respectively between the Company and Mr. Liang Zhenye, the son of Mr. Liang. Total loans amounting to approximately HK$13,883,000 were granted by Mr. Liang Zhenye pursuant to the loan agreements and the Company had repaid loan amounting HK$10,000,000 during the year ended 31 December 2017. Loan were unsecured, interest free and repayable in April 2018.

(iv) Pursuant to a loan agreement entered into on 20 December 2017 between the Company and Vigo HK Investment Limited ("Vigo HK"), a related company of the Company. The loan amounting to HK$30,000,000 granted by Vigo HK is unsecured, interest charged at 15% per annum and repayable in June 2018. During the year ended 31 December 2017, total loan interest of approximately HK$148,000 was accrued.

(v) A tenancy agreement was entered into on 1 November 2016 between Winford Asia Pacific Limited ("Winford"), a wholly owned subsidiary of the Company, and New China IQ Limited ("New China"), of which Mr. Liang Zhenye is a director. Pursuant to the tenancy agreement, Winford has rented a property owned by New China at a monthly rent of HK$140,000 for the period from 1 September 2016 to 31 December 2018. During the year, Mr. Liang disposed of the shares of the Company and the rental payment of the property thereafter ceased to be a related party transaction. During the year ended 31 December 2017, total rent of HK$1,120,000 as paid to New China was clarified as related party transaction.

The aforesaid continuing connected transactions item (v) have been reviewed by the independent non-executive Directors. The independent non-executive Directors were satisfied that the aforesaid continuing connected transaction was entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with Rule 14A.56 of the Listing Rules, the Board engaged the independent auditor of the Company to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The independent auditor of the Company has issued its unqualified letter containing its following findings and conclusions in respect of the continuing connected transactions as mentioned above in accordance with Rule 14A.56 of the Listing Rules.

Nothing has come to the independent auditor's attention that the disclosed continuing connected transactions:

(i) have not received the approval of the Company's Board of Directors;

(ii) were not in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Group;

(iii) have not been entered into in accordance with the relevant agreements governing the transactions; and

(iv) have exceeded the annual cap as set by the Company.

A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company has confirmed that it has complied with the necessary requirements in respect of the aforesaid continuing connected transaction in accordance with Chapter 14A of the Listing Rules.

Report of the Directors

CONTINGENT LIABILITIES

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date hereof, there is sufficient public float of not less than 25% of the Company's issued shares as required by the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed and approved the Group's annual results for the year ended 31 December 2017 in conjunction with the Company's external auditor prior to the approval of the annual results by the Board. Information on the work of the Audit Committee and its composition are set out in the Corporate Governance Report on pages 13 to 20.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2017 have been audited by CHENG & CHENG LIMITED ("Cheng & Cheng"). Cheng & Cheng was appointed on 2 June 2015 as the independent auditor of the Company to fill the casual vacancy following the resignation of Pan-China (H.K.) CPA Limited on 2 June 2015. Save for the above, there were no other changes in the Company's auditor in the past three years. Cheng & Cheng will retire at the conclusion of the forthcoming AGM and, being eligible, offer itself for re-appointment at the forthcoming AGM. A resolution for re-appointment of Cheng & Cheng as auditor of the Company will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

Gong Qingli
Chief Executive Officer and Executive Director

Hong Kong, 17 March 2018

CHENG & CHENG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
鄭鄭會計師事務所有限公司
10/F., Allied Kajima Building,
138 Gloucester Road, Wanchai, Hong Kong

TO THE SHAREHOLDERS OF PING AN SECURITIES GROUP (HOLDINGS) LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of PING AN SECURITIES GROUP (HOLDINGS) LIMITED (the "Company") and its subsidiaries ("the Group") set out on pages 36 to 118, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Goodwill valuation and impairment

Refer to notes 18 and 19 in the consolidated financial statements

The key audit matter

As at 31 December 2017, the Group had goodwill amounting to HK$725,849,000.

The management of the Company had performed impairment assessment and concluded that there was no impairment loss for these goodwill for the year ended 31 December 2017. The estimation of the recoverable amounts of the asset based on the higher of the value in use and fair value less costs of disposal of the relevant cash generating unit, required significant judgements to be made by the management and involved high level of estimation uncertainty and hence had been identified by us as a key audit matter.

How the matter was addressed in the audit

Our audit procedures included an assessment of management's estimates of the recoverable amounts of the relevant cash generating units ("CGUs") which was determined by the directors of the Company based on the fair value less costs of disposal of cash generating unit to which the goodwill was allocated. We inquired and challenged the key assumptions made by the management which were used as key inputs in the valuations, in particular the applicable price earning ratio, price to book value ratio and the price to revenue ratio used in the valuation of the CGUs. We also checked the sensitivity analysis of the key assumptions performed by the management of the Company.

We evaluated the valuer's competence, capabilities and objectivity.

Valuation of investment properties under development

Refer to note 17 in the consolidated financial statements

The key audit matter

As at 31 December 2017, the Group owned investment properties under development located in Foshan City, the People's Republic of China, with the fair value estimated by the management of the Company of HK$1,128,000,000. The Company had engaged an independent valuer to determine the fair value. Details are set out in note 17 to the consolidated financial statements.

Given that the valuation was significant to the Group and that the fair value estimate itself is subjective, we have identified the valuation of the investment properties as a key audit matter.

How the matter was addressed in the audit

We reviewed the valuation report prepared by the independent valuer engaged by the Company. We discussed with the management of the Company and the valuer the appropriateness of the valuation approach and key assumptions being used in determining the fair value of the investment properties as at 31 December 2017.

We performed site visits to the investment properties accompanied by the management of the Company to assess the stage of completion of and the existence of the investment properties.

We evaluated the valuer's competence, capabilities and objectivity.

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

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on other information that we obtained prior to the date of this auditor's report, 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.

When we read the Management Discussion and Analysis, the Corporate Governance Report and the Report of the Directors, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Auditor Committee.

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional 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.

CHENG & CHENG LIMITED
Certified Public Accountants
Cheng Hong Cheung
Practising Certificate number P01802

Hong Kong

17 March 2018

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	Notes	**2017 HK$'000**	2016 HK$'000
Revenue	7 & 8	**26,774**	51,730
Cost of sales		**–**	(7,245)
Gross profit		**26,774**	44,485
Other income	8	**6,852**	89,005
Distribution costs		**(194,075)**	(4,418)
Administrative expenses		**(74,419)**	(97,579)
Finance costs	9	**(55,680)**	(169,845)
Gains on disposal of investment properties		**–**	4,420
Gain on disposal of intangible asset		**–**	4,234
Gain from changes in fair value of investment properties under development	17	**109,274**	4,260
Loss from changes in fair value of investment properties		**–**	(111,015)
Fair value change on financial assets at fair value through profit or loss		**11,593**	18,730
Fair value change on derivative financial liabilities	31	**36,650**	111,585
Fair value change on contingent consideration		**–**	96,252
Loss on extinguishment of promissory notes		**–**	(34,963)
Property, plant and equipment written off		**(42)**	–
Impairment losses on inventories		**–**	(419)
Share of result of a joint venture		**–**	(47,090)
Gain on disposals of subsidiaries, net	34	**12,259**	59,010
Loss before tax		**(120,814)**	(33,348)
Income tax (expenses) credit	10	**(27,288)**	26,117
Loss for the year	11	**(148,102)**	(7,231)
Loss for the year attributable to:			
– Owners of the Company		**(148,102)**	(7,231)
Loss per share	15		
– Basic and diluted (HK cents)		**(0.78 cent)**	(0.04 cent)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	**2017 HK$'000**	2016 HK$'000
Loss for the year		**(148,102)**	(7,231)
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of financial statements of foreign operations		**63,915**	(77,571)
– Reclassification adjustment on translation reserve released on disposals of subsidiaries	34	**4,762**	(886)
Other comprehensive income (expense) for the year		**68,677**	(78,457)
Total comprehensive expense for the year		**(79,425)**	(85,688)
Total comprehensive expense for the year attributable to:			
– Owners of the Company		**(79,425)**	(85,688)

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

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**1,870**	2,179
Investment properties	17	**1,128,000**	605,000
Goodwill	18	**725,849**	725,330
Intangible assets	20	**324,512**	342,794
Available-for-sale investments	21	**–**	–
Interest in a joint venture	22	**–**	–
Other deposits	23	**273**	248
Financial assets at fair value through profit or loss	25	**–**	63,700
Prepayment and deposit	26	**137,450**	253,006
		2,317,954	1,992,257
CURRENT ASSETS			
Loan receivable	24	**30,000**	–
Financial assets at fair value through profit or loss	25	**75,919**	116
Trade and other receivables	26	**47,904**	38,377
Bank balances and cash – trust accounts	27	**101,560**	192,104
Bank balances and cash – general accounts	27	**88,986**	63,737
		344,369	294,334
CURRENT LIABILITIES			
Trade and other payables	28	**335,020**	267,218
Borrowings – current portion	29	**30,000**	29,806
Tax liabilities		**593**	3,380
Amount due to a director	30(a)	**45,000**	–
Amounts due to related parties	30(b)	**3,883**	69
Derivative financial liabilities	31	**28,400**	11,289
Convertible notes – current portion	31	**–**	152,563
		442,896	464,325
NET CURRENT LIABILITIES		**(98,527)**	(169,991)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,219,427**	1,822,266

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
CAPITAL AND RESERVES			
Share capital	35	**944,752**	944,752
Reserves		**561,226**	640,651
TOTAL EQUITY		**1,505,978**	1,585,403
NON-CURRENT LIABILITIES			
Borrowings – non-current portion	29	**69,547**	68,225
Deferred tax liabilities	32	**133,686**	104,043
Convertible notes – non-current portion	31	**234,994**	64,595
Amount due to a related party	30(b)	**15,000**	–
Prepayment from customers	28	**260,222**	–
		713,449	236,863
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**2,219,427**	1,822,266

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

The consolidated financial statements on pages 36 to 118 were approved and authorised for issue by the board of directors on 17 March 2018 and are signed on its behalf by:

Cheung Kam Fai
Director

Gong Qingli
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company					
	Share capital HK$'000	**Share premium** HK$'000	**Capital redemption reserve** HK$'000	**Translation reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2016	927,973	1,793,072	52	(4,285)	(1,097,531)	1,619,281
Loss for the year	–	–	–	–	(7,231)	(7,231)
Other comprehensive expense for the year	–	–	–	(78,457)	–	(78,457)
Total comprehensive expense for the year	–	–	–	(78,457)	(7,231)	(85,688)
Conversion of convertible notes into shares *(note 31)*	16,779	35,031	–	–	–	51,810
At 31 December 2016 and 1 January 2017	944,752	1,828,103	52	(82,742)	(1,104,762)	1,585,403
Loss for the year	–	–	–	–	(148,102)	(148,102)
Other comprehensive income for the year	–	–	–	68,677	–	68,677
Total comprehensive expense for the year	–	–	–	68,677	(148,102)	(79,425)
At 31 December 2017	944,752	1,828,103	52	(14,065)	(1,252,864)	1,505,978

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(120,814)**	(33,348)
Adjustments for:		
Finance costs	**55,680**	169,845
Interest income	**(501)**	(27,727)
Depreciation for property, plant and equipment	**621**	2,386
Amortisation of intangible assets	**18,282**	19,669
Gain on disposals of subsidiaries, net	**(12,259)**	(59,010)
Property, plant and equipment written off	**42**	–
Gain from changes in fair value of investment properties under development	**(109,274)**	(4,260)
Fair value change of financial assets at fair value through profit or loss	**(11,593)**	(18,730)
Fair value change on derivative financial liabilities	**(36,650)**	(111,585)
Gain on disposal of intangible asset	**–**	(4,234)
Gains on disposal of investment properties	**–**	(4,420)
Loss from changes in fair value of investment properties	**–**	111,015
Fair value change on contingent consideration	**–**	(96,252)
Loss on extinguishment of promissory notes	**–**	34,963
Impairment losses on inventories	**–**	419
Share of result of a joint venture	**–**	47,090
Waiver of amount due to a joint venture	**–**	(49,475)
Operating cash flows before movements in working capital	**(216,466)**	(23,654)
Increase in inventories	**–**	(1,853)
Decrease (increase) in bank balances and cash – trust account	**90,544**	(47,461)
(Increase) decrease in other deposits	**(25)**	25
Increase in trade and other receivables	**(21,632)**	(104,884)
Increase in trade and other payables	**298,060**	53,267
Cash from (used in) operation	**150,481**	(124,560)
Tax paid	**(5,550)**	(12,848)
Net cash from (used in) operating activities	**144,931**	(137,408)

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
INVESTING ACTIVITIES			
Interest received		**134**	27,727
Additions of investment properties		**(120,716)**	(10,667)
Deposit paid for property, plant and equipment		**(49,391)**	–
Loan receivable advanced to a third party		**(30,000)**	–
Purchase of property, plant and equipment		**(601)**	(1,479)
Purchase of financial assets at fair value through profit or loss		**(510)**	(45,481)
Net cash outflow on acquisition of a subsidiary	33	**(436)**	–
Net cash outflows arising on disposals of subsidiaries	34	**(31)**	(26,449)
Proceeds from disposal of intangible asset		**–**	32,296
Decrease in pledged bank balances		**–**	23,143
Proceeds from disposal of investment properties		**–**	13,638
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	497
Payment for available-for-sale investments		**–**	(34,714)
Net cash used in investing activities		**(201,551)**	(21,489)
FINANCING ACTIVITIES			
Net proceeds from the issuance of convertible notes		**200,000**	–
Proceeds from advance from a director		**45,000**	–
New borrowings raised		**30,000**	81,894
Proceeds from (repayment to) related parties		**18,814**	(2,510)
Payments on redemption of convertible notes		**(169,528)**	–
Repayments of borrowings		**(20,000)**	(2,089)
Interest paid		**(12,891)**	(44,864)
Repayment of debenture		**(10,000)**	–
Repayment to a shareholder		**–**	(21,809)
Net cash generated from financing activities		**81,395**	10,622
Net increase (decrease) in cash and cash equivalents		**24,775**	(148,275)
Cash and cash equivalents at 1 January		**63,737**	213,214
Effect of foreign exchange rate changes		**474**	(1,202)
Cash and cash equivalents at 31 December represented by bank balances and cash – general accounts		**88,986**	63,737

1. GENERAL

Ping An Securities Group (Holdings) Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than those subsidiaries established in the People's Republic of China ("PRC") whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its subsidiaries is HK$. The directors of the Company consider that it is more appropriate to present the consolidated financial statements in HK$ as the shares of the Company are listed on the Stock Exchange.

