South China Holdings Company Limited
南華集團控股有限公司

Incorporated in the Cayman Islands with limited liability
Stock Code : 00413

2017
ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Hung Sang (*Chairman*)
Ms. Cheung Choi Ngor
(*Vice Chairman and Chief Executive Officer*)
Mr. Richard Howard Gorges (*Vice Chairman*)
Mr. Ng Yuk Fung Peter (*Executive Vice Chairman*)
Mr. Ng Yuk Yeung Paul (*Executive Vice Chairman*)

Non-executive Directors

Ms. Ng Yuk Mui Jessica
Mr. David Michael Norman
Ms. Li Yuen Yu Alice

Independent Non-executive Directors

Mr. Chiu Sin Chun
Mr. Kam Yiu Shing Tony
Mrs. Tse Wong Siu Yin Elizabeth
Mr. Yip Dicky Peter, J.P.

AUDIT COMMITTEE

Mr. Kam Yiu Shing Tony (*Committee Chairman*)
Mr. Chiu Sin Chun
Mr. David Michael Norman
Mrs. Tse Wong Siu Yin Elizabeth
Mr. Yip Dicky Peter, J.P.

REMUNERATION & NOMINATION COMMITTEE

Mrs. Tse Wong Siu Yin Elizabeth
(*Committee Chairman*)
Mr. Chiu Sin Chun
Mr. David Michael Norman
Ms. Li Yuen Yu Alice
Mr. Yip Dicky Peter, J.P.

COMPANY SECRETARY

Mr. Watt Ka Po James

AUDITORS

KPMG
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
China Construction Bank (Asia) Corporation Limited
Chong Hing Bank Limited
Nanyang Commercial Bank, Limited
The Bank of East Asia, Limited

REGISTERED OFFICE

P. O. Box 31119
Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman, KY1-1205
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

28th Floor, Bank of China Tower
1 Garden Road, Central
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

STOCK CODE

00413

WEBSITE OF THE COMPANY

http://www.scholding.com

Chairman's Statement and Management Discussion and Analysis

I am pleased to report the activities of South China Holdings Company Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2017.

FINANCIAL SUMMARY AND KEY PERFORMANCE INDICATORS

The Group recorded revenue of HK$3.9 billion (2016: HK$3.7 billion) and profit for the year of HK$248.1 million (2016: HK$146.6 million) for the year ended 31 December 2017, representing an increase of 5% and 69%, respectively, as compared to corresponding amounts reported in 2016. Earnings per share attributable to equity holders of the Company for the year was HK1.77 cents (2016: HK1.71 cents). Both revenue and profit for the year are the financial key performance indicators of the Group.

DIVIDENDS

No interim dividend was paid (2016: Nil). The board of the directors of the Company (the "Board") does not recommend the payment of a dividend for the year ended 31 December 2017 (2016: Nil).

BUSINESS REVIEW

The principal businesses of the Group include trading and manufacturing, property investment and development and agriculture and forestry.

Trading and Manufacturing

The trading and manufacturing segment mainly comprises (i) OEM manufacturing of toys products, and (ii) trading of footwear products. The segment recorded a 5% increase in revenue to HK$3.7 billion (2016: HK$3.5 billion) and a 70% decrease in operating profit to HK$91.4 million (2016: HK$308.5 million) for the year ended 31 December 2017.

(i) *OEM toys manufacturing*

The OEM toys operation achieved a record-breaking revenue of HK$3.4 billion, representing a 5% increase compared to last year. The growth was mainly attributable to the ongoing improvement in our provision of one-stop integrated solutions to customers and therefore we have been continuously winning trusts and business from them. Our customers also win as this can be seen with many of our manufactured products being awarded world-acclaimed recognitions and awards such as "Innovation Toy of the Year 2017" at the North American International Toy Fair.

While increasing production, the Group managed to provide high quality on timely delivery of products to our customers throughout the period and this is mainly attributable to the professionalism of our R&D and engineering department in providing continuous modification and technological solutions.

Despite increase in revenue, the operating profit however has been decreased and was mainly attributable to the increasing labor and raw material costs and lower-than-expected efficiency due to significant growth in sales volume in 2017. Therefore, we are currently optimizing our production capability and capacity with new productions in more factory locations. One new factory in Dongguan has kicked off its operation in the first half of 2017, together with the new factory in Guangxi opened last year, to cope with the increase in production and to provide a base with lower labor costs.

(ii) *Trading of footwear products*

During the year ended 31 December 2017, revenue from the footwear trading operations increased by 6% to HK$245.2 million, mainly attributable to increase in sales volume from customers. However, overall results from operations has turned into a loss of HK$7.3 million as compared to a profit of HK$10.8 million in 2016 due to increasing purchase cost, change in product mix and bad debt of HK$11 million provided in current year.

Property Investment and Development

During the year ended 31 December 2017, revenue of the property investment and development segment increased by 7% to HK$195.4 million. The operating profit, which includes fair value gain on investment properties and disposal gain of properties, increased by 160% to HK$515.5 million in the current year. The fair value gain on investment properties has increased by HK$142.4 million compared to year 2016, and the Group has offloaded two properties in Hong Kong which were considered non-core assets with low contribution and have contributed an one-off gain of HK$131.1 million in current year.

Rental income remained stable in the current year and was mainly contributed by the Avenue of Stars ("AOS"), a fur-themed shopping mall with varieties of major fur brands in Shenyang. It has continued to be one of the most reputable and successful fur mall in Liaoning and has a significant share of the fur retail market. Furthermore, our rental portfolio in Tianjin also reported an increase in rental income during the year. The growth came primarily from the commercialization of our Tianjin industrial properties. Income derived from our Nanjing portfolio remained stable during the year.

In addition to our existing rental portfolios, we continue to focus on and develop our property project in Shenyang. The project, located on the very eastern part of the most robust pedestrian street of the North-East known as Zhongjie (中街) of Dadong district, is named the Central Square. The project is also situated right above line 1 of the mass transit railway and will also be potentially intersected with line 6 which is to be constructed within the next few years.

The project involves a total Gross Floor Area ("GFA") of over 500,000 square metres and is a mixed use project with a heavy emphasis on city living and convenience to the residents of the project. The first phase of the Central Square with an approximate saleable GFA of 140,000 square metres, comprises two residential towers, one serviced apartment tower and a retail podium. The construction work of underground space, commercial podium and the sales office were completed in 2016; the construction work of residential and serviced apartment towers are well underway and in the process of completion as scheduled. Meanwhile, over 70% of pre-sale of one residential tower and the serviced apartment tower have been sold; it is expected that we will launch our selling of approximately 1,500 units in coming years. With its prime location situated right above a mass transit railway line and potential intersection with another one, together with a robust pedestrian street, it is envisioned that the Central Square will become a must-go place for retailers, consumers and local residents.

In the second half of 2017, the Group has also acquired another piece of land and industrial buildings at Nanjing with a GFA of over 18,000 square metres. We are in the process of implementing commercialization strategy with this land for providing contributions to the Group in near future.

Agriculture and Forestry

Revenue and operating loss from the agriculture and forestry segment was HK$14.3 million and HK$48.5 million in 2017, representing decrease by 28% and 38% as compared to 2016, respectively. The bearer plants balance decreased from HK$69.9 million in 2016 to HK$63.5 million in 2017; in terms of Renminbi, the functional currency of the relevant subsidiaries, the bearer plants balance decreased by about 15%. The decrease was mainly due to the combined effect of write-off and depreciation of bearer plants, offset by exchange realignment derived from RMB appreciation.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had a current ratio of 1.9 and a gearing ratio of 42.0% (31 December 2016: 1.5 and 40.7%, respectively). The gearing ratio is computed by dividing the Group's total long-term bank borrowings of HK$2.6 billion by the Group's equity of HK$6.1 billion. The Group's operation and investments continued to be financed by internal resources and bank borrowings.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group operates in Hong Kong and Mainland China, and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Renminbi and United States dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations in Mainland China. The Group manages foreign exchange risk by closely monitoring the movements of the foreign currency rates and enters into forward contracts whenever appropriate.

CAPITAL STRUCTURE

Except for the issue of bonus shares and the redemption of the redeemable convertible preference shares as detailed in note 38 to the financial statements, there was no material change in the Group's capital structure.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 3 July, 2017, Nanjing Second Compressor Company Limited (南京第二壓縮機有限公司) (the "Transferee"), an indirect wholly-owned subsidiary of the Company, entered into the equity transfer agreement with Ingersoll-Rand (China) Investment Company Limited (英格索蘭(中國)投資有限公司) (the "Transferor") for the acquisition of all the remaining interests in 南京南英置業有限公司 (formerly known as Nanjing Ingersoll-Rand Compressor Co., Ltd. (南京英格索蘭壓縮機有限公司)), an associate of the Company held by the Transferor at a total consideration of RMB44.4 million. The acquisition has been completed on 11 August 2017.

An indirectly 70%-owned subsidiary of the Company had entered into a sale and purchase agreement with an independent third party for the disposal of the entire issued capital of its directly wholly-owned subsidiary together with the sale loan at the total consideration of HK$102 million. The disposed subsidiary held an investment property in Hong Kong and the disposal had been completed on 24 November 2017.

Another indirectly wholly owned subsidiary of the Company entered into a sale and purchase agreement for the disposal of its investment property in Hong Kong with an independent third party at the consideration of HK$112 million which had completed on 20 December 2017.

Saved as disclosed in the above, there was no material acquisition or disposal of any subsidiary or associated company during the year.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

Except for the above section headed "Material Acquisitions and Disposals of Subsidiaries and Associated Companies", the related mortgages of the disposed properties as mentioned were released upon completion, there was no material change in the Group's pledge of assets and contingent liabilities.

EMPLOYEES

As at 31 December 2017, the total number of employees of the Group was approximately 17,955 (2016: approximately 17,300). Employees' costs (including directors' emoluments) amounted to approximately HK$1,493 million for the year ended 31 December 2017 (2016: approximately HK$1,329 million).

In addition to salary, other fringe benefits such as medical subsidies, provident fund and subsidized training programs are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on his/her performance. Employees may also be granted share options and share awards under the share option scheme and the employee's share award scheme adopted by the Company. Details of the share option scheme and the share award scheme are set out in notes 39 and 38 to the financial statements respectively.

PROSPECTS

Going forward, the coming year will be another challenging year given the dynamic changes in the macroeconomic environment worldwide. Despite the challenges, management believes that there will still be growth opportunities for our businesses and projects in China in the long run. Management will continue to drive revenues while at the same time be cost conscious to generate returns and create value for our shareholders.

Trading and Manufacturing

OEM toys manufacturing

The Group will continue its effort to fine tune its pricing strategy in response to increasing labor and raw materials costs, expand product range and enlarge customer base with a continuous focus on better efficiency, cost control, time to market production and providing our one-stop integrated solutions and services to customers.

We will focus in consolidating our existing orders, rather than pursuing tremendous growth in revenue which we have achieved in last few years. We will keep up the successful accomplishment on production of toy robots, drone and sensing device through wifi, blue tooth and other mediums. Meanwhile, we will continue to explore the possibility on producing new products from our existing toy categories.

The Group has traditionally invested heavily in the R&D and engineering department and will increase its capital investment into developing new technology and manufacturing advances to meet the increasingly complicated requirements of high-tech toys from our clients. We have set up the Wah Shing Academy to provide continuous education, collaboration of know-how and to further emphasise lean manufacturing. Management will seek to expand research departments and collaborations with various academic institutions in China to further increase its competitiveness and expertise in this field. We will also get our Wah Shing Academy accreditation with various reputable institutions.

Furthermore, the Group will further expand its production capacity in addition to the new factories in Guangxi and Dongguan opened in 2016 and 2017, and has identified a few suitable existing plants to support our business growth in future.

Management holds positive view on the revenue growth in 2018 while at the same time continue to be cost conscious in improving operation efficiency and hence our service to clients.

Property Investment and Development

Property Investments

The Group has a property investment portfolio with total floor area of approximately 580,000 square metres in Mainland China and 280,000 square feet (approximately 26,000 square metres) in Hong Kong. The investment properties in China are mostly in prime locations in Nanjing, Shenyang and Tianjin.

With the management team effort, the occupancy rates of AOS have improved and management team will continue to increase the pedestrian flow so as to further increase its rental contribution in the future. We will continue to market AOS as the leading fur mall in Northern China and will build upon the significant market share that we have managed to capture over the last few years.

Nanjing and Tianjin rental portfolio is expected to have an upside in 2018 onwards as we are in progress of implementing our commercialization strategy across the portfolio.

Meanwhile, the Group will actively consider offloading non-core low-contribution investment properties in Hong Kong and the PRC in order to reallocate resources to more promising investment properties or land banks.

Property Development

The construction work of the first phase of the Central Square in the Southern part of our Dadong site in Shenyang is well underway and in the process of completion as scheduled. With its prime location situated right above the intersection of two mass transit railways lines and a robust Zhongjie pedestrian street, the Central Square will become a prime shopping and residential area in Shenyang with a mix of trendy restaurants, boutiques, department stores, shopping malls and hotels. Management is cautiously optimistic on the contributions from the project in 2018 onwards.

The second phase of the Central Square in the Northern part of Dadong site, which is directly opposite from the pedestrian street to the above, is still in the process of re-settlement of non-residential units. It is also a mixed development project, and the positioning will be thematically in line with the South, with a slightly higher class distinction.

Our land bank in the Tianjin Wuqing district which was acquired previously provides us with a potential site area of over 200,000 square metres, with approximately 88,000 square metres have paid the land premium and the project is progressing under the planning stage. In light of the Tianjin government's plan to develop the Wuqing district into a university zone (京津冀協同發展國家大學創新園區) which is nearby our development site, we are cautiously optimistic to its future contributions.

Nanjing and Tianjin industrial land use conversion to commercial will continue to be our area of focus. Our property development team and track record will be a major contribution for us to fully benefit from successful future conversions.

Agriculture and Forestry

The Group currently has long-term leases of over 540,000 mu (approximate to 333 million square metres) of woodland, farmland, fishpond and lake space in various major provinces in China, and is focusing on the plantation of fruits and crops, such as apple, winter date, peach, pear and corn, and breeding of livestock, such as pig, for sale. The Group will continue to explore plantation opportunities for high profit margin species and focus on improving the sales distribution channels so as to improve the revenue and also the operating results of the segment.

Management will continue their effort in cost control and efficient resource utilisation with a view to containing costs.

PRINCIPAL RISKS AND UNCERTAINTIES

The following section lists out the key risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties additional to the key risk areas outlined below.