The Company is an investment holding company. The principal activities of the principal subsidiaries are set out in note 40.

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

Amendments to HKFRSs that are mandatory effective for the current year

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

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of the annual improvements to HKFRSs 2014 – 2016 cycle

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

Amendments to HKAS 7, Disclosure initiative

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

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 36. 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 36, the application of these amendments has had no impact on the Group's consolidated financial statements.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and revised HKFRSs in issue but not yet effective

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

HKFRS9	Financial instruments[1]
HKFRS15	Revenue from contracts with customers and the related amendments[1]
HKFRS16	Leases[2]
HKFRS17	Insurance contracts[4]
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration[1]
HK(IFRIC)-Int 23	Uncertainty over income tax treatments[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[1]
Amendments to HKFRS 9	Prepayment features with negative compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 28	Long-term interests in associates and joint ventures[2]
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014-2016 cycle[1]
Amendments to HKAS 40	Transfers of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015-2017 cycle[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

Except for the new and amendments to HKFRSs and interpretations mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 9, Financial instruments

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

Key requirements of HKFRS 9:

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

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

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 9, Financial instruments *(continued)*

For entities with available-for-sale investments and financial assets at amortised cost

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

Classification and measurement

Equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in note 21: these securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the Group plans not to elect the option for designating these securities to be measured at FVTOCI and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of HKFRS 9, the directors consider the carrying amount of available-for-sale investments has been written off to zero. No fair value gains related to these securities, representing the differences between cost less impairment and fair value would be zero.

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

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 could be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on other receivables and loan receivable. Such further impairment recognised under expected credit loss model would increase the opening accumulated losses at 1 January 2018.

HKFRS 15, Revenue from contracts with customers

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

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

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 15, Revenue from contracts with customers *(continued)*

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

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

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

HKFRS 16, Leases

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

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 16, Leases *(continued)*

As at 31 December 2017, the Group has non-cancellable operating lease commitments of approximately HK$1,816,000 as disclosed in note 38. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of approximately HK$274,000 and refundable rental deposits received of nil as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Amendments to HKAS 40, Transfers of investment property

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance (Cap. 622).

BASIS OF PREPARATION

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately HK$148,102,000 during the year ended 31 December 2017 and as of that date, the Group's current liabilities exceeded its current assets by approximately HK$98,527,000.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BASIS OF PREPARATION *(continued)*

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

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

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

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BASIS OF CONSOLIDATION

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

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

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

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

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

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

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

CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES

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

When the Group losses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interest (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, Financial instruments: recognition and measurement or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BUSINESS COMBINATIONS

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

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

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

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

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5, Non-current assets held for sale and discontinued operations are measured in accordance with that standard.

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

GOODWILL

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

GOODWILL *(continued)*

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

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

INVESTMENTS IN A JOINT VENTURE

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

The results, assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5, Non-current assets held for sale and discontinued operations. Any retained portion of an investment in a joint venture that has not been classified as held for sales shall be accounted for using the equity method. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INVESTMENTS IN A JOINT VENTURE *(continued)*

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

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant joint venture.

When a group entity transacts with a joint venture of the Group (such as a sale or contribution of assets), profits or losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

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

Revenue from sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

REVENUE RECOGNITION *(continued)*

Royalty income is recognised on an accrual basis in accordance with the terms of the relevant agreement.

Commission and brokerage income is recorded as income when the trades are executed. Underwriting fee and commission income for securities listed in the Stock Exchange of Hong Kong Limited is recognised when services are rendered.

Divided income from listed investments is recognised when the shareholders' rights to receive payment have been established.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under redevelopment for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under development are capitalised as part of the carrying amount of the investment properties under development.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INTANGIBLE ASSETS

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below). Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

IMPAIRMENT LOSSES ON ASSETS, INCLUDING INVESTMENT IN A JOINT VENTURE

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

LEASING

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease 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 lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

FOREIGN CURRENCIES

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss for the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FOREIGN CURRENCIES *(continued)*

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve (attributed to non-controlling interest as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified in profit or loss.

BORROWING COSTS

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

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

RETIREMENT BENEFIT COSTS

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

TAXATION

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

TAXATION *(continued)*

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

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

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

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

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

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

CASH AND CASH EQUIVALENTS

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

PROVISIONS

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

PROVISIONS *(continued)*

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

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of the subsequent reporting period, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37, Provisions, contingent liabilities and contingent assets and the amount initially recognised less cumulative amortisation recognised in accordance with HKAS 18, Revenue.

FINANCIAL INSTRUMENTS

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

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

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets.

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets (continued)

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the other gains and losses. Fair value is determined in manner described in note 6.

Available-for-sale financial assets

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

Equity and debt securities held by the Group that are classified as available-for-sale financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of available-for-sale debt instruments relating to interest income calculated using the effective interest method are recognised in profit or loss. Other changes in the carrying amount of available- for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified in profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets (continued)

Available-for-sale financial assets *(continued)*

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, loan receivable and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see the accounting policy on impairment loss on financial assets below).

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

Impairment losses on financial assets

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

For an available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its costs is considered to be objective evidence of impairment.

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

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

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, and observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets (continued)

Impairment losses on financial assets *(continued)*

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

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

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

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

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

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial liabilities and equity instruments (continued)

Financial liabilities

The Group's financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or it is those designated at FVTPL on initial recognition.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liability and is included in the 'other gains and losses' line item.

Other financial liabilities

Other financial liabilities (including other payables, borrowings, amount due to a related party, amount due to shareholder, amount due to a joint venture and promissory notes) are subsequently measured at amortised cost using the effective interest method.

Convertible notes

Convertible note issued by the Company that contains both a liability and embedded derivative is classified separately into these respective items on initial recognition. Conversion right that will be settled other than by the exchange of a fixed amount of cash or other financial assets for a fixed number of the Company's shares is conversion right derivative. Redemption right at the option of the Company which is not closely related to the host contract is also embedded derivative. At the date of issue of the convertible note, the embedded derivative is recognised at fair value, the host liability is recognised at the residual amount after deducting the fair value of embedded derivative from the fair value of the convertible note as a whole.

In subsequent periods, the liability component of the convertible note is carried at amortised cost using the effective interest method. The embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Convertible notes (continued)

If the convertible note is converted before maturity date, the respective conversion right derivative in the convertible note, together with the carrying value of the liability component at the time of conversion, are transferred to share capital and share premium as consideration for the shares issued.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of the ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

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 of a parent of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Related parties (continued)

(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) The entity and the Group are joint ventures of the same third party.

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an 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.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The followings are 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.

(i) Useful lives and amortisation of intangible assets

Items of intangible assets are amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives and residue value of the assets at each balance sheet date in order to determine the amount of amortisation expense to be recorded during the year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

(ii) Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at their fair value. The fair value was based on a valuation on these properties conducted by AP Appraisal Limited (formerly known as Hung Association Appraisal And Professional Services Limited) ("AP Appraisal"), a professional independent valuer not connected to the Group, using property valuation techniques which involve making assumptions on certain market conditions and or by reference to combined result of the different property valuation techniques, if necessary. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the gain or loss recognised in the consolidated statement of profit or loss. As at 31 December 2017, the Group's investment properties are stated at fair value of approximately HK$1,128,000,000 (2016: approximately HK$605,000,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(iii) Impairment of intangible assets

Intangible assets are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to impairment loss. The recoverable amount is the value in use. The value-in-use calculation requires the directors of the Company to estimate the future cash flows expected to arise from the relevant cash generating unit and a suitable discount rate is used in order to calculate the present value. As at 31 December 2017, the carrying amount of the Group's intangible assets was approximately HK$324,512,000 (2016: approximately HK$342,794,000).

(iv) Impairment of trade and other receivables

The Group maintains an allowance for estimated loss arising from the inability of its trade and other receivables to make the required payments. The Group makes its estimates based on the history of its client, such as financial difficulties or default payments and current market conditions. If the financial condition of its trade and other receivables was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected. As at 31 December 2017, the carrying amount of the Group's trade and other receivables was approximately HK$185,354,000 (2016: approximately HK$291,383,000).

(v) Income taxes and deferred taxation

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

Deferred tax assets relating to certain temporary differences and tax losses are recognised when the management of the Company determines it is likely that future taxable profits will be available against the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

(vi) Impairment of goodwill

Determining whether the goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and suitable discount rate in order to calculate the present value. The fair value less costs of disposal require management to determine the fair value by taking reference to the valuation report conducted by independent valuer. As at 31 December 2017, the carrying amount of the Group's goodwill was approximately HK$725,849,000 (2016: approximately HK$725,330,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(vii) Fair value of derivatives and other financial instruments

As described in note 31, the directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The carrying amount of the derivative financial liabilities and debt component of convertible notes as at 31 December 2017 is approximately HK$28,400,000 (2016: approximately HK$11,289,000) and approximately HK$234,994,000 (2016: approximately HK$217,158,000) respectively. Details of the assumptions used are disclosed in note 31. The directors believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial instruments.

5. CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern in order to support its business and maximise shareholders' value.

The capital structure of the Group consists of net debt, which included the borrowings, convertible notes, amount due to related parties, amount due to a director, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company consider the cost of the capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

There is no change in the capital risk management policy adopted by the Company during the years ended 31 December 2017 and 31 December 2016.

Ping An Securities Limited ("Ping An"), a wholly-owned subsidiary of the Group, is registered with Securities and Futures Commission ("SFC") for the business it operates in. Ping An is subject to liquid capital requirements under Securities and Futures (Financial Resources) Rules ("SF(FR)R") adopted by the SFC. Under the SF(FR)R, Ping An must maintain their liquid capital in excess of HK$3 million or 5% of their total adjusted liabilities, whichever is the higher. The required information is filed with SFC on a monthly basis.

6. FINANCIAL INSTRUMENTS

(a) CATEGORIES OF FINANCIAL INSTRUMENTS

	2017 HK$'000	2016 HK$'000
Financial assets		
Fair value through profit or loss		
– Listed securities at fair value	54,919	116
– Convertible notes at fair value	21,000	63,700
	75,919	63,816
Loans and receivables at amortised cost		
– Loan receivable	30,000	–
– Trade and other receivables	41,619	28,860
– Bank balances and cash - general accounts	88,986	63,737
– Bank balances and cash - trust accounts	101,560	192,104
	262,165	284,701
	338,084	348,517
Financial liabilities		
Fair value through profit or loss		
– Derivative financial liabilities – embedded conversion option	28,400	11,289
	28,400	11,289
Other financial liabilities at amortised cost		
– Trade payables	127,868	197,351
– Other payables	145,697	64,443
– Borrowings	99,547	98,031
– Amount due to a director	45,000	–
– Amounts due to related parties	18,883	69
– Convertible notes	234,994	217,158
	671,989	577,052
	700,389	588,341

6. FINANCIAL INSTRUMENTS *(continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include loan receivable, trade and other receivables, financial assets at fair value through profit or loss, bank balances and cash, trade payables, other payables, amount due to related parties, amount due to a director, borrowings, convertible notes and derivative financial liabilities. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk, liquidity risk and equity price risk.