Risks relating to Trading and Manufacturing

Macroeconomic environment

The Group designs and manufactures a wide variety of toys, shoes and other leather products. Our customers sell such products worldwide to the end customers. The Group's financial performance, therefore, hinges on the level of discretionary consumer spending in the markets in which our products are eventually sold. Recessions, credit crises and other economic downturns can result in less consumer disposable income and lower consumer confidence. These factors can reduce orders from our customers.

Cost increase

Cost increases, whether resulting from rising costs of materials, transportation, minimum wage legislations in Mainland or compliance with existing or future regulatory requirements could impact the profit margins realised by the Group on the sale of its products. In addition, the Group could be the subject of future product liability suits or product recalls, which could harm our business.

Risks relating to Property Investment and Development

Risks associated with the property market in Mainland China

A significant part of the Group's property portfolio is located in Mainland China and is therefore subject to the risks associated with China's property market. The Group's operations in Mainland China may also be exposed to the risks of policy change, RMB exchange rate change, interest rate change, demand-supply imbalance, and the overall economic conditions, which may pose an adverse impact on the Group's business, financial condition or results of operations.

Risks associated with the property market in Hong Kong

The state of Hong Kong's economy and property market, legislative and regulatory changes, government policies and political conditions also have an effect on the Group's revenue derived from the Group's property portfolio in Hong Kong. The government may introduce property cooling measures from time to time. Rental levels in Hong Kong are subject to competition arising from supply in the primary sector.

Risks relating to Agriculture and Forestry

Risk associated with natural disasters or adverse weather conditions

The Group's agriculture and forestry operations are susceptible to natural disasters and adverse weather conditions such as droughts, floods and earthquakes, and environmental hazards. The occurrence of any of the above events in or in close proximity to our cultivation area may cause a reduction or delay in our production output, which may adversely affect the Group's business and operating performance.

The Group will conduct regular reviews and focus on mitigating the risks exposure of each business unit.

UPDATE ON LITIGATION PROCEEDINGS

(i) Against Nanjing Skytech Co., Limited and Others

Infringement of copyrights case

Reference is made to the announcement made by the Company dated 5 December 2016 in relation to the litigation in the People's Republic of China ("PRC") concerning infringement of copyrights of certain computer softwares that belong to Nanjing South China Skytech Technology Co., Limited (南京南華擎天資訊科技有限公司) ("South China Skytech").

On 31 January 2000, Janful Limited, an indirect wholly-owned subsidiary of the Company, and Nanjing Skytech Co., Limited (南京擎天科技有限公司) ("Nanjing Skytech") entered into a joint venture agreement to set up South China Skytech to engage, mainly, in software development, research, sales and after-sales service, system integration and other related electronic business.

In or about 2003, business of South China Skytech further deteriorated and suffered serious loss. Upon investigations, it was found that Nanjing Skytech illegally transferred all the computer softwares belonging to South China Skytech ("Computer Softwares") for its own use and registered the ownership of the copyrights of the Computer Softwares under its own name or under the name of Nanjing Skytech Software Technology Co., Limited 南京擎天軟件科技有限公司 ("Skytech Software"), rendering South China Skytech unable to continue its business. On the other hand, the assets and profits of Nanjing Skytech continued to increase and eventually Sinosoft Technology Group Limited 中國擎天軟件科技集團有限公司 ("Sinosoft"), the parent company of Nanjing Skytech, was listed on the Stock Exchange of Hong Kong in 2013 (stock code: 1297).

South China Skytech commenced legal proceedings in Jiangsu High People's Court ("Jiangsu High Court") against, inter alia, Nanjing Skytech seeking the Jiangsu High Court to determine that the ownership of the copyrights of a total of 31 Computer Softwares do belong to South China Skytech; and that Nanjing Skytech do pay South China Skytech damages in the sum of RMB210.4 million (to be assessed) for infringement of copyrights.

On 28 November 2016, the Jiangsu High Court delivered its first instance judgment on the Computer Softwares copyrights ownership. The Jiangsu High Court determined that during the period from March 2000 to March 2003, Nanjing Skytech basically had no employees. Not only that, before 2002, Nanjing Skytech had no fixed assets and therefore it did not have the necessary means to develop the Computer Softwares. The development of the Computer Softwares was mainly relied on South China Skytech's manpower and physical technology capability. The Jiangsu High Court also determined that Nanjing Skytech and Skytech Software had exploited South China Skytech's physical technology capability to develop the Computer Softwares and registered the ownership of the copyrights of the Computer Softwares under their respective names. Such actions did not comply with the basic principles of copyright laws. The ownership of the copyrights of a total of 13 Computer Softwares was held belong to South China Skytech.

The Company wishes to give an update that all parties in the said infringement of copyrights case have appealed to the Supreme People's Court of China. Subsequent to the registration of the case by the Supreme People's Court of China, the first hearing was held on 19 October 2017, and the case is in the proceedings of second instance trial.

The Company considers that Nanjing Skytech was in fact an empty shell company, basically with no employees, no office base and no capital. It had no means whatsoever to develop any computer software. Therefore, the Company considers that the remaining 18 Computer Softwares were also developed using the manpower and physical technology capabilities of South China Skytech and therefore the ownership of the copyrights of the remaining 18 Computer Softwares should also belong to South China Skytech. The Company will explore every possible course of action to claim for the ownership of the remaining 18 Computer Softwares.

In addition, it is noted that Sinosoft had disclosed in its prospectus dated 27 June 2013 of its alleged ownership of certain computer softwares. The Company considers that most of these computer softwares were also subsequently developed from the Computer Softwares belonging to South China Skytech. The Company will explore every possible course of action to claim against Nanjing Skytech and/or Sinosoft for infringement of copyrights by these computer softwares and to seek an injunction prohibiting Nanjing Skytech and/or Sinosoft to continue to sell and/or use these computer softwares.

Breach of non-competition obligation under PRC Company Law case

Reference is made to the announcement of the Company dated 20 July 2016 in relation to the final judgment made by the Jiangsu High Court against Nanjing Skytech, Ms. Xin Yingmei, Mr. Wang Xiaogang and Mr. Zhang Hong (the "Defendants") who had breached the non-competition obligation under PRC Company Law and were liable to pay all the gain therefrom to South China Skytech as follows:

1. Ms. Xin Yingmei, Mr. Wang Xiaogang, Mr. Zhang Hong and Nanjing Skytech shall pay RMB22,533,377.09 to South China Skytech;

2. Ms. Xin Yingmei shall pay RMB4,392,329.95 to South China Skytech. Mr. Wang Xiaogang, Mr. Zhang Hong and Nanjing Skytech shall be jointly liable to the payment;

3. Mr. Wang Xiaogang shall pay RMB691,859.56 to South China Skytech. Ms. Xin Yingmei, Mr. Zhang Hong and Nanjing Skytech shall be jointly liable to the payment; and

4. Mr. Zhang Hong shall pay RMB288,274.85 to South China Skytech. Ms. Xin Yingmei, Mr. Wang Xiaogang and Nanjing Skytech shall be jointly liable to the payment.

The Jiangsu Immediate People's Court had frozen a bank account held by Nanjing Skytech with a total sum of approximately RMB28 million in February 2017.

(ii) Development right of a piece of land situate at Tianjin Binhai New District

In April 1993, World Right Investments Limited (環威投資有限公司) ("World Right"), an indirect wholly-owned subsidiary of the Company, and Tianjin Tanggu Property Development Company Limited (天津塘沽房地產開發股份有限公司)(currently known as Binhai Investment Group Holding Company Limited (濱海投資集團股份有限公司) ("Binhai Investment Group")) formed a joint venture company in PRC known as Tianjin South China Property Development Company Limited (天津南華房地產開發有限公司)("South China Property"). World Right holds 51% equity interest in South China Property.