The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign currency risk

The functional currency of certain subsidiaries is RMB since part of the revenue of the Group are derived from operations in the PRC. In relation to the fluctuation on RMB against HK$, the Group considers that exchange risk arising from those currencies does not have significant financial impact to the Group. No hedging or other alternatives have been implemented during the year. The Group will consider hedging significant foreign currency exposure should the need arise. Other than the above, the Group did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

As at 31 December 2017, the Group did not have significant monetary assets and monetary liabilities which were denominated in currencies other than the functional currency of the relevant group companies.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate borrowings (see note 29), cash flow interest rate risk in relation to variable- rate bank balances and borrowings at prevailing market rates, and convertible notes (see notes 27, 29 and 31, respectively). The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The directors of the Company consider the Group's exposure of the short-term bank deposits, to interest rate risk is not significant as interest bearing bank balances are within short maturity periods.

Interest rate sensitivity

The sensitivity analysis below is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 25 basis points (2016: 25 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.

As at 31 December 2017 and 2016, the Group has no significant variable-rate bank deposits and borrowing as at the end of reporting period.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

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

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

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 but to a lesser extent. At the end of the reporting period, the Group has a certain degree of concentration of credit risk as 8% (2016: 72%) and 18% (2016: 82%) of the total trade receivables were due from the Group's largest customer and the five largest customers, respectively. However, the directors of the Company consider the credit risk is under control since the management exercise due care in granting credit and check the financial background of these customers on a regular basis.

The credit risk on loan receivable is managed through regular analysis of the ability of borrowers to meet interest and principal repayment obligations. The Group reviews the recoverable amount of loan receivable at the end of the reporting period. The directors of the Company consider that the Group's credit risk is significantly reduced.

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

The Group's concentration of credit risk by geographical locations is in Hong Kong and the PRC, which accounted for all of the Group's trade receivables as at 31 December 2017 and 2016.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

In the management of the liquidity risk, the Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it meets the liquidity requirements in the short and long term.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

As at 31 December 2017

	Weighted average interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flows	Carrying amount
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
AMORTISED COST							
Trade payables	–	127,868	–	–	–	127,868	127,868
Other payables	–	145,697	–	–	–	145,697	145,697
Amount due to a director	–	45,000	–	–	–	45,000	45,000
Amounts due to related parties	–	3,883	15,000	–	–	18,883	18,883
Convertible notes (debt component)	3.46%	–	110,000	215,000	–	325,000	234,994
Borrowings	8.37%	36,643	4,393	79,705	–	120,741	99,547
		359,091	129,393	294,705	–	783,189	671,989

6. FINANCIAL INSTRUMENTS *(continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk (Continued)

As at 31 December 2016

	Weighted average interest rate	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
AMORTISED COST							
Trade payables	–	197,351	–	–	–	197,351	197,351
Other payables	–	64,443	–	–	–	64,443	64,443
Amount due to a related party	–	69	–	–	–	69	69
Convertible notes (debt component)	3.51%	169,528	–	100,000	–	269,528	217,158
Borrowings	5.14%	34,853	4,393	84,098	–	123,344	98,031
		466,244	4,393	184,098	–	654,735	577,052

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

6. FINANCIAL INSTRUMENTS *(continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as financial asset at fair value through profit or loss (note 25) and derivative financial liabilities (note 31). The directors consider that the equity price risk is low because the exposure is limited.

Equity price risk sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. For sensitivity analysis purpose, the sensitivity rate is 10% in current year as a result of the volatile financial market. If the prices of the respective equity underlying the instruments had been 10% (2016: 10%) higher/lower, post-tax loss for the year ended 31 December 2017 would decrease/increase by approximately HK$992,000 (2016: decrease/increase by approximately HK$4,500,000) as a result of the changes in fair value of held-for-trading investments and derivative financial liabilities.

(c) FAIR VALUE

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

The following table gives information about how the fair values of the Group's financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

	Fair values as at 31 December 2017	Fair values as at 31 December 2016	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Listed equity securities classified as financial assets at fair value through profit or loss	Assets – HK$54,919,000	Assets – HK$116,000	Level 1	Quoted bid prices in an active market	N/A
Convertible note classified as financial assets at fair value through profit or loss	Assets – HK$21,000,000	Assets – HK$63,700,000	Level 3	Binomial option pricing model Key inputs are share price, exercise price, option life, risk free rate, volatility, dividend yield and bond yield rate	The estimation of risk free rate has been made with reference to the yields to maturity of respective Hong Kong Exchange Fund Notes as at the valuation date Volatility is the annualised standard deviation of the continuously compounded rates of return on the daily adjusted share price of the Company
Derivative financial instruments	Liabilities – HK$28,400,000	Liabilities – HK$11,289,000	Level 3	Binomial option pricing model Key inputs are share price, exercise price, option life, risk free rate, volatility, bond yield rate and dividend yield	The estimation of risk free rate has been made with reference to the yields to maturity of respective Hong Kong Exchange Fund Notes as at the valuation date Volatility is the annualised standard deviation of the continuously compounded rates of return on the daily adjusted share price of the Company

6. FINANCIAL INSTRUMENTS *(continued)*

(c) FAIR VALUE *(continued)*

There were no transfers between all levels in both years.

Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

	As at 31 December 2017		As at 31 December 2016	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities				
Convertible notes	**234,994**	**232,295**	217,158	219,695

The fair value of the debt component of convertible notes is determined assuming redemption on maturity date and using a 5% interest rate.

Reconciliation of Level 3 fair value measurements of financial assets and liabilities

	Financial asset – convertible notes HK$'000	**Derivative financial liabilities – Embedded conversion option of convertible notes** HK$'000	**Provision for contingent consideration** HK$'000	**Total** HK$'000
At 1 January 2016	–	125,041	202,652	327,693
Additional	(45,000)	–	–	(45,000)
Converted into ordinary shares	–	(2,167)	–	(2,167)
Arising on changes in fair value	(18,700)	(111,585)	(96,252)	(226,537)
Derecognised on disposal of subsidiaries	–	–	(106,400)	(106,400)
At 31 December 2016 and 1 January 2017	(63,700)	11,289	–	(52,411)
Additional	–	53,761	–	53,761
Converted into ordinary shares	40,500	–	–	40,500
Arising on changes in fair value	2,200	(36,650)	–	(34,450)
At 31 December 2017	(21,000)	28,400	–	7,400

6. FINANCIAL INSTRUMENTS *(continued)*

(c) FAIR VALUE *(continued)*

Reconciliation of Level 3 fair value measurements of financial assets and liabilities (continued)

Included in profit or loss for the year were, approximately HK$11,593,000 (gain), HK$36,650,000 (gain) and nil related to financial assets, derivative financial liabilities and provision for contingent consideration (2016: approximately HK$18,730,000 (gain), HK$111,585,000 (gain) and HK$96,252,000 (gain)), respectively.

The significant unobservable input used in the level 3 fair value measurements is the expected volatility of the shares, which range from 42.51% to 62.68% (2016: 53.41% to 154.28%). The fair value measurement is positively correlated to the expected volatility. As at 31 December 2017, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 5% would have increase/decrease the group's loss by approximately HK$5,500,000 (2016: approximately HK$1,983,000).

During the year ended 31 December 2016, the Group has disposed of subsidiaries. The provision of contingent consideration was waived by Mr. Liang Wenguan ("Mr. Liang"), who is the father of Mr. Liang Zhenye, the beneficial owner of Season Trade Limited, the purchaser of the disposed subsidiaries.

7. SEGMENT INFORMATION

The Group's operating segments are determined based on information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performances.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Property leasing	Property leased for rental income
Right to receive royalty fee	Royalty fee related to the royalty right leasing
Trading of goods	Operating of supermarket
Financial services	Securities dealing and financial services
Property development	Development of primarily hotel and commercial properties

SEGMENT REVENUES AND RESULTS

The following is an analysis of the Group's revenue and results by reportable and operating segments.

For the year ended 31 December 2017

	Property leasing HK$'000	**Right to receive royalty fee** HK$'000	**Trading of goods** HK$'000	**Financial services** HK$'000	**Property development** HK$'000	**Total** HK$'000
Revenue	–	–	–	26,774	–	26,774
Segment loss	–	–	–	(741)	(109,368)	(110,109)
Unallocated corporate expenses						(19,775)
Unallocated other income						64,750
Finance costs						(55,680)
Loss before tax						(120,814)

For the year ended 31 December 2016

	Property leasing HK$'000	Right to receive royalty fee HK$'000	Trading of goods HK$'000	Financial services HK$'000	Property development HK$'000	Total HK$'000
Revenue	18,078	–	4,155	29,497	–	51,730
Segment loss	(99,537)	(1,340)	(17,534)	(2,233)	(11,987)	(132,631)
Unallocated corporate expenses						(53,953)
Unallocated other income						370,171
Share of result of a joint venture						(47,090)
Finance costs						(169,845)
Loss before tax						(33,348)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the years ended 31 December 2017 and 31 December 2016.

7. SEGMENT INFORMATION *(continued)*

SEGMENT REVENUES AND RESULTS *(continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit or loss represents the profit or loss from each segment without allocation of central administration costs, directors' emoluments, share of result of a joint venture, interest income, finance costs, gain on disposal of intangible asset, gain on disposal of subsidiaries, fair value change on financial assets at fair value through profit or loss, fair value change on derivative financial liabilities and fair value change on contingent consideration. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

SEGMENT ASSETS AND LIABILITIES

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2017 HK$'000	2016 HK$'000
Segment assets		
Right to receive royalty fee	–	365
Financial services	**1,258,895**	1,349,626
Property development	**1,216,706**	863,967
Total segment assets	**2,475,601**	2,213,958
Unallocated corporate assets	**186,722**	72,633
Total consolidated assets	**2,662,323**	2,286,591
Segment liabilities		
Right to receive royalty fee	**–**	12,466
Financial services	**129,245**	198,026
Property development	**427,270**	30,115
Total segment liabilities	**556,515**	240,607
Unallocated corporate liabilities	**599,830**	460,581
Total consolidated liabilities	**1,156,345**	701,188

For the purposes of monitoring segment performance and allocating resources between segments:

– all assets are allocated to operating segment assets other than certain other receivables, interest in a joint venture, property, plant and equipment of head office and bank balances and cash.

– all liabilities are allocated to operating segment liabilities other than certain other payables, borrowings, tax liabilities, deferred tax liabilities, amounts due to related parties, amount due to a director, derivative financial liabilities and convertible notes.

7. SEGMENT INFORMATION *(continued)*

OTHER SEGMENT INFORMATION

For the year ended 31 December 2017

	Property leasing HK$'000	Right to receive royalty fee HK$'000	Trading of goods HK$'000	Financial services HK$'000	Property development HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment (profit) or loss or segment assets:							
Additions of property, plant and equipment and investment properties	–	–	–	433	342,834	31	343,298
Depreciation of property, plant and equipment	–	–	–	404	61	156	621
Fair value gain on investment properties	–	–	–	–	(109,274)	–	(109,274)
Amortisation of intangible assets	–	–	–	18,282	–	–	18,282
Gain on disposal of subsidiaries	–	–	–	–	–	(12,259)	(12,259)
Amounts regularly provided to the CODM but not included in the measure of segment (profit) or loss or segment assets:							
Interest income	–	–	–	(28)	(106)	(148)	(282)
Convertible note interest income	–	–	–	(219)	–	–	(219)
Fair value change on derivative financial liabilities	–	–	–	–	–	(36,650)	(36,650)
Fair value change on financial assets at fair value through profit or loss	–	–	–	(11,593)	–	–	(11,593)
Interest expenses	–	–	–	–	–	55,680	55,680
Income tax (credit) expenses	–	–	–	(30)	27,318	–	27,288

7. SEGMENT INFORMATION *(continued)*

OTHER SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2016

	Property leasing HK$'000	Right to receive royalty fee HK$'000	Trading of goods HK$'000	Financial services HK$'000	Property development HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment (profit) or loss or segment assets:							
Additions of property, plant and equipment and investment properties	4,861	–	1,375	64	5,826	20	12,146
Depreciation of property, plant and equipment	96	98	1,167	399	64	562	2,386
Impairment losses on inventories	–	–	419	–	–	–	419
Fair value loss (gain) on investment properties	111,015	–	–	–	(4,260)	–	106,755
Amortisation of intangible assets	–	1,387	–	18,282	–	–	19,669
Gains on disposal of investment properties	(4,420)	–	–	–	–	–	(4,420)
Gain on disposal of intangible assets	–	(4,234)	–	–	–	–	(4,234)
Gain on disposal of subsidiaries	–	–	–	–	–	(59,010)	(59,010)
Amounts regularly provided to the CODM but not included in the measure of segment (profit) or loss or segment assets:							
Share of result of a joint venture	–	–	–	–	–	47,090	47,090
Interest income	(22,156)	(4)	(60)	(9)	(3)	–	(22,232)
Other loan interest income	–	–	–	–	–	(995)	(995)
Convertible note interest income	–	–	–	(4,500)	–	–	(4,500)
Fair value change on derivative financial liabilities	–	–	–	–	–	(111,585)	(111,585)
Fair value change on financial assets at fair value through profit or loss	–	–	–	(18,730)	–	–	(18,730)
Interest expenses	40,981	–	–	–	–	128,864	169,845
Income tax (credit) expenses	(27,754)	–	–	572	1,065	–	(26,117)

7. SEGMENT INFORMATION *(continued)*

GEOGRAPHICAL INFORMATION

The Group operates in two principal geographical areas – the PRC (excluding Hong Kong) and Hong Kong (country of domicile).

Information about the Group's revenue from external customers and information about its specified non-current assets which exclude financial instruments are presented based on the geographical location.

The geographic location of customers is based on the country of establishment of each customer. The geographic location of the specified non-current assets is based on the physical location of the assets and the location of the operation to which they are allocated.

	Revenue from external customers		**Specified non-current assets**	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**–**	22,233	**1,216,691**	858,847
Hong Kong	**26,774**	29,497	**1,101,263**	1,069,710
	26,774	51,730	**2,317,954**	1,928,557

INFORMATION ABOUT MAJOR CUSTOMERS

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

	Reportable and operating segment	**2017 HK$'000**	2016 HK$'000
Customer A	Financial services *(Note 1)*	**5,235**	N/A
Customer B	Financial services *(Note 1)*	**3,684**	N/A
Customer C	Financial services *(Note 1)*	**3,014**	N/A
Customer D	Financial services *(Note 1)*	**2,898**	N/A
Customer E	Property leasing *(Note 2)*	**N/A**	18,078

Note 1: The corresponding amount is less than 10% of the total sales for the year ended 31 December 2016

Note 2: No revenue is generated for the year ended 31 December 2017

8. REVENUE AND OTHER INCOME

The Group's revenue from sales of finished goods, rental income from leasing of investment properties, commission and brokerage income and underwriting income for the year is as follows:

	2017	2016
	HK$'000	HK$'000
Revenue		
Rental income	**–**	18,078
Trading of goods	**–**	4,155
Commission and brokerage income	**5,005**	5,596
Interest income from cash and margin clients	**1,526**	1,251
Placing and underwriting commission	**14,593**	22,650
Corporate finance advisory services fee income	**5,650**	–
	26,774	51,730
Other income		
Interest income	**134**	22,232
Other loan interest income	**148**	995
Sundry income	**6,351**	11,803
Waiver of amount due to a joint venture	**–**	49,475
Convertible note interest income	**219**	4,500
	6,852	89,005

9. FINANCE COSTS

	2017	2016
	HK$'000	HK$'000
Interests on:		
– Bank and other borrowings	**6,418**	47,885
– Convertible notes	**49,262**	64,942
– Promissory notes	**–**	57,018
	55,680	169,845

10. INCOME TAX EXPENSES (CREDIT)

	2017 HK$'000	2016 HK$'000
Current tax		
– Hong Kong Profits Tax	**2,973**	3,560
Deferred tax		
– Charge (credit) for the year	**24,315**	(29,677)
Income tax expenses (credit)	**27,288**	(26,117)

Hong Kong Profits Tax is calculated at the rate of 16.5% (2016: 16.5%) of the estimated assessable profit for the year.

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

The tax expenses (credit) for the years can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2017 HK$'000	2016 HK$'000
Loss before tax	**(120,814)**	(33,348)
Tax calculated at a tax rate of 16.5%	**(19,934)**	(5,502)
Effect of different applicable tax rate for operations in Mainland China	**(8,422)**	(7,302)
Tax effect of share of results of a joint venture	**–**	7,770
Tax effect of expenses not deductible for tax purpose	**13,470**	30,204
Tax effect of income not taxable for tax purpose	**(10,043)**	(61,761)
Tax losses not recognised	**52,247**	10,327
Others	**(30)**	147
Income tax expenses (credit) for the year	**27,288**	(26,117)

The Group has tax losses arising in the PRC of approximately HK$234,220,000 (2016: approximately HK$42,278,000). The tax losses arising in the PRC are available for offsetting against future five years' taxable profits of the companies in which the losses arose. No deferred tax asset has been recognised in respect of such unused tax losses due to the unpredictability of future profits streams.

10. INCOME TAX EXPENSES (CREDIT) *(continued)*

As at 31 December 2017, the Group's remaining unrecognised tax losses will expire in the following years:

	2017 HK$'000	2016 HK$'000
2017	**–**	6,095
2018	**–**	8,513
2019	**–**	6,926
2020	**3,830**	6,715
2021	**13,502**	14,029
2022	**216,888**	–
	234,220	42,278

11. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	2017 HK$'000	2016 HK$'000
Staff costs:		
– Directors' emoluments (note 12)	**3,095**	3,602
– Other staff costs:		
– Salaries and other benefits	**11,991**	16,750
– Retirement benefit scheme contributions	**508**	1,798
Total staff costs	**15,594**	22,150
Amortisation of intangible assets	**18,282**	19,669
Depreciation for property, plant and equipment	**621**	2,386
Total depreciation and amortisation	**18,903**	22,055
Commission expenses paid for agents	**137,970**	–
Cost of inventories sold	**–**	3,487
Impairment losses on inventories	**–**	419
Auditor's remuneration		
– audit services	**1,300**	1,200
– other services	**412**	522
Minimum lease payments under operating lease	**2,611**	3,712
Rental income from investment properties (included in revenue)	**–**	(18,078)
Direct operating expenses incurred in respect of investment properties that generated rental income during the year	**–**	5,156
Value added tax expenses	**30,745**	–
Other tax expenses	**23,410**	–

12. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

DIRECTORS' EMOLUMENTS

The emolument paid or payable to each of the 12 (2016: 7) directors of the Company were as follows:

For the year ended 31 December 2017

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary and performance related incentive payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors					
Zhang Guodong *(note (a))*	–	85	–	–	85
Nijssen Victoria *(note (b))*	–	825	–	–	825
Cheung Kam Fai *(note (k))*	–	899	–	18	917
Gong Qingli *(note (c))*	–	125	–	–	125
Lin Hongqiao *(note (d))*	–	310	–	–	310
	–	2,244	–	18	2,262

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

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary and performance related incentive payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Non-executive directors					
Tao Yanyan (Chairman) *(note (e))*	66	–	–	–	66
Guan Huanfei *(note (f))*	66	–	–	–	66
Cui Xintong *(note (g))*	63	–	–	–	63
	195	–	–	–	195

The non-executive director's emoluments shown above was for their services as directors of the Company or its subsidiaries.

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary and performance related incentive payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Independent non-executive directors					
Dong Ansheng *(note (h))*	174	–	–	–	174
Wong Yee Shuen, Wilson *(note (i))*	174	–	–	–	174
Tsang Wah Kwong *(note (m))*	250	–	–	–	250
Dr. Leung Wing Cheung, William *(note (j))*	40	–	–	–	40
	638	–	–	–	638
	833	2,244	–	18	3,095

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

12. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(continued)*

DIRECTORS' EMOLUMENTS *(continued)*

For the year ended 31 December 2016

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary and performance related incentive payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors					
Zhang Guodong *(note (a))*	–	1,020	–	–	1,020
Nijssen Victoria *(note (b))*	–	975	–	–	975
Cheung Kam Fai *(note (k))*	–	847	–	18	865
	–	2,842	–	18	2,860

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

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary and performance related incentive payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Non-executive directors					
Jacobsen William Keith *(note (l))*	143	–	–	–	143
	143	–	–	–	143

The non-executive director's emoluments shown above was for their services as directors of the Company or its subsidiaries.

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary and performance related incentive payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Independent non-executive directors					
Dong Ansheng	190	–	–	–	190
Wong Yee Shuen *(note (i))*	190	–	–	–	190
Tsang Wah Kwong *(note (m))*	219	–	–	–	219
	599	–	–	–	599
	742	2,842	–	18	3,602

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

12. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(continued)*

DIRECTORS' EMOLUMENTS *(continued)*

Notes:

(a) Mr. Zhang Guodong resigned as an executive director of the Company with effect from 12 January 2017.

(b) Mrs. Nijssen Victoria resigned as an executive director of the Company with effect from 1 December 2017.

(c) Mr. Gong Qingli was appointed as an executive director of the Company with effect from 1 December 2017.

(d) Mr. Lin Hongqiao was appointed as an executive director of the Company with effect from 8 September 2017.

(e) Ms. Tao Yanyan was appointed as a non-executive director of the Company with effect from 1 December 2017.

(f) Dr. Guan Huanfei was appointed as a non-executive director of the Company with effect from 1 December 2017.

(g) Ms. Cui Xintong was appointed as a non-executive director of the Company with effect from 8 September 2017 and resigned as a non-executive director with effect from 29 December 2017.

(h) Dr. Dong Ansheng resigned as an independent non-executive director of the Company with effect from 1 December 2017.

(i) Mr. Wong Yee Shuen, Wilson resigned as an independent non-executive director of the Company with effect from 1 December 2017.

(j) Dr. Leung Wing Cheung, William was appointed as an independent non-executive director of the Company with effect from 1 December 2017.

(k) Mr. Cheung Kam Fai was appointed as an executive director of the Company with effect from 23 January 2016.

(l) Mr. Jacobsen William Keith resigned as a non-executive director of the Company with effect from 30 September 2016.

(m) Mr. Tsang Wah Kwong was appointed as an independent non-executive director of the Company with effect from 16 February 2016.

All the fees, salaries and other benefits and retirement benefit scheme contributions were paid or payable by the Company.

None of the directors of the Company waived or agreed to waive any emoluments paid by the Group during the year ended 31 December 2017 (2016: nil). No emoluments have been paid by the Group to the directors of the Company as an inducement to join or upon joining the Group during the two years ended 31 December 2017 (2016: nil) and no compensation for loss of office were paid for both years ended 31 December 2017 (2016: nil).

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, 2 (2016: 3) were directors of the Company whose emoluments are included in the disclosure in note 12 above. The emoluments of the remaining 3 (2016: 2) individuals are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowance and other benefits	**1,885**	1,533
Retirement benefit scheme contributions	**53**	36
	1,938	1,569

Their emoluments were within the following band:

	Number of individuals 2017	2016
Nil to HK$1,000,000	**3**	2

During the year ended 31 December 2017, no emoluments have been paid by the Group to the five highest paid individuals (including directors of the Company and employees) as an inducement to join or upon joining the Group, or as compensation of loss of office (2016: nil).

14. DIVIDENDS

No dividend was paid, declared or proposed during 2017, nor has any dividend been proposed since the end of the reporting period (2016: nil).