In June 1993, World Right and Binhai Investment Group entered into a joint development agreement (the "Development Agreement"). It was agreed under the Development Agreement, inter alia, that World Right and Binhai Investment Group shall jointly develop a piece of land situate at Tianjin Binhai New District with an area about 5 hundred thousand square metres (the "5 Hundred Thousand Square Metres Land") and World Right shall pay RMB10.4 million in cash to increase the capital investment in South China Property. World Right duly paid the capital investment of RMB10.4 million which had been used for paying land formation work of the 5 Hundred Thousand Square Metres Land. However, Binhai Investment Group refused to perform the Development Agreement and refused to recognize that the development right of the 5 Hundred Thousand Square Metres Land shall be jointly owned by World Right and Binhai Investment Group. In 2013, World Right commenced legal proceedings in Tianjin High People's Court ("Tianjin High Court") against Binhai Investment Group claiming for specific performance of the Development Agreement.

In December 2015, the Tianjin High Court overruled World Right's claim. World Right appealed to the Supreme People's Court of China. In September 2016, the Supreme People's Court of China determined that the Tianjin High Court had failed to investigate the status of the registration of the land use right and the status of the development right of the 5 Hundred Thousand Square Metres Land, but confirmed that Tianjin Cheng Tou Binhai Property Company Limited (天津城投濱海房地產經營有限公司), who is not a party to the litigation case, shall have the land use right of the 5 Hundred Thousand Square Metres Land. Under such circumstances, the Supreme People's Court of China held that there were insufficient evidence to reject World Right's claim for specific performance and ordered a retrial of the case at the Tianjin High Court.

In March 2017, a collegial panel has been formed by the Tianjin High Court for retrialing the case which is in the proceedings of the first instance trial.

In addition, World Right and South China Property had instituted a series of administrative litigations against relevant government authorities. In November 2016, the Tianjin High Court ordered retrial of an administrative litigation case concerning registration of the 5 Hundred Thousand Square Metres Land. On 8 November 2017, Binhai New District People's Court overruled South China Property's claim at the first instance trial. South China Property did not agree to the ruling and proceeded its appeal which is in the proceedings of the second instance trial at The Secondary Intermediate People's Court of Tianjin. In April 2017, the Tianjin High Court ordered retrial of another 5 administrative litigations concerning mistaken issue/revocation of the land use right certificates, amongst which, the first retrial of three of the five litigations started on 7 December 2017 and 15 December 2017 at the Binhai New District People's Court.

Subject to inherent uncertainties of litigations, in the event of favourable outcome of the litigation cases, it is expected that World Right and/or South China Property may restore the joint development right of certain area of land in Tianjin Binhai.

In or about July 2017, the relevant Tianjin government department ordered to stop the construction works of a real estate development situated on portion of the 5 Hundred Thousand Square Metres Land ("the said Real Estate Development") for the reason that the necessary construction permit for the said Real Estate Development has not been issued, and to pay administrative fine. According to information obtained from investigation, Tianjin Sino Ocean Hua Zi Zhi Ye Company Limited ("Sino Ocean Hua Zi"), an indirect subsidiary of Sino-Ocean Group Holding Limited (stock code: 3377) acted as the developer of the said Real Estate Development. However, according to evidence produced at the litigation proceedings held at the Tianjin High Court, Sino Ocean Hua Zi does not have the land use right certificate regarding the said Real Estate Development. On the face of the evidence available, the obtaining of the development right by Sino Ocean Hua Zi was in breach of the applicable PRC laws. According to Article 39 of the Urban Real Estate Administration Law of the People's Republic of China, 25 percent or more of the total investment shall have been spent on the housing development project before transferring the land use right. Since the necessary construction permit for the said Real Estate Development has not been issued, it is highly probable that the total investment in the said Real Estate Development has not met the said requirement. World Right will explore every possible course of action to protect its rights under the Development Agreement.

ENVIRONMENTAL POLICIES

We are committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving electricity and encouraging recycle of office supplies and other materials. We also require our PRC establishments to operate in strict compliance with the relevant environmental regulations and rules and possess all necessary permission and approval from the relevant Chinese regulators.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, which have significant impact on the Group. Updates on the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees

Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees. The Group has also adopted share option schemes and share award scheme to recognize and reward the contribution of the employees to the growth and development of the Group.

Customers

The Group has the mission to provide excellent customer service whilst maintaining long term profitability, business and asset growth. Various means have been established to strengthen the communications between the customers and the Group in the provision of excellent customer service towards market penetration and expansion.

Service vendors

Sound relationships with key service vendors of the Group are important in supply chain, premises management and meeting business challenges and regulatory requirements, which can derive cost effectiveness and foster long term business benefits. The key service vendors comprise system and equipment vendors, external consultants which provide professional services, suppliers of office goods/ merchandise and other business partners which provide value-added services to the Group.

Shareholders

One of the corporate goals of the Group is to enhance corporate value to shareholders. The Group is poised to foster business developments for achieving the sustainability of earnings growth and rewarding shareholders taking into account capital adequacy levels, liquidity positions and business expansion needs of the Group.

APPRECIATION

On behalf of the Board, I wish to express my gratitude to our customers and shareholders for their continued support and all our staff members for their hard work and dedicated services.

Ng Hung Sang
Chairman

Hong Kong, 23 March 2018

Directors' Biographical Details

EXECUTIVE DIRECTORS

Mr. Ng Hung Sang, aged 68, is an Executive Director, the Chairman and a member of the Executive Committee of the Company. He is actively involved in the overall corporate policies, strategic planning and business development of the Group. He is also an executive director and the chairman of South China Financial Holdings Limited, being listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and South China Assets Holdings Limited, being listed on the Growth Enterprise Market of the Stock Exchange. He holds a Master degree in Marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. He was appointed as a Director of the Company on 24 June 1992. He is the father of Ms. Ng Yuk Mui Jessica, a Non-executive Director of the Company, and each of Mr. Ng Yuk Fung Peter and Mr. Ng Yuk Yeung Paul, an Executive Director and the Executive Vice Chairman of the Company, and a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. Cheung Choi Ngor, aged 64, is an Executive Director, the Vice Chairman, the Chief Executive Officer and a member of the Executive Committee of the Company. She is also an executive director and a vice chairman of South China Financial Holdings Limited, being listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and an executive director of South China Assets Holdings Limited, being listed on the Growth Enterprise Market of the Stock Exchange. She also holds several directorships in certain subsidiaries of the Group. She holds a Master degree in Business Administration from University of Illinois in the United States of America. She was a member of the 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference. She was appointed as a Director of the Company on 24 June 1992. She is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Richard Howard Gorges, aged 74, is an Executive Director, the Vice Chairman and a member of the Executive Committee of the Company. He is also an executive director of South China Assets Holdings Limited, being listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. He also holds several directorships in certain subsidiaries of the Group. He holds a Master degree in law from Cambridge University in the United Kingdom. He was appointed as a Director of the Company on 24 June 1992. He is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Ng Yuk Fung Peter, aged 37, is an Executive Director, the Executive Vice Chairman and a member of the Executive Committee of the Company. He holds a Bachelor degree in Law from King's College London, University of London in the United Kingdom and is an associate member of the Chartered Institute of Management Accountants. He is also a member of Nanjing Municipal Committee of the Chinese People's Political Consultative Conference. He was appointed as a Director of the Company on 17 June 2002. He is the son of Mr. Ng Hung Sang, an Executive Director, the Chairman and a controlling shareholder of the Company, the elder brother of Mr. Ng Yuk Yeung Paul, an Executive Director and an Executive Vice Chairman of the Company and the younger brother of Ms. Ng Yuk Mui Jessica, a Non-executive Director of the Company.

Mr. Ng Yuk Yeung Paul, aged 36, is an Executive Director, the Executive Vice Chairman and a member of the Executive Committee of the Company. He is also a non-executive director of South China Assets Holdings Limited, being listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. He also holds several directorships in certain subsidiaries of the Group. He graduated in Law from Corpus Christi College, University of Cambridge (the "University") in the United Kingdom and is a Scholar of the University. He is an associate member of the Chartered Institute of Management Accountants and a member of the 13th National Committee of the Chinese People's Political Consultative Conference and was a standing member of the 11th and 12th Liaoning Provincial Committee of the Chinese People's Political Consultative Conference. He was the winner of the Young Industrialist Awards of Hong Kong 2017. He has been engaged in the financial services, property development, OEM toys manufacturing, tourism and media businesses for more than fifteen years. He was appointed as a Director of the Company on 1 January 2016. He is the son of Mr. Ng Hung Sang, an Executive Director, the Chairman and a controlling shareholder of the Company, and is the younger brother of Ms. Ng Yuk Mui Jessica, a Non-executive Director of the Company and Mr. Ng Yuk Fung Peter, an Executive Director and the Executive Vice Chairman of the Company.

NON-EXECUTIVE DIRECTORS

Ms. Ng Yuk Mui Jessica, aged 39, is a Non-executive Director of the Company. She is also an executive director and an executive vice chairman of South China Financial Holdings Limited, being listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and South China Assets Holdings Limited, being listed on the Growth Enterprise Market of the Stock Exchange. She is also the executive vice chairman of South China Media Limited. She holds a Bachelor degree in Law from King's College London, University of London in the United Kingdom, and was admitted to the Hong Kong Bar in 2006. She is an associate member of the Chartered Institute of Management Accountants and a member of the 12th Hebei Provincial Committee of the Chinese People's Political Consultative Conference. She was appointed as an Executive Director of the Company on 17 June 2002 and redesignated as a Non-executive Director of the Company with effect from 1 July 2005. She is the daughter of Mr. Ng Hung Sang, an Executive Director, the Chairman and a controlling shareholder of the Company, and the elder sister of Mr. Ng Yuk Fung Peter and Mr. Ng Yuk Yeung Paul, an Executive Director and the Executive Vice Chairman of the Company.

Mr. David Michael Norman, aged 61, is a Non-executive Director, a member of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company. He is also an independent non-executive director of Guoco Group Limited, being listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was formerly a non-executive director of South China Assets Holdings Limited, being listed on the Growth Enterprise Market of the Stock Exchange, until 12 August 2015. He is a solicitor. He studied philosophy and psychology at Oxford University in the United Kingdom and was admitted as a solicitor in the United Kingdom in 1981 and in Hong Kong in 1984 respectively. He was appointed as a Director of the Company on 9 December 2014.

Ms. Li Yuen Yu Alice, aged 48, is a Non-executive Director and a member of the Remuneration and Nomination Committee of the Company. She is also a director of Cheng & Cheng Limited, Certified Public Accountants in Hong Kong. She received her Accounting degree from Monash University, Australia in 1994 and was admitted as a Certified Public Accountant in Australia in 1997 and in Hong Kong in 1998. She is a fellow member of the Taxation Institute of Hong Kong. She was appointed as a Director of the Company on 28 September 2004. She had been re-designated from an Independent Non-executive director to a Non-executive Director and ceased to be the chairman and member of the Audit Committee with effect from 21 December 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chiu Sin Chun, aged 70, is an Independent Non-executive Director, a member of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company. He has more than 30 years' experience in the newspaper and media industry. He was appointed as a Director of the Company on 20 August 2001.

Mr. Kam Yiu Shing Tony, aged 56, is an Independent Non-executive Director of the Company and was appointed as the chairman of the Audit Committee with effect from 21 December 2017. He is a qualified accountant since 1989 and has been practicing as a certified public accountant since 1993. He holds a master degree in business and administration from Monash University, Australia. He is also a fellow of the Hong Kong Institute of Certified Public Accountants and the Chartered Association of Certified Accountants, an associate of the Institute of Chartered Accountants in England and Wales and the Taxation Institute of Hong Kong, and at the same time registered as a Certified Tax Adviser. He was the President of the Society of Chinese Accountants and Auditors in 2016. He was appointed as a Director of the Company on 1 November 2017.

Mrs. Tse Wong Siu Yin Elizabeth, aged 60, is an Independent Non-executive Director, the chairman of the Remuneration and Nomination Committee and a member of the Audit Committee of the Company. She is also an independent non-executive director of South China Financial Holdings Limited, being listed on the Main Board of The Stock Exchange of Hong Kong Limited. She is the chairman of the Hong Kong Flower Retailers Association, the convenor of Youth Skills Competition in Floristry of Vocational Training Council, the technical advisor of the Environmental Services Industry of Employees Retraining Board, a member of the judge panel of Hong Kong Flower Show and a member of Small and Medium Enterprises Committee. She received an award of the Hundred Outstanding Women Entrepreneur in China in 2009. She holds a Bachelor degree in Science from the University of Western Ontario in Canada. She was appointed as a Director of the Company on 19 October 2004.

Mr. Yip Dicky Peter, J.P., aged 71, is an Independent Non-executive Director and a member of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company. He is also an independent non-executive director of Sun Hung Kai Properties Limited and Ping An Insurance (Group) Company of China, Ltd., being listed on the Main board of The Stock Exchange of Hong Kong Limited and an independent non-executive director of S. F. Holding Co., Ltd., being listed on the Shenzhen Stock Exchange. He had been an independent non-executive director of DSG International (Thailand) Public Company Limited, being listed on The Stock Exchange of Thailand. He joined The Hongkong and Shanghai Banking Corporation Limited ("HSBC") in Hong Kong in 1965 with working experiences in various sectors, serving in London, Hong Kong, San Francisco and the Mainland China. He has worked in a number of departments of HSBC, which included trade services, corporate banking, group consultancy service and regional training. His previous assignments prior to becoming the chief executive of China Business had been in personal financial services, covering jobs in marketing, card products, customer service and sales, with responsibilities over consumer business in Hong Kong. He was appointed as the chief executive of China business and based in Shanghai from January 2003 to April 2005. Meanwhile, he was also a director of the Bank of Shanghai, Ping An Insurance and Ping An Bank in China. He became a general manager of HSBC in April 2005 until his retirement from HSBC on 30 June 2012. He also served as the executive vice president of Bank of Communications Co., Ltd. since April 2005 and resigned from such office with effect from 1 July 2012.

Mr. Yip joined the Institute of International Finance in July 2012 and retired in June 2015 as chief representative for the Asia-Pacific Region. He is an elected associate member of the Chartered Institute of Bankers, London and a Certified Financial Planner and an honorary adviser of the Institute of Financial Planners of Hong Kong. He was educated in Hong Kong with an MBA from The University of Hong Kong. He received the Ten Outstanding Young Persons Award in 1984 for his contribution to the banking industry and the community in Hong Kong. He was awarded the MBE by the British Government in 1984. In 1999, he was appointed as Unofficial Justice of Peace in Hong Kong. In 2000, he was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region. In June 2013, he was appointed as a member of Shanghai Committee of the Chinese People's Political Consultative Conference for a second term.