15. LOSS PER SHARE

(a) BASIC LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company are based on the following data:

	2017 HK$'000	2016 HK$'000
Loss for the year attributable to the owners of the Company	**148,102**	7,231

	2017 '000	2016 '000
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	**18,895,052**	18,559,469
Effect of shares issued upon conversion of convertible notes	**–**	93,005
Weighted average number of ordinary shares at 31 December	**18,895,052**	18,652,474

(b) DILUTED LOSS PER SHARE

The diluted loss per share for the years ended 31 December 2017 and 31 December 2016 is equivalent to the basic loss per share for both years as the potential shares arising from the conversion of the convertible notes would decrease the loss per share of the Group for both years, and this is regarded as anti-dilutive.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 January 2016	33,245	1,941	7,698	4,214	47,098
Exchange adjustments	–	(23)	(143)	(111)	(277)
Derecognised on disposal of Quick Silver Group	–	–	(7,475)	(1,607)	(9,082)
Derecognised on disposal of Fortune House Group	(33,245)	–	–	–	(33,245)
Written off from disposal	–	–	(140)	–	(140)
Additions	–	–	1,479	–	1,479
At 31 December 2016 and 1 January 2017	–	1,918	1,419	2,496	5,833
Exchange adjustments	–	29	21	44	94
Derecognised on disposal of Fortune Target Group	–	–	(79)	(961)	(1,040)
Written off	–	–	(70)	–	(70)
Additions	–	–	601	–	601
At 31 December 2017	–	1,947	1,892	1,579	5,418

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
DEPRECIATION AND IMPAIRMENT					
At 1 January 2016	5,795	819	2,903	1,918	11,435
Exchange adjustments	–	–	(63)	(51)	(114)
Charge for the year	445	183	1,314	444	2,386
Eliminated upon disposal of Quick Silver Group	–	–	(3,210)	(463)	(3,673)
Eliminated upon disposal of Fortune House Group	(6,240)	–	–	–	(6,240)
Written off from disposal	–	–	(140)	–	(140)
At 31 December 2016 and 1 January 2017	–	1,002	804	1,848	3,654
Exchange adjustments	–	–	9	24	33
Charge for the year	–	183	306	132	621
Eliminated upon disposal of Fortune Target Group	–	–	(78)	(654)	(732)
Written off	–	–	(28)	–	(28)
At 31 December 2017	–	1,185	1,013	1,350	3,548
CARRYING VALUES					
At 31 December 2017	–	762	879	229	1,870
At 31 December 2016	–	916	615	648	2,179

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

–	Leasehold land and buildings	Over the lease terms
–	Leasehold improvements	Over the lease terms of 5 years
–	Furniture and equipment	5-15 years
–	Motor vehicles	4-10 years

17. INVESTMENT PROPERTIES

	Completed investment properties in the PRC HK$'000	Investment properties under development in the PRC HK$'000	Total HK$'000
FAIR VALUE			
As at 1 January 2016	1,750,000	639,000	2,389,000
Additions	4,841	5,826	10,667
Disposals	(9,218)	–	(9,218)
Exchange adjustments	(36,608)	(44,086)	(80,694)
(Decrease) increase in fair value recognised in profit or loss	(111,015)	4,260	(106,755)
Derecognised on disposal of subsidiaries	(1,598,000)	–	(1,598,000)
As at 31 December 2016 and 1 January 2017	–	605,000	605,000
Additions	–	342,697	342,697
Exchange adjustments	–	71,029	71,029
Increase in fair value recognised in profit or loss	–	109,274	109,274
As at 31 December 2017	–	1,128,000	1,128,000

The Group's investment properties as at 31 December 2017 and 2016 were situated in the PRC. As at 31 December 2017, the investment properties held by the Group were located at Foshan City (the "Xiqiao Properties"). The Xiqiao Properties was classified as investment properties under development in the PRC as at 31 December 2017 and 2016.

17. INVESTMENT PROPERTIES *(continued)*

The investment properties under developments comprised a piece of land located in Xiqiao Town, Foshan City, Guangdong Province (the "Properties") and were acquired through the acquisition of a subsidiary on 28 August 2015. The fair value for the Properties as at 31 December 2017 and 2016 had been arrived at on the basis of a valuation carried out by AP Appraisal, a professional independent valuer not connected to the Group. As the Properties were under development, the residual method was adopted by making reference to recent comparable sales transactions as available in the relevant property market (i.e. direct comparison approach) and taking into account the construction costs to reflect the quality of the completed development and developers' margin.

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

Fair value measurement of the Group's investment properties

Independent valuations were performed by the valuer, AP Appraisal, a professional independent valuer not connected to the Group, to determine the fair values of investment properties held by Group as at 31 December 2017 (2016: AP Appraisal). The gains or losses from changes in fair values of the investment properties are included in the profit or loss.

The following table gives information about how the fair values of the Group's investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Carrying value of investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s)	Significant unobservable input(s)	Range of unobservable input(s)	Relationship of unobservable inputs to fair value
At 31 December 2017 Xiqiao Properties HK$1,128,000,000	Level 3	Residue method	Adjusted market price (RMB/Sq.m)	RMB6,600 – RMB18,200	The higher the market price, the higher the fair value
			Budgeted construction cost to be incurred (RMB/Sq.m)	RMB5,253	The higher the budgeted construction cost to be incurred, the lower the fair value
			Anticipated developer's profit margin	15%	The higher the anticipated developer's profit margin, the lower the fair value

17. INVESTMENT PROPERTIES *(continued)*

Fair value measurement of the Group's investment properties (continued)

The Group's policy is to recognise transfers between levels of fair value hierarchy as of the date of the event or change in circumstances that caused the transfer.

During the year ended 31 December 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

Carrying value of investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s)	Significant unobservable input(s)	Range of unobservable input(s)	Relationship of unobservable inputs to fair value
As at 31 December 2016 Xiqiao Properties HK$605,000,000	Level 3	Residue method	Adjusted market price (RMB/Sq.m)	RMB8,800-10,400	The higher the market price, the higher the fair value
			Budgeted construction cost to be incurred (RMB/Sq.m)	RMB4,987	The higher the budgeted construction cost to be incurred, the lower the fair value
			Anticipated developer's profit margin	15%	The higher the anticipated developer's profit margin, the lower the fair value

18. GOODWILL

	2017 HK$'000	2016 HK$'000
COST		
As at 1 January	**725,330**	725,330
Arising from business combination *(note 33)*	**519**	–
As at 31 December	**725,849**	725,330
IMPAIRMENT		
As at 1 January and at 31 December	**–**	–
CARRYING VALUES		
As at 31 December	**725,849**	725,330

Particulars regarding impairment testing on goodwill are disclosed in note 19.

19. IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, goodwill with indefinite useful lives set out in note 18 has been allocated to the cash generating units of – Financial Services (the "CGU-FS") and Insurance Brokerage (the "CGU-IB"). The goodwill arose from the Group's acquisition of Grand Ahead Limited ("Grand Ahead") and its subsidiary in previous year and acquisition of Super Harvest (as defined in note 33) in the current year (see note 33). The principal activities of CGU-FS were securities dealing and financial services, constituting the financial services segment and the principal activity of CGU-IB was insurance brokerage services. After the acquisition of Grand Ahead, the business focus of the Group became securities dealing and financial services, and after the acquisition of Super Harvest, the business focus of the Group also included insurance brokerage services. Accordingly, management of the Company had determined that it was the CGU-FS and CGU-IB that were expected to benefit from the synergies of the acquisitions of Grand Ahead and Super Harvest respectively.

	2017 **HK$'000**	2016 HK$'000
Financial services	**725,330**	725,330
Insurance brokerage services	**519**	–
	725,849	725,330

Financial services segment

During the years ended 31 December 2017 and 2016, the management of the Group determined that there was no impairment of goodwill based on its determination of recoverable amount of the CGU-FS.

The recoverable amount of the CGU-FS has been determined based on its fair value less costs of disposal. The fair value of the CGU-FS as at 31 December 2017 was arrived at on the basis of valuations carried out by AP Appraisal (2016: AP Appraisal), a professional independent valuer not connected to the Group. The CGU-FS was valued using the market comparison method. The market comparison method is based on prices realised or market prices of comparable transactions.

The key assumptions for market approach are those regarding the applicable price earning ratio, price to book value ratio and the price to revenue ratio (the P/E, P/B and P/R ratios respectively) which had made reference to the P/E, P/B and P/R of comparable market transactions.

There are no change in both the valuation method and the key assumptions compared to those applied as at the year ended 31 December 2016.

In the opinion of the directors of the Company, a reasonably possible change in any of the above mentioned key assumptions on which the directors had based their determination of the CGU-FS's fair value would not cause the CGU-FS's carrying amount to exceed its recoverable amount.

The fair value is determined by level 3 of the fair value hierarchy within which the fair value measurement is categorised in its entirety.

Insurance Brokerage

The recoverable amount of CGU-IB was determined based on the value-in-use calculation. This calculation uses cash flow projection which represents what management believes is the best estimate of what CGU-IB is able to achieve in their business life. The directors determined the cash flow projection based on its expectation for market development. The directors believed any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount. Management of the Group determined that no impairment loss was considered necessary for the year ended 31 December 2017 as the result of impairment assessment performed.

20. INTANGIBLE ASSETS

	Trademark HK$'000	License HK$'000	Right to receive royalty fee HK$'000	Total HK$'000
COST				
At 1 January 2016	360,646	5,000	52,544	418,190
Exchange adjustments	–	–	(1,212)	(1,212)
Disposal	–	–	(51,332)	(51,332)
At 31 December 2016 and 31 December 2017	360,646	5,000	–	365,646
AMORTISATION				
At 1 January 2016	4,508	62	22,426	26,996
Charge for the year	18,032	250	1,387	19,669
Exchange adjustments	–	–	(543)	(543)
Disposal	–	–	(23,270)	(23,270)
At 31 December 2016	22,540	312	–	22,852
Charge for the year	18,032	250	–	18,282
At 31 December 2017	40,572	562	–	41,134
CARRYING VALUES				
At 31 December 2017	320,074	4,438	–	324,512
At 31 December 2016	338,106	4,688	–	342,794

One of the intangible assets of the Group represented the right to receive royalty fee acquired from Zhuhai City Guo Xiang Investment and Consultancy Limited, an independent third party, during the year ended 31 December 2009. The Group's right to receive royalty fee lasted for 16 years and would expire on 31 December 2024, at an annual royalty fee of RMB5,000,000 (equivalent to approximately HK$6,098,000) to RMB7,800,000 (equivalent to approximately HK$9,512,000), pursuant to a management agreement.

The intangible asset of right to receive royalty fee had definite useful lives and was amortised over 16 years using the straight-line method.

20. INTANGIBLE ASSETS *(continued)*

On 29 February 2016, the subsidiary of the Group has signed a sales and purchases agreement with an independent third party in relation to the disposal of the intangible assets for the right to receive royalty fee at consideration of RMB28,000,000. The transaction was completed on 30 May 2016.

On 25 September 2015, the Group acquired 100% of Grand Ahead. One of the intangible assets that arose from the acquisition of the subsidiary represented the trademark. The management assessed the trademark to be 20 years useful lives.

Another intangible asset that arose from the acquisition of Grand Ahead represented the licence under Securities and Futures Ordinance, CAP.571, namely Type 1 Dealing in securities, Type 4 Advising on Securities, Type 6 Advising on Corporate Finance and Type 9 Asset Management with the estimated useful life of 20 years allied with the useful life of trademark. The valuation of the intangible assets in amount of approximately HK$5,000,000 at the time of acquisition was carried out by the independent firm of professional valuer, Asset Appraisal Limited.

Trademark and licence have definite useful lives and are amortised over 20 years using the straight-line method.

21. AVAILABLE-FOR-SALE INVESTMENTS

	2017 **HK$'000**	2016 HK$'000
Unlisted equity securities	–	34,500
Less: Impairments	–	(34,500)
	–	–

The amounts represented investments in unlisted equity securities issued by private entities incorporated overseas. They are measured at cost less impairment, if any.

In prior years, the carrying amounts of the investments were written down to nil through the recognition of impairment losses.

One of the unlisted equity securities was derecognised on disposal of Fairyoung (defined in note 34). The remaining unlisted equity securities were written off during the year ended 31 December 2017.

22. INTEREST IN A JOINT VENTURE

	2017 HK$'000	2016 HK$'000
Cost of unlisted investment	**35,000**	35,000
Share of post-acquisition profit or loss	**–**	(35,000)
Disposal	**(35,000)**	–
	–	–

As at 31 December 2016, the Group had interest in the following joint venture:

Name of company	Form of entity	Place of incorporation/ registration	Principal place of operation	Particulars of issued shares held	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Madex (Zhuhai) Limited ("Madex Zhuhai")	Incorporated	British Virgin Island	The PRC	Ordinary share of US$1 each	49% (note (a))	50%	49% (note (a))	Property development and provision of management services

Madex Zhuhai, the only joint venture in which the Group participated, was an unlisted corporate entity for which no quoted market price was available.

On 2 July 2011, Madex Trading Limited ("Madex Trading"), a wholly-owned subsidiary of the Company, entered into a joint venture agreement (the "Joint Venture Agreement") with Grand Ocean Investment Company Limited ("Grand Ocean") for the establishment of Madex Zhuhai.

Note:

(a) Madex Zhuhai was held as to 49% and 51% by Madex Trading and Grand Ocean, respectively. Madex Zhuhai had a paid-up capital of HK$35 million which was contributed solely by Madex Trading in cash. Grand Ocean contributed to Madex Zhuhai by procuring 珠海市保利三好有限公司("保利三好"), a non-wholly owned subsidiary of Grand Ocean, to enter into a management agreement with Madex Zhuhai (the "Management Agreement") dated 2 July 2010 for provision of property management services to 保利三好 and its subsidiary by Madex Zhuhai as well as injection of management skill, marketing and selling strategy.

A supplemental agreement was signed between Madex Trading and Grand Ocean that Grand Ocean can only start to have its 51% sharing on the financial result and net financial position of Madex Zhuhai if the Management Agreement had been commenced. As the Management Agreement had not yet been commenced in 2016, 100% of the financial result and net assets of Madex Zhuhai had been shared by the Group for the year ended 31 December 2016.