Mr. Yip is active in community and youth activities in Hong Kong and is a member of a number of service organisations such as Hong Kong Committee for United Nations Children Fund and the Hong Kong Air Cadet Corps. He was appointed as a Director of the Company on 10 December 2012.

Directors' Report

The directors of the Company (the "Directors") submit herewith their annual report and the audited financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The principal subsidiaries are engaged in the trading and manufacturing of toys, shoes, electronic toys and leather products, property investment and development, agriculture and forestry. Further discussion and analysis of these activities as required by Schedule 5 to Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 3 to 15 of this Annual Report. This discussion forms part of this director's report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 and the financial position of the Group at that date are set out in the financial statements on pages 70 to 201 of this Annual Report.

No interim dividend was paid by the Company (2016: Nil). The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

DISTRIBUTABLE RESERVES

At 31 December 2017, the Company had reserves available for distribution to the shareholders amounted to HK$1,627,321,000 (2016: HK$1,754,316,000).

SUMMARY FINANCIAL INFORMATION

A summary of the results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 202 of this Annual Report.

SHARE CAPITAL AND EQUITY-LINKED AGREEMENT

In addition to the below mentioned transactions, details of movements in the ordinary shares, share options, share awards and redeemable convertible preference shares of the Company during the year are set out in notes 38 and 39 to the financial statements. Save as the issued 410,475,131 redeemable convertible preference shares (the "CPSs"), if fully converted, 820,950,262 ordinary shares will be issuable with proceeds receivable of HK$328.4 million, details are disclosed in note 38 to the financial statements and the share options in the section "Share Option Schemes" below, there was no other equity-linked agreement subsisting at the end of the year nor entered into by the Company during the year.

Reference was made to the announcement and the circular of the Company dated 12 October 2016 and 7 December 2016 respectively for the proposed bonus issue and the proposed increase in authorised share capital of the Company. The resolutions were duly passed by the shareholders of the Company on the extraordinary general meetings held on 23 December 2016. As a result, the authorized share capital was increased by HK$80,000,000 by the creation of 8,000,000,000 ordinary shares of HK$0.01 each which were ranking pari passu with existing ordinary shares and 2,814,184,886 bonus shares were allotted and issued to the qualifying shareholders of the Company on 9 January 2017. Details of the bonus issue had been set out in the announcement dated 12 October 2016, circular dated 7 December 2016 and the poll results announcement dated 23 December 2016 of the Company respectively.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company (the "Articles") or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, 1,256,000 shares of the Company, which had been purchased in previous years with fair value of approximately HK$0.4 million, were awarded to the Company's employees. Other than that, the Company or any of its subsidiaries did not purchase, sell or redeem any of the listed shares of the Company during the year ended 31 December 2017.

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the group's total	
	Sales	**Purchases**
The largest customer	34.6%	
Five largest customers in aggregate	72.7%	
The largest supplier		9.2%
Five largest suppliers in aggregate		24.5%

At no time during the year have the directors, their associates or any shareholder of the company (which, to the knowledge of the directors, owns more than 5% of the number of issued shares of the Company) had any interest in these major customers and suppliers.

DIRECTORS

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

Executive Directors:

Ng Hung Sang (*Chairman*)
Cheung Choi Ngor (*Vice Chairman and Chief Executive Officer*)
Richard Howard Gorges (*Vice Chairman*)
Ng Yuk Fung Peter (*Executive Vice Chairman*)
Ng Yuk Yeung Paul (*Executive Vice Chairman*)
Law Albert Yu Kwan (*resigned on 1 July 2017*)

Non-executive Directors:

Ng Yuk Mui Jessica
David Michael Norman
Li Yuen Yu Alice (*re-designated from Independent Non-executive Director on 21 December 2017*)

Independent Non-executive Directors:

Chiu Sin Chun
Leung Tony Ka Tung (*resigned on 14 June 2017*)
Kam Yiu Shing Tony (*appointed on 1 November 2017*)
Tse Wong Siu Yin Elizabeth
Yip Dicky Peter

In accordance with Article 99 of the Articles, Mr. Kam Yiu Shing Tony and Article 116 of the Articles, Mr. David Michael Norman, Ms. Li Yuen Yu Alice, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Yip Dicky Peter, J.P. will retire from office by retirement and rotation and be eligible to offer themselves for re-election at the forthcoming annual general meeting (the "AGM") of the Company. Save as disclosed, all other remaining Directors continue in office.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of the Securities on the Stock Exchange (the "Listing Rules") from each of the Independent Non-executive Directors, namely Mr. Chiu Sin Chun, Sr Dr. Leung Tony Ka Tung, Mr. Kam Yiu Shing Tong, Ms. Li Yuen Yu Alice, Mrs. Tse Wong Siu Yin Elizabeth, and Mr. Yip Dicky Peter, J.P., and considers all the Independent Non-executive Directors to be independent during their servicing period.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 16 to 19 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or its subsidiaries which is not determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

The remuneration payable to executive directors are determined by the Remuneration and Nomination Committee with reference to the prevailing market practice, the Company's remuneration policy, the respective Directors' duties and responsibilities and their contributions to the Group. The Board considers and, where it thinks fit, approves the remuneration of the non-executive directors as recommended by the Remuneration and Nomination Committee based on the abovementioned factors. No Director shall be involved in the decision of his own remuneration.

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

As at 31 December 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Long positions in ordinary shares of the Company

	Ordinary shares				
Beneficial interests	**Personal interests** *(Note a)*	**Family interests**	**Corporate interests**	**Total number of shares held**	**Approximate percentage of shareholding to total issued ordinary shares**
Ng Hung Sang ("Mr. Ng")	647,915,514	613,214,065 *(Note b)*	7,097,670,709 *(Note c)*	8,358,800,288	63.22%
Cheung Choi Ngor ("Ms. Cheung")	50,000,000	–	–	50,000,000	0.38%
Ng Yuk Fung Peter ("Mr. Peter Ng")	652,740,810	–	–	652,740,810	4.94%
Ng Yuk Yeung Paul ("Mr. Paul Ng")	171,989,238	–	–	171,989,238	1.30%
Ng Yuk Mui Jessica ("Ms. Jessica Ng")	170,700,000	–	–	170,700,000	1.29%

Long positions in underlying shares of the Company

The Company has granted options to certain Directors under the Company's share option schemes, details of which are set out in the section "Share Option Schemes" below.

Long positions in ordinary shares of associated corporation

Beneficial interests	Name of associated corporation	Number of ordinary shares held by controlled corporation	Approximate percentage of shareholding to total issued ordinary shares
Mr. Ng	Prime Prospects Limited ("Prime Prospects") (*Note d*)	30	30%

Notes:

(a) The shares are registered under the names of the directors who are the beneficial shareholders.

(b) The spouse of Mr. Ng is the beneficial shareholder.