22. INTEREST IN A JOINT VENTURE *(continued)*

The summarised financial information in respect of the Group's interest in the joint venture which was accounted for using the equity method is set out below:

	2016 HK$'000
Current assets	4
Current liabilities	(2,392)
Net liabilities	(2,388)
The Group's share of net assets of the joint venture	–

	2016 HK$'000
Total revenue	–
Other income	–
Expenses	(49,478)
Tax	–
Loss after tax and total comprehensive losses	(49,478)
The Group's share of result of the joint venture	(47,090)

During the year 2016, the joint venture had waived the amount advanced to the Group.

On 16 January 2017, the Group disposed of its 49% interest in Madex Zhuhai to Grand Ocean for the consideration of US$1. The carrying amount of interest in a joint venture was shared to zero in previous years. Therefore, this transaction had resulted in the recognition of a gain of US$1 in profit or loss.

23. OTHER DEPOSITS

	2017 **HK$'000**	2016 HK$'000
Statutory and other deposits	**273**	248

Statutory and other deposits represent deposits with various exchanges and clearing houses. They are non-interest bearing.

24. LOAN RECEIVABLE

	2017 HK$'000	2016 HK$'000
Fixed-rate loan receivable - unsecured	**30,000**	–
Analysed as		
Current	**30,000**	–

The Group's fixed-rate loan receivable has remaining contractual maturity date as follows:

	2017 HK$'000	2016 HK$'000
Fixed-rate loan receivable		
Within one year	**30,000**	–

The fixed-rate loan receivable carries interest at 15% per annum. The principal amount of HK$30,000,000 will be receivable on June 2018.

The Group has no recent history of default of borrowers for unsecured loans. The directors of the Company assess that no impairment should be made.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$'000	2016 HK$'000
Equity securities held for trading, at fair value		
– Listed in Hong Kong	**54,919**	116
Convertible notes at fair value, designated as at fair value through profit or loss	**21,000**	63,700
	75,919	63,816
Represented by:		
Non-Current portion	**–**	63,700
Current portion	**75,919**	116
	75,919	63,816

26. TRADE AND OTHER RECEIVABLES

	Notes	2017 HK$'000	2016 HK$'000
Trade receivables from			
– Clearing house and cash clients	(a)	**29,116**	24,375
– Others	(b)	**1,196**	–
Less: Allowances		**–**	–
		30,312	24,375
Other receivables, prepayment and deposit	(c)	**155,042**	267,008
		185,354	291,383
Represented by:			
Non-current portion		**137,450**	253,006
Current portion		**47,904**	38,377
		185,354	291,383

Notes:

(a) Trade receivables – clearing house and cash clients

The settlement terms of trade receivables are two days after trade date.

(b) Trade receivables – others

There is no credit period granted to the trade receivables from underwriting and financial advisory income.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	2017 HK$'000	2016 HK$'000
Within 3 months	**30,312**	24,375
4 to 6 months	**–**	–
Over 6 months	**–**	–
Total	**30,312**	24,375

The Group does not hold any collateral over these balances.

26. TRADE AND OTHER RECEIVABLES *(continued)*

Notes: (continued)

(b) Trade receivables – others *(continued)*

Ageing of trade receivables which are past due but not impaired

	2017	2016
	HK$'000	HK$'000
Overdue by:		
Within 3 months	**1,196**	–
4 to 6 months	**–**	–
Over 6 months	**–**	–
Total	**1,196**	–

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

(c) Other receivables, prepayment and deposit

As at 31 December 2017, the amount of approximately RMB73,442,000 (equivalent to approximately HK$88,059,000) (2016: approximately RMB230,160,000 (equivalent to approximately HK$253,006,000)) classified as non-current asset represents the prepayment of construction costs for the first phase of development of the investment properties for the Xiqiao Properties in the PRC. Pursuant to the construction contract, the development cost of the investment properties is approximately RMB812,000,000 (equivalent to approximately HK$973,621,000). The development of investment properties commenced in the current year.

As at 31 December 2017, the amount of approximately HK$49,391,000 (2016: nil) classified as non-current asset represents the deposit paid for purchase of a bitcoin miner. The asset will be delivered to the Group in the next financial year.

As at 31 December 2017, the amount of approximately HK$11,307,000 (2016: approximately HK$4,485,000) represents other receivables which are stated at amortised cost. The other receivables include advance to an officer for the amount of approximately HK$5,742,000 (originally stated at approximately RMB4,788,000) (2016: approximately HK$1,840,000 (originally stated at approximately RMB1,674,000)) which is for temporary business arrangement. The amounts were fully repaid in March 2018. The management consider no impairment was made on the receivables. The remaining amount of approximately HK$6,285,000 (2016: approximately HK$9,517,000) represents prepayment and non-refundable deposits.

27. BANK BALANCES AND CASH

	Notes	2017 HK$'000	2016 HK$'000
Bank balances and cash – general accounts	(a)	**88,986**	63,737
Bank balances and cash – trust accounts	(b)	**101,560**	192,104
		190,546	255,841

Notes:

(a) At 31 December 2017, the balances that were placed with banks in the PRC amounted to approximately HK$9,542,000 (2016: approximately HK$2,605,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government. Bank balances carry interest at floating rates based on daily bank deposit rates for both years.

(b) The Group maintains segregated accounts with authorised institutions to hold client money in the normal course of business.

28. TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Account payables		
– Clearing house and cash clients	**127,868**	197,351
– Others	**–**	–
Construction cost payables, other payables, accrued charges and others	**201,987**	64,443
Deposits received	**5,165**	5,424
Prepayment from customers	**260,222**	–
	595,242	267,218
Represented by:		
Non-current portion	**260,222**	–
Current portion	**335,020**	267,218
	595,242	267,218

The following is an aged analysis of accounts payable presented based on the invoice date.

	2017 HK$'000	2016 HK$'000
0-60 days	**127,868**	197,351

28. TRADE AND OTHER PAYABLES *(continued)*

As at 31 December 2017, the amount of approximately RMB217,000,000 (equivalent to approximately HK$260,222,000) (2016: nil) classified as non-current liability represents the prepayment received from customers as the Group started signing agreements of pre-leasing the property during the year. As an initial stage promotion policy, lessees have been granted the right to put their pre-leased units back to the Group at initial contract price at 10th anniversary. Therefore, the prepayment from customers was classified as non-current.

As at 31 December 2017, the amount of construction cost payables, other payables, accrued charges and others was approximately HK$201,987,000 (2016: approximately HK$64,443,000). The amount of approximately RMB51,254,000 (equivalent to approximately HK$61,455,000) (2016: nil) classified as other payables under current liabilities represents the prepayment received from customers for decoration of the leasing property upon signing the pre-leasing agreements. The remaining amount of approximately HK$140,532,000 (2016: approximately HK$64,443,000) represents value added tax and other tax payables amounted to approximately HK$56,174,000 (2016: nil), construction payable for the amount of approximately HK$56,812,000 (2016: approximately HK$24,261,000) which is for construction of the Xiqiao Properties and other payables amounted to approximately HK$27,546,000 (2016: approximately HK$40,182,000).

29. BORROWINGS

	Notes	**2017 HK$'000**	2016 HK$'000
Other borrowings			
– unsecured	(a)	**30,000**	20,000
Unsecured debentures	(b)	**69,547**	78,031
		99,547	98,031
The carrying amount is repayable:			
Within one year, or on demand		**30,000**	29,806
More than two years, but not more than five years		**69,547**	68,225
		99,547	98,031
Less: Amount due within one year shown under current liabilities		**(30,000)**	(29,806)
		69,547	68,225

Notes:

(a) Unsecured other borrowings

As at 31 December 2017, the amount represented the Group's unsecured other borrowings granted by Vigo HK Investment Limited ("Vigo HK"), a related company of the Company, which is unsecured, interest charged at 15% per annum and repayable in June 2018.

As at 31 December 2016, the amount represented the Group's unsecured other borrowing granted by Cheung Kam Fai ("Mr. Cheung"), a director of the Company which is unsecured, interest charged at 1% per annum and repayable on demand. The amounts were fully repaid during the year ended 31 December 2017.

(b) Unsecured debentures

As at 31 December 2017 and 2016, the amounts represented the Group's unsecured debentures issued to certain independent third parties which were interest-bearing at fixed rates ranging from 5% to 6% (2016: from 5% to 6%) per annum with 3 to 4 years (2016: with 1 to 5 years) maturity.

30. AMOUNT DUE TO A DIRECTOR AND AMOUNTS DUE TO RELATED PARTIES

(a) Amount due to a director

The amount due to a director represents an advance granted by Mr. Cheung which is unsecured, interest-free and repayable in September 2018.

(b) Amounts due to related parties

The amounts due to related parties as at 31 December 2017 represent advances granted by Mr. Liang, who is the ex-shareholder of the Company, and Mr. Liang Zhenye, who is the son of Mr. Liang, which are unsecured, interest-free and repayable in March 2019 and April 2018 respectively. The amount due to a related party as at 31 December 2016 represented an advance granted by Mr. Liang which was unsecured, interest-free and repayable on demand.

31. CONVERTIBLE NOTES AND DERIVATIVE FINANCIAL INSTRUMENT

On 8 September 2015, the Company issued Hong Kong dollar denominated convertible notes with the aggregate principal amount of HK$242,960,000 (the "2015 CB1"). The 2015 CB1 entitles the holders to convert them into ordinary shares of the Company at any time after the date of issuance of the 2015 CB1 and their maturity date on 7 March 2017, being eighteen months from the date of its issuance, in multiples of HK$100,000 at a conversion price of HK$0.163 per convertible share subject to adjustments in certain events. The shares to be issued and allotted upon conversions shall rank pari passu in all respects among themselves and with all other ordinary shares in issue by the Company on the date of such allotment and issue. If the notes have not been converted, they will be redeemed on 7 March 2017 at a redemption amount equal to 100% of the principal amount of the outstanding convertible notes. Interest of 5% per annum will be paid on the maturity date 7 March 2017. During the year ended 31 December 2016, 2015 CB1 noteholders converted part of the 2015 CB1 into 273,619,630 ordinary shares of HK0.05 each in the Company at the conversion price of HK$0.163 per share. During the year ended 31 December 2017, the remaining outstanding notes were redeemed at a redemption amount equal to 100% of the principal amount of the outstanding convertible notes together with interest, amounting to approximately HK$91,375,000 in aggregate.

On 25 September 2015, the Company issued zero-coupon convertible notes (the "Ping An CB") with a nominal value of approximately HK$100,000,000 as part of the consideration for the acquisition of Grand Ahead and its subsidiaries (the "Grand Ahead Group") from Jayden Wealth Holdings Limited ("Jayden"). The Ping An CB is denominated in Hong Kong dollars. The Ping An CB entitles the holders to convert them into ordinary shares of the Company on any Business Day during a period commencing from the date of this Note and ending on the Maturity Date (both days inclusive), the whole by trenches of at least one-twentieth of the principal amount of the Note into Shares at any time and from time to time at the Conversion Price of HK$0.2 per convertible share subject to adjustments in certain events. The maturity date of Ping An CB is 24 September 2020.

During the years ended 31 December 2017 and 2016, no Ping An CB was converted into share by noteholders.

31. CONVERTIBLE NOTES AND DERIVATIVE FINANCIAL INSTRUMENT *(continued)*

On 20 November 2015, the Company issued Hong Kong dollar denominate convertible notes with the aggregate principal amount of HK$100,100,000 (the "2015 CB2"). The 2015 CB2 entitles the holders to convert them into ordinary shares of the Company at any time after the date of issuance of the 2015 CB2 and their maturity date on 19 May 2017, being eighteen month from the date of its issuance, in multiples of HK$100,000 at a conversion price of HK$0.163 per convertible share subject to adjustments in certain events. The shares to be issued and allotted upon conversions shall rank pari passu in all respects among themselves and with all other ordinary shares in issue by the Company on the date of such allotment and issue. If the notes have not been converted, they will be redeemed on 19 May 2017 at a redemption amount equal to 100% of the principal amount of the outstanding convertible notes. Interest of 5% per annum will be paid on the maturity date 19 May 2017. During the year ended 31 December 2016, 2015 CB2 noteholders converted part of the 2015 CB2 into 61,963,189 ordinary shares of HK0.05 each in the Company at the conversion price of HK$0.163 per share. During the year ended 31 December 2017, the remaining outstanding notes were redeemed at a redemption amount equal to 100% of the principal amount of the outstanding convertible notes together with interest, amounting to approximately HK$78,153,000 in aggregate.

On 27 February 2017, the Company issued Hong Kong dollar denominated convertible notes with the aggregate principal amount of HK$100,000,000 (the "2017 CB1"). The 2017 CB1 entitles the holders to convert them into ordinary shares of the Company at any time after the date of issuance of the 2017 CB1 and their maturity date on 26 February 2019, being two years from the date of its issuance, in multiples of HK$100,000 at a conversion price of HK$0.096 per convertible share subject to adjustments in certain events. The shares to be issued and allotted upon conversions shall rank pari passu in all respects among themselves and with all other ordinary shares in issue by the Company on the date of such allotment and issue. If the notes have not been converted, they will be redeemed on 26 February 2019 at a redemption amount equal to 100% of the principal amount of the outstanding convertible notes. Interest of 5% per annum shall accrue on daily basis on the outstanding principal amount of the bonds and payable on 20 June and 20 December in each year. During the year ended 31 December 2017, no 2017 CB1 was converted into share by noteholders.