(c) The 7,097,670,709 shares of the Company held by Mr. Ng through controlled corporations included 2,124,792,202 shares held by Fung Shing Group Limited ("Fung Shing"), 2,020,984,246 shares held by Parkfield Holdings Limited ("Parkfield"), 89,410,210 shares held by Ronastar Investments Limited ("Ronastar"), 1,344,706,920 shares held by Earntrade Investments Limited ("Earntrade"), 1,273,122,098 shares held by Bannock Investment Limited ("Bannock"), 212,405,565 shares held by Crystal Hub Limited ("Crystal Hub") and 32,249,468 shares held by Green Orient Investments Limited ("Green Orient"). Fung Shing, Parkfield and Ronastar all are wholly-owned by Mr. Ng. Bannock is a wholly-owned subsidiary of Earntrade which is owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges ("Mr. Gorges") and 20% by Ms. Cheung. Crystal Hub is a direct wholly-owned subsidiary of South China Assets Holdings Limited ("SCAH"), which, in turn, is 64.92% beneficially owned by Mr. Ng. Green Orient is an indirect wholly-owned subsidiary of the Company. As such, Mr. Ng was deemed to have interest in the said 212,405,565 shares held by Crystal Hub, 32,249,468 shares held by Green Orient and the 2,617,829,018 shares held by Bannock and Earntrade.

(d) Prime Prospects is a 70% owned subsidiary of the Company.

Apart from the foregoing, none of the directors of the Company or any of their spouses or children under eighteen years of age had interests or short positions in the shares, underlying shares or debentures of the Company, or any of its holding company, subsidiaries or other associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code, at 31 December 2017.

SHARE OPTION SCHEMES

The Company adopted a share option scheme in May 2002 ("2002 Share Option Scheme"), which was terminated in June 2012, and a share option scheme in June 2012 ("2012 Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants, who contribute to the success of the Group's operations, and retaining such participants for their continuing support to the Group. The share options granted under the above schemes are unlisted. Once vested, each share option granted before share subdivision which was effective on 24 July 2015 gives the holder the right to subscribe for two ordinary shares in the Company and share option granted after share subdivision gives the holder the right to subscribe for one ordinary share in the Company. Further details of the abovementioned share option schemes (collectively the "Schemes") are disclosed in note 39 to the financial statements.

No new share option was granted under the Schemes during the year. As at 31 December 2017, the share options granted under 2002 Share Option Scheme were all lapsed and 52,636,368 outstanding share options were granted under 2012 Share Option Scheme, among which, 24,465,000 share options have vested and exercisable. The exercise price and number of issuable ordinary shares of the outstanding share options were adjusted pursuant to the completion of bonus issue on 9 January 2017, if exercised in full, 95,770,841 shares of the Company would be issuable with proceeds receivable of HK$48.8 million in total. The share options granted under the Schemes and remained outstanding as at 31 December 2017 are as follows:

	Number of share options			Number of ordinary shares issuable upon the exercise of share options (Note a)	Exercise price per share (Note a)
	Outstanding as at 1 January 2017	**Lapsed**	**Outstanding as at 31 December 2017**		
2002 Share Option Scheme					
Directors					
Ms. Cheung	26,000,000	(26,000,000)	–	–	HK$0.59
Mr. Peter Ng	26,000,000	(26,000,000)	–	–	HK$0.59
Mr. Paul Ng	26,000,000	(26,000,000)	–	–	HK$0.59
Employees and other participants	12,600,000	(12,600,000)	–	–	HK$0.59
Total	90,600,000	(90,600,000)	–	–	
2012 Share Option Scheme					
Employees and other participants	57,636,368	(5,000,000)	52,636,368	95,770,841	HK$0.51

Note a: The number of ordinary shares and the exercise prices of the share options had been adjusted upon completion of bonus issue on 9 January 2017. Details of the bonus issue were disclosed in the announcement and the circular dated 12 October 2016 and 7 December 2016 respectively.

EMPLOYEES' SHARE AWARD SCHEME

On 18 March 2011, the Company adopted the Share Award Scheme whereby the Company may grant share awards to selected employees in recognition of their contributions to the Group and as incentive to retain them to support the operations and ongoing development of the Group and attract suitable personnel for the Group's further development. Pursuant to the terms and conditions of the Share Award Scheme, the Company shall settle a sum up to and not exceeding HK$60 million for the purchase of shares in the Company and/or SCAH from the market. Such shares shall form part of the capital of the trust set up for the Share Award Scheme. The Board may, from time to time, select employees for participation in the Share Award Scheme and cause to be paid an amount to the trustee from the Company's resources for the purpose of purchase of shares as referred to in the above. Details of the Share Award Scheme are set out in note 38 to the financial statements.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Share Option Schemes", at no time during the year was the Company or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, and none of the Directors or the chief executives or any of their spouses or children under the age of 18, was granted any right to subscribe for any equity or debt securities of the Company or any other body corporate nor had exercised any such right.

RETIREMENT SCHEMES

The Group operates a defined benefit occupational retirement scheme and a mandatory provident fund scheme. The employees employed by the PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. Particulars of these retirement schemes are set out in note 2.4(x)(i) to the financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Details of the transactions during the year between the Group and connected persons (as defined in the Listing Rules) in which a Director has beneficial interest are set out in the section "Connected and Continuing Connected Transactions" of this report and related party transactions as disclosed in note 45 to the financial statements.

Save as disclosed above, no transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or any connected entity thereof had a material interest, whether directly or indirectly, subsisted at the end or during the year.

MANAGEMENT CONTRACT

The Company has not entered into any contract by which a person undertakes the management and administration of the whole or any substantial part of the business of the Company and there was no such contract subsisted at any time during the year.

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

The Company has been notified of the following interests in its issued shares at 31 December 2017 amounting to 5% or more of the ordinary shares in issue:

	Ordinary shares				
Beneficial interests	**Registered shareholders**	**Family interests**	**Corporate interests**	**Total number of ordinary shares held**	**Approximate percentage of shareholding to total issued ordinary shares**
Earntrade	1,344,706,920	–	1,273,122,098 *(Note a)*	2,617,829,018	19.80%
Bannock	1,273,122,098 *(Note a)*	–	–	1,273,122,098	9.63%
Fung Shing	2,124,792,202	–	–	2,124,792,202	16.07%
Parkfield	2,020,984,246	–	–	2,020,984,246	15.29%
Ng Lai King Pamela ("Ms. Ng")	613,214,065	7,745,586,223 *(Note b)*	–	8,358,800,288	63.22%

Notes:

(a) Bannock is a wholly-owned subsidiary of Earntrade. The 2,617,829,018 shares of the Company held by Earntrade included 1,273,122,098 shares held by Bannock directly.

(b) Ms. Ng, who held 613,214,065 shares of the Company directly, is the spouse of Mr. Ng, the Chairman and an Executive Director of the Company. By virtue of the SFO, Ms. Ng was deemed to be interested in the 647,915,514 shares and 7,097,670,709 shares held by Mr. Ng directly and indirectly through controlled corporations, respectively, as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the above.

Apart from the foregoing, as at 31 December 2017, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Company and SCAH, a company listed on The Growth Enterprise Market of the Stock Exchange, have certain common directors. The principal activities of SCAH include property investment and development which is one of the principal activities of the Group.

Mr. Ng, Ms. Cheung, Mr. Gorges and Mr. Law Albert Yu Kwan who resigned on 1 July 2017, all being Executive Directors of the Company, are also the executive directors of SCAH. Mr. Paul Ng is an Executive Director of the Company and a non-executive director of SCAH. Ms. Jessica Ng is a Non-executive Director of the Company and an executive director of SCAH.

Mr. Ng is also the chairman of the board and controlling shareholder of SCAH. Mr. Gorges and Ms. Cheung are the directors and substantial shareholders of a controlled corporation of Mr. Ng which holds 10.29% direct interest in SCAH and 9.74% indirect interest in SCAH through its direct wholly-owned subsidiary. Mr. Ng together with his associates aggregately hold 64.92% interest in SCAH.