On 27 February 2017, the Company also issued another Hong Kong dollar denominated convertible notes with the aggregate principal amount of HK$100,000,000 (the "2017 CB2"). The 2017 CB2 entitles the holders to convert them into ordinary shares of the Company at any time after the date of issuance of the 2017 CB2 and their maturity date on 26 February 2020, being three years from the date of its issuance, in multiples of HK$100,000 at a conversion price of HK$0.096 per convertible share subject to adjustments in certain events. The shares to be issued and allotted upon conversions shall rank pari passu in all respects among themselves and with all other ordinary shares in issue by the Company on the date of such allotment and issue. If the notes have not been converted, they will be redeemed on 26 February 2020 at a redemption amount equal to 100% of the principal amount of the outstanding convertible notes. Interest of 5% per annum shall accrue on daily basis on the outstanding principal amount of the bonds and payable on 20 June and 20 December in each year. During the year ended 31 December 2017, no 2017 CB2 was converted into share by noteholders.

At the date of issuance of the 2017 CB1 and 2017 CB2 and at 31 December 2017, the conversion option component of the 2017 CB1, 2017 CB2, and Ping An CB were valued by the directors of the Company with reference to valuation report issued by AP Appraisal, an independent professional valuer not connected to the Group.

31. CONVERTIBLE NOTES AND DERIVATIVE FINANCIAL INSTRUMENT *(continued)*

The principal amounts of 2017 CB1, 2017 CB2 and the Ping An CB are divided into straight debt component and embedded conversion option on initial recognition. The debt component are recognised in the consolidated statement of financial position as non-current liability for 2017 CB1, 2017 CB2 and Ping An CB as the holders of 2017 CB1, 2017 CB2 and the Ping An CB cannot require the Company to settle the convertible notes before the maturity of the convertible notes. The embedded conversion options are recognised in the consolidated statement of financial position as current liabilities.

At initial recognition, the derivative components of convertible notes were measured at fair value. Subsequently, the debt components are measured at amortised cost. The effective interest rate of the debt component is from 12.42% to 21.25%. Embedded conversion option are measured at fair value with changes in fair value recognised in profit or loss.

The debt component of 2017 CB1, 2017 CB2 and Ping An CB with carrying amount of approximately HK$234,994,000 is classified as non-current liabilities.

The movements of the debt component and derivatives components of the convertible notes for the year are set out as below:

	Debt component HK$'000	**Derivative financial liabilities – Embedded conversion option** HK$'000	**Total** HK$'000
As at 1 January 2016	201,859	125,041	326,900
Interest charge *(note 9)*	64,942	–	64,942
Converted into ordinary shares *(note 35)*	(49,643)	(2,167)	(51,810)
Gain arising on changes of fair value	–	(111,585)	(111,585)
As at 31 December 2016 and 1 January 2017	217,158	11,289	228,447
Issue of convertible notes during the year	146,239	53,761	200,000
Interest charge *(note 9)*	49,262	–	49,262
Interest paid	(8,137)	–	(8,137)
Gain arising on changes of fair value	–	(36,650)	(36,650)
Settlement of convertible notes	(169,528)	–	(169,528)
As at 31 December 2017	234,994	28,400	263,394

As at 31 December 2017, the Company had carrying amounts of approximately HK$234,994,000 (2016: approximately HK$217,158,000) of outstanding Convertible Notes with aggregate principal amounts of HK$300,000,000 (2016: HK$257,700,007). As at 31 December 2017, upon conversion in full of the outstanding Convertible Notes, the Company will issue 2,583,333,334 ordinary shares (2016: 1,467,484,706 ordinary shares) of HK0.05 each in the Company at the conversion price of HK$0.096 to 0.20 per share (2016: HK$0.163 to 0.20 per share).

31. CONVERTIBLE NOTES AND DERIVATIVE FINANCIAL INSTRUMENT *(continued)*

The fair values of the derivative financial assets and liabilities are calculated using the binomial model. The inputs into the model were as follows:

	Ping An CB	2017 CB1	2017 CB2	2015 CB1	2015 CB2
31 December 2017					
Fair value of option	HK$5,000,000	HK$3,300,000	HK$20,100,000	–	–
Share price	HK$0.079	HK$0.079	HK$0.079	–	–
Conversion price	HK$0.20	HK$0.096	HK$0.096	–	–
Expected volatility *(note (a))*	62.68%	42.51%	60.50%	–	–
Expected life *(note (b))*	2.73 years	1.16 years	2.16 years	–	–
Risk free rate *(note (c))*	1.465%	1.098%	1.335%	–	–
31 December 2016					
Fair value of option	HK$8,731,000	–	–	HK$1,428,000	HK$1,130,000
Share price	HK$0.079	–	–	HK$0.079	HK$0.079
Conversion price	HK$0.20	–	–	HK$0.163	HK$0.163
Expected volatility *(note (a))*	65.44%	–	–	154.28%	104.71%
Expected life *(note (b))*	3.73 years	–	–	0.19 years	0.39 years
Risk free rate *(note (c))*	1.538%	–	–	0.612%	0.714%

Notes:

(a) Expected volatility was determined by calculating the historical volatility of the Company's share price.

(b) Expected life was the expected remaining life of the convertible notes.

(c) The risk free rate is determined by reference to the yield of the Hong Kong Exchange Fund Bills and Notes.

32. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Amortisation of intangible assets HK$'000	Total HK$'000
At 1 January 2016	(23)	153,118	59,578	212,673
Derecognised on disposal of subsidiaries	–	(73,636)	–	(73,636)
Charged (credited) to profit or loss	29	(26,689)	(3,017)	(29,677)
Exchange adjustments	–	(5,317)	–	(5,317)
At 31 December 2016 and 1 January 2017	6	47,476	56,561	104,043
Charged (credited) to profit or loss	13	27,319	(3,017)	24,315
Exchange adjustments	–	5,328	–	5,328
At 31 December 2017	19	80,123	53,544	133,686

The deferred tax liabilities for the years ended 31 December 2017 and 2016 are mainly arising from fair value changes on investment properties and amortisation of intangible assets of the Group.

33. BUSINESS COMBINATION

During the year ended 31 December 2017, the Group entered into a sale and purchase agreement and a supplemental agreement with three parties, Mr. Cheung, Wong Ka Chun and Chiu Kin Shing in relation to the acquisition of the entire share capital of Super Harvest Insurance Broker Limited (formerly known as" Tenma Wealth Management Limited") ("Super Harvest"), a company incorporated in the Hong Kong. Super Harvest is principally engaged in insurance broker services in Hong Kong. Mr. Cheung is the director of the Company who owns 30% shares of Super Harvest and the other two parties, Wong Ka Chun and Chiu Kin Shing, are independent third parties who own 50% and 20% shares of Super Harvest respectively. The completion date of the acquisition was 15 December 2017.

Assets acquired and liabilities recognised at the date of acquisition:

	Fair value HK$'000
Cash at bank	65
Other payables	(83)
Net liabilities assumed	(18)
Satisfied by:	
Cash and bank	501
Goodwill	519
Bank balances and cash in a subsidiary acquired	65
Net cash outflow arising from acquisition:	
Bank balances and cash	(436)

As a result of the acquisition, the Group is expected to increase its sources of income for the group in future. Goodwill of approximately HK$519,000 arising from the acquisition is attributable to the workforce and economies of scale expected from operations of the Group and Super Harvest. None of goodwill recognised is expected to be deductible for income tax purposes.

Transaction cost of the acquisition is immaterial.

Included in the loss for the year is HK$18,000 loss attributable to the additional business incurred by Super Harvest. No revenue generated from Super Harvest.

Had the acquisition been completed on 1 January 2017, total group revenue for the year would remain unchanged, and loss for the year would have been HK$148,223,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

34. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2017, the Group had the following disposals of subsidiaries:

The Group entered into a sale and purchase agreement with an independent third party on 16 January 2017 to dispose of the Group's equity interest in Fairyoung Technology Holdings Limited ("Fairyoung"), Primefield Limited ("Primefield") and Upperland Limited ("Upperland") for a consideration of US$1 each (subject to adjustment of any changes in the external debts). The transaction was completed on 16 January 2017.

The Group entered into a sale and purchase agreement with an independent third party on 5 June 2017 to dispose of the Group's equity interest in Fortune Target Limited ("Fortune Target") for a consideration of US$100 (subject to adjustment of any changes in the external debts). The transaction was completed on 5 June 2017.

Disposal of subsidiaries	HK$'000
Gain on disposal of Fairyoung	555
Gain on disposal of Fortune Target	7,821
Gain on disposal of Primefield	23
Gain on disposal of Upperland	3,860
Total gain on disposal of subsidiaries	12,259

Consideration received

	Fairyoung HK$'000	**Fortune Target** HK$'000	**Primefield** HK$'000	**Upperland** HK$'000	**Total** HK$'000
Consideration received in cash and cash equivalents	–*	1	–*	–*	1

Analysis of assets and liabilities over which control was lost

	Fairyoung HK$'000	**Fortune Target** HK$'000	**Primefield** HK$'000	**Upperland** HK$'000	**Total** HK$'000
Property, plant and equipment	–	308	–	–	308
Trade and other receivables	7	1,791	1	–	1,799
Bank balances and cash	–	32	–	–	32
Other payables	(562)	(14,454)	(24)	(3,909)	(18,949)
Taxation	–	(210)	–	–	(210)
	(555)	(12,533)	(23)	(3,909)	(17,020)

34. DISPOSAL OF SUBSIDIARIES *(continued)*

Gain on disposal of subsidiaries

	Fairyoung HK$'000	Fortune Target HK$'000	Primefield HK$'000	Upperland HK$'000	Total HK$'000
Consideration received	–*	1	–*	–*	1
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss in respect of loss of control of subsidiaries	–	4,713	–	49	4,762
Net liabilities disposed of	(555)	(12,533)	(23)	(3,909)	(17,020)
Gain on disposal of subsidiaries	555	7,821	23	3,860	12,259

Net cash outflows arising on disposals of subsidiaries

	Fairyoung HK$'000	Fortune Target HK$'000	Primefield HK$'000	Upperland HK$'000	Total HK$'000
Consideration received in cash and cash equivalents	–*	1	–*	–*	1
Less: bank balances and cash disposed of	–	(32)	–	–	(32)
Net cash outflows arising on disposals of subsidiaries	–	(31)	–	–	(31)

* Consideration received in cash and cash equivalents amounts US$1.

During the year ended 31 December 2016, the Group had the following disposals of subsidiaries:

Pursuant to the Company's announcement on 28 April 2016, the Company and Season Trade Limited ("Purchaser") entered into the disposal agreement on 27 April 2016 (the "Disposal Agreement"), pursuant to which the Company has conditionally agreed to sell, and the Purchaser under each disposal agreement has conditionally agreed to purchase, entire issued share capital in Quick Silver Global Enterprises Limited and Fortune House Worldwide Holdings Limited for a total consideration that is the release of two promissory notes with principal amounts of HK$428,000,000 and HK$400,000,000 respectively (the "Disposals"). The transaction was completed on 18 August 2016.

As the Purchaser is wholly owned by Mr. Liang Zhenye, the son of Mr. Liang who was a substantial shareholder of the issued share capital of the Company as at the date of entering the Disposal Agreement, the Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules and the Disposals constitute connected transactions for the Company.

34. DISPOSAL OF SUBSIDIARIES *(continued)*

Total consideration for disposal of two subsidiaries shall was set off entirely against the Promissory Notes, where the Purchaser should procure Mr. Liang Zhenye to execute a deed of release for the two Promissory Notes in the principal amount of HK$428,000,000 and HK$400,000,000 in favour of the Company upon completion of the disposal agreements.

Total consideration satisfied by

	HK$'000
Promissory note 1 settled by buyer at fair value	392,000
Promissory note 2 settled by buyer at fair value	336,000
Waiver of promissory note accrued interest by buyer	7,387
Total consideration received	735,387

Analysis of assets and liabilities over which control was lost

	Quick Silver Group HK$'000	Fortune House Group HK$'000	Total HK$'000
Properties, plant and equipment	5,409	27,005	32,414
Investment properties	1,598,000	–	1,598,000
Financial asset	34,714	–	34,714
Trade and other receivables	188,318	47	188,365
Inventories	8,312	–	8,312
Loan receivables	347,142	–	347,142
Amount due from related companies	985	–	985
Cash and cash equivalents	26,317	132	26,449
Trade and other payables	(151,405)	(1)	(151,406)
Rental received in advance	–	(140)	(140)
Amount due to related companies	(16)	–	(16)
Amount due to shareholder	(52,357)	–	(52,357)
Secured bank borrowings	(1,162,301)	(12,862)	(1,175,163)
Deferred tax	(73,636)	–	(73,636)
	769,482	14,181	783,663

34. DISPOSAL OF SUBSIDIARIES *(continued)*

Gain on disposal of subsidiaries

	HK$'000
Consideration received	735,387
Cumulative exchange differences in respect of the net assets of the subsidiaries released on loss of control of Quick Silver Group	886
Net asset disposed of	(783,663)
Waiver of contingent consideration by Mr. Liang	106,400
PRC tax provision of Quick Silver Group *(note)*	–
Gain on disposal of Quick Silver Group and Fortune House Group	59,010

Net cash outflow arising on disposals of subsidiaries

	HK$'000
Cash consideration	–
Less: cash and cash equivalents disposed of	(26,449)
Net cash outflow arising on disposals of subsidiaries	(26,449)

Note: According to the disposal agreement, PRC taxation was borne by Purchaser. The management considered that there is no PRC tax required to be provided.

35. SHARE CAPITAL

	2017 No. of share	2017 Per Share HK$	2017 Amount HK$'000	2016 No. of share	2016 Per Share HK$	2016 Amount HK$'000
Authorised						
Ordinary shares of HK$0.05 each	**60,000,000,000**	**0.05**	**3,000,000**	60,000,000,000	0.05	3,000,000
Issued and fully paid						
At 1 January	**18,895,052,012**	**0.05**	**944,752**	18,559,469,193	0.05	927,973
Issue of new shares on conversion of convertible notes *(note a)*	–	–	–	335,582,819	0.05	16,779
At 31 December	**18,895,052,012**	**0.05**	**944,752**	18,895,052,012	0.05	944,752

During the years ended 31 December 2016 and 31 December 2017, the movements of the authorised and issued share capital of the Company are as following:

(a) As disclosed in note 31, total number of 335,582,819 ordinary shares with nominal value of approximately HK$16,779,000 were issued on 5 January, 5 April, 21 June and 9 November 2016 upon the conversion of the 2015 CB1 amounting to approximately HK$13,681,000 and 2015 CB2 amounting to approximately HK$3,098,000 during the year ended 31 December 2016.

The new shares rank pari passu in all respects with the existing shares.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings HK$'000	Amount due to a director HK$'000	Amounts due to related parties HK$'000	Derivative financial liabilities HK$'000	Convertible notes HK$'000	Total HK$'000
At 1 January 2017	98,031	–	69	11,289	217,158	326,547
Changes from financing cash flows	(4,754)	45,000	18,814	53,761	(31,426)	81,395
Interest expenses	6,270	–	–	–	49,262	55,532
Fair value change on derivative financial liabilities	–	–	–	(36,650)	–	(36,650)
At 31 December 2017	99,547	45,000	18,883	28,400	234,994	426,824

37. RELATED PARTY TRANSACTIONS

(a) Except as disclosed elsewhere in the consolidated financial statements, during the years ended 31 December 2017 and 2016, the Group entered into the following transactions with its related parties:

(i) Pursuant to a tenancy agreement entered by New China IQ Limited ("New China"), a wholly owned subsidiary of the Group, and Mai Shunxing (the mother of Nijssen Victoria, a director of the Company, and the spouse of Mr. Liang, a former substantial shareholder of the Company) on 26 January 2016, New China agreed to rent a property owned by Mai Shunxing at a monthly rent of HK$50,000 for the period from 1 January 2016 to 31 December 2017. Upon the disposal of New China as at 18 August 2016, New China had transferred the lease to Ping An Securities Group (Holdings) Limited by signing a new tenancy agreement for the period from 19 August 2016 to 31 December 2016 as at 19 August 2016. During the year ended 31 December 2017, total rent of nil was paid to Mai Shunxing (2016: HK$600,000).

(ii) Pursuant to a tenancy agreement entered into on 1 November 2016 between Winford Asia Pacific Limited ("Winford"), a wholly owned subsidiary of the Group, and New China. Mr. Liang Zhenye, who is the son of a former substantial shareholder of the Company, is the executive director of New China. New China agreed to rent a property owned by New China at a monthly rent of HK$140,000 for the period from 1 September 2016 to 31 December 2018. During the year, that former substantial shareholder of the Company disposed the shares of the Company and the rental payment thereafter ceased to be related party transaction. During the year ended 31 December 2017, total rent of HK$1,120,000 as paid to New China (2016: approximately HK$619,000) was clarified as related transaction.

(iii) Pursuant to a loan agreement entered into on 20 December 2017 between Vigo HK, a related company of the Company, and the Company amounting to HK$30,000,000 The loan granted by Vigo HK is unsecured, interest charged at 15% per annum and repayable in June 2018. During the year ended 31 December 2017, total loan interest of approximately HK$148,000 was accrued (2016: nil).

37. RELATED PARTY TRANSACTIONS *(continued)*

(b) Compensation of directors of the Company and key management personnel of the Company:

Remuneration for key management personnel including amounts paid to the Company's directors as disclosed in note 12 and the highest paid employees as disclosed in note 13 is as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other short-term employee benefits	**4,962**	5,117
Retirement benefit scheme contributions	**71**	54
	5,033	5,171

The remuneration of directors of the Company and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(c) Finance arrangement

	2017 HK$'000	2016 HK$'000
Unsecured other borrowings (note 29(a))	**30,000**	20,000
Amount due to a director (note 30(a))	**45,000**	–
Amounts due to related parties (note 30(b))	**18,883**	69
	93,883	20,069

38. COMMITMENTS

(a) OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 December 2017 and 2016, the Group had total future minimum lease payments under the non-cancellable operating leases falling due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	**1,816**	1,423
In the second to fifth year	**–**	103
	1,816	1,526

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average of 1 to 3 years (2016: 2 to 3 years) and rentals are fixed for average of 1 to 3 years (2016: 2 to 3 years).

(b) CAPITAL COMMITMENTS

	2017 HK$'000	2016 HK$'000
Contracted but not provided for	**890,791**	721,260

39. RETIREMENT BENEFIT SCHEME

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 scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000, contributions to the MPF Scheme vest immediately. Contributions paid or payable to the MPF scheme are charged to the statement of profit or loss.

The employees of the Group's subsidiaries in the PRC are members of a state-sponsored retirement plan organised by the municipal government under the regulations of the PRC and these subsidiaries make mandatory contributions to the state-sponsored retirement plan to fund the employees' retirement benefits. The retirement contributions paid by the PRC subsidiaries are based on a percentage of the eligible employees' salaries and are charged to the statement of profit or loss as incurred. The Group discharges its retirement obligations upon payment of the retirement contributions to the state-sponsored retirement plan organised by the municipal government in the PRC.

The Group does not have any other pension schemes for its employees in respect of the subsidiaries outside Hong Kong and the PRC. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2017 in respect of the retirement of its employees.

The total cost charged to the consolidated statement of profit or loss of approximately HK$508,000 (2016: approximately HK$1,798,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

40. PRINCIPAL SUBSIDIARIES

Particulars of the Group's principal subsidiaries as at 31 December 2017 and 2016 are as follows:

Name	Place of incorporation/ principle place of business	Particular of issued and fully paid capital/ registered capital	Proportion of ownership interest and voting power held by the Company indirectly		Principal activities
			2017	2016	
Ping An Securities Limited	Hong Kong	HK$100,000,000 (ordinary share)	**100%**	100%	Securities dealing and financial services
佛山盛明置業有限公司	PRC	RMB20,000,000 (paid-up registered capital)	**100%**	100%	Property development, property trading and leasing of properties
Ascent Castle Limited	Hong Kong	HK$1 (paid-up registered capital)	**100%**	100%	Investment holding

40. PRINCIPAL SUBSIDIARIES *(continued)*

Name	Place of incorporation/ principle place of business	Particular of issued and fully paid capital/ registered capital	Proportion of ownership interest and voting power held by the Company indirectly 2017	2016	Principal activities
Chain Billion Limited	Hong Kong	HK$1 (paid-up registered capital)	**100%**	100%	Investment holding
D. G. Trading Limited	Hong Kong	HK$2 (paid-up registered capital)	**100%**	100%	Trading
Delicate Gem Limited	BVI	US$1.00 (paid-up registered capital)	**100%**	–	Investment holding
Earnest Wish Limited	BVI	US$1.00 (paid-up registered capital)	**100%**	–	Investment holding
First Pioneer Holdings Limited	BVI	US$1.00 (paid-up registered capital)	**100%**	100%	Investment holding
Grand Ahead Finance Limited	BVI	US$100.00 (paid-up registered capital)	**100%**	100%	Investment holding
Mighty Pinnacle Limited	BVI	US$1.00 (paid-up registered capital)	**100%**	–	Investment holding
Super Harvest Insurance Broker Limited	Hong Kong	HK$300,000 (paid-up registered capital)	**100%**	–	Wealth management
Super Harvest Wealth Management Limited	BVI	US$1.00 (paid-up registered capital)	**100%**	–	Wealth management
Triumph Eternal Limited	BVI	US$1.00 (paid-up registered capital)	**100%**	–	Investment holding
Winford Asia Pacific Limited	Hong Kong	HK$1 (paid-up registered capital)	**100%**	100%	Investment

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2017 HK$'000	2016 HK$'000
Non-current asset			
Interest in subsidiaries		**1,041,671**	1,066,435
Amounts due from subsidiaries	(a)	**907,050**	1,411,136
		1,948,721	2,477,571
Less: Impairment		**(49,083)**	(296,682)
		1,899,638	2,180,889
Current assets			
Loan receivable		**30,000**	–
Prepayment, deposit and other receivables		**1,494**	64
Bank balances and cash		**11,373**	3,391
		42,867	3,455
Current liabilities			
Accruals and other payables		**20,719**	8,574
Amounts due to subsidiaries	(a)	**997**	429,170
Amount due to a related party		**3,883**	–
Amount due to a director		**45,000**	–
Borrowings – current portion		**30,000**	29,806
Convertible notes – current portion		**–**	152,563
Derivative financial liabilities		**28,400**	11,289
		128,999	631,402
Net current liabilities		**(86,132)**	(627,947)
Total assets less current liabilities		**1,813,506**	1,552,942
Capital and reserves			
Share capital		**944,752**	944,752
Reserves	(b)	**549,213**	475,370
Total equity		**1,493,965**	1,420,122
Non-current liabilities			
Borrowings – non current portion		**69,547**	68,225
Convertible notes – non current portion		**234,994**	64,595
Amount due to a related party		**15,000**	–
		319,541	132,820
		1,813,506	1,552,942

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Notes:

(a) AMOUNTS DUE TO/FROM SUBSIDIARIES

The amounts due to/from subsidiaries are unsecured, interest-free and repayable on demand.

(b) RESERVES

	Share premium HK$'000	Contributed surplus reserve HK$'000 *(note)*	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2016	1,793,072	115,419	52	(1,331,506)	577,037
Loss and total comprehensive expense for the year	–	–	–	(136,698)	(136,698)
Converted convertible notes into shares	35,031	–	–	–	35,031
At 31 December 2016 and 1 January 2017	1,828,103	115,419	52	(1,468,204)	475,370
Loss and total comprehensive expense for the year	–	–	–	73,843	73,843
At 31 December 2017	1,828,103	115,419	52	(1,394,361)	549,213

Note: The contributed surplus arose in 1989 as a result of the Group's reorganisation and represented the difference between the nominal value of the Company's shares allotted under the reorganisation scheme and the then consolidated net asset value of the acquired subsidiaries. According to the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances. The Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

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

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

Five Year Financial Summary

The summarised consolidated results, assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, are as set out below:

	2017 **HK$'000**	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
RESULTS					
Revenue	**26,774**	51,730	50,465	33,107	31,881
Loss attributable to owners of the Company	**(148,102)**	(7,231)	(232,007)	(573,620)	(304,086)
ASSETS AND LIABILITIES					
Total assets	**2,662,323**	2,286,591	4,728,286	2,945,096	3,214,469
Total liabilities	**(1,156,345)**	(701,188)	(3,109,005)	(1,992,498)	(1,864,543)
Equity attributable to owners of the Company	**1,505,978**	1,585,403	1,619,281	952,598	1,349,926

Schedule of Investment Properties

Description	Use	Area	Percentage of attributable interest
Lot No. 0414191933, South side of the lot, Qiao Gao Road, Xiqiao Town, Nanhai District, Foshan, Guangdong, The People's Republic of China	Commercial	Gross area – approximately 86,938 sq. metre	100