The Group mainly focuses on the medium to large scale property investment and development projects while SCAH seeks to undertake property development projects in smaller size and diversifies into the financial services businesses.

The abovementioned common directors declare their interests in competing business and abstain from voting in transactions in which the Company and SCAH compete or is likely to compete with each other and, therefore, do not control the Board as far as transaction in relation to competing business is concerned. As such, the Board is independent from the board of SCAH, which is consist of eight members to the best of the knowledge of the Directors and the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of SCAH. Given the difference in business focus as referred to in the preceding paragraph, the competition between the businesses of the Company and SCAH is considered to be relatively remote.

CHANGES IN INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1), the changes in information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the course of the Directors' terms of office for the period from the date of publication of the Company's latest interim report up to the date of this Annual Report are set out in Directors' Biographical Details and below:

Mr. Kam Yiu Shing Tony was appointed as an independent non-executive director on 1 November 2017 and appointed as a member and the chairman of the audit committee on 21 December 2017.

Ms. Li Yuen Yu Alice was re-designated from an independent non-executive director to a non-executive director and ceased to be a member and the chairman of the audit committee on 21 December 2017.

With effect from 1 November 2017, Ms. Cheung's monthly salary was increased from HK$250,000 to HK$350,000 and Mr. Paul Ng's monthly salary was increased from HK$200,000 to HK$300,000.

INDEMNITY OF DIRECTORS

Pursuant to the Company's Articles of Association, every Director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings in which judgment is given in his favour, or in which he is acquitted. The Company has taken out directors' and officers' liability insurance to protect the Directors against potential costs and liabilities arising from the claims brought against them, if any.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as at the date of this report.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

The following transactions between certain connected persons (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which the relevant announcements, if required under Chapter 14A of the Listing Rules, had been made by the Company.

CONNECTED TRANSACTION

On 16 March 2017, Phipnic Investments Limited, an indirect wholly-owned subsidiary of the Company, as the lender entered into a loan agreement with Wealth Box Investments Limited, an indirect wholly-owned subsidiary of SCAH, as the borrower, in relation to the provision of a loan for the sum of HK$75.5 million to refinance the outstanding principal under the previous loan agreement dated 11 February 2014 for three years at prime lending rate charged from time to time by The Hongkong and Shanghai Banking Corporation Limited. Details of the transaction were disclosed in the announcement of the Company dated 16 March 2017.

Mr. Ng is the chairman, an executive director and the controlling shareholder of each of the Company and SCAH, is a connected person of the Company and SCAH under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

(1) Reference was made to the circular of the Company dated 4 September 2015, regarding, among others, the major and connected acquisitions of the entire interests in Elite Empire Investments Limited and Bigwin Investments Limited from the vendor, Crystal Hub Limited, a direct wholly-owned subsidiary of SCAH and the provision of guarantees for the benefit of SCAH. On 2 November 2015, the Company provided a guarantee of maximum amount up to HK$15 million, which represented approximately 0.1% of the Group's total assets value as at 31 December 2015, to a bank in respect of a loan facility granted to a subsidiary of SCAH. In return, SCAH also provided a counter guarantee to the Company against the said guaranteed sum. The aforesaid guarantee provided by the Company had been released. Mr. Ng is the chairman, an executive director and the controlling shareholder of each of the Company and SCAH, is a connected person of the Company and SCAH under Chapter 14A of the Listing Rules.

(2) On 24 March 2017, a tenancy agreement was entered into by First City Limited, an indirect wholly-owned subsidiary of the Company, as the landlord with Hong Kong Four Seas Tours Limited, a company indirectly wholly-owned by Mr. Ng, as the tenant for the premises at 1/F, On Lok Yuen Building, 25, 27 and 27A Des Voeux Road Central, Hong Kong was renewed at a monthly rental of HK$133,000 for two years from 1 April 2017 to 31 March 2019. Details of the above transaction were disclosed in the announcement of the Company dated 24 March 2017.

(3) On 24 March 2017, a tenancy agreement was entered into by Glorious Dragon Investments Limited, an indirect wholly-owned subsidiary of the Company, as the landlord with Four Seas Tours Limited, a company indirectly non-wholly owned by Mr. Ng, as the tenant for the premises at 2/F, On Lok Yuen Building, 25, 27 and 27A Des Voeux Road Central, Hong Kong was renewed at a monthly rental of HK$129,504 for two years from 1 April 2017 to 31 March 2019. Details of the above transaction were disclosed in the announcement of the Company dated 24 March 2017.

(4) On 29 December 2017, Copthorne Holdings Corp., an indirect wholly-owned subsidiary of the Company, as the landlord entered into two tenancy agreements with South China Media Management Limited, a company indirectly wholly-owned by Mr. Ng, as the tenant for the premises at Units A and B on 3rd Floor of Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong at a monthly rental HK$75,816 and Unit B on 12th Floor of Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong at a monthly rental HK$29,250 respectively. Both tenancy agreements started from 1 January 2018 to 31 December 2019 for a term of two years. Details of the above transactions were disclosed in the announcement of the Company dated 29 December 2017.

As at 31 December 2017, Mr. Ng, the chairman, an executive director and the controlling shareholder of the Company, through interests in controlled corporations owned as to 63.22% in the Company.

One of the principal activities of the Group is engaged in property investment and the above rental agreements provided the Group with stable rental income.

The above continuing connected transactions have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions 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 auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules.

Certain related party transactions set out in note 45 to the financial statements constitute connected transactions or continuing connected transactions for which the disclosure requirements under the Listing Rules have been complied with.

AUDITORS

KPMG will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Ng Hung Sang
Chairman

Hong Kong, 23 March 2018

Corporate Governance Report

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize accountability and transparency to the shareholders. Periodic review will be made to the corporate governance practices to comply with the regulatory requirements.

CORPORATE GOVERNANCE CODE

The Company had complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2017 except that Mr. Ng Hung Sang, the Chairman and an Executive Director of the Company, was unable to attend the annual general meeting of the Company held on 14 June 2017 as he had other business engagements, which deviated from code provision E.1.2.

Following the appointment of the company secretary with effect from 21 December 2017, the Company had complied with the requirement under Rule 3.28 of the Listing Rules and, hence, the relevant code provisions in respect of company secretary, before that the Company had not complied with such requirements since the resignation of the company secretary on 8 January 2016.

BOARD COMPOSITION AND BOARD PRACTICES

As at 31 December 2017, the members of the Board were as follows:

Executive Directors:

Mr. Ng Hung Sang (*Chairman*)
Ms. Cheung Choi Ngor (*Vice Chairman and Chief Executive Officer*)
Mr. Richard Howard Gorges (*Vice Chairman*)
Mr. Ng Yuk Fung Peter (*Executive Vice Chairman*)
Mr. Ng Yuk Yeung Paul (*Executive Vice Chairman*)

Non-executive Directors:

Ms. Ng Yuk Mui Jessica
Mr. David Michael Norman
Ms. Li Yuen Yu Alice

Independent Non-executive Directors:

Mr. Chiu Sin Chun
Mr. Kam Yiu Shing Tony
Mrs. Tse Wong Siu Yin Elizabeth
Mr. Yip Dicky Peter, J.P.

Independent Non-executive Directors represented not less than one-third of the Board throughout the year ended 31 December 2017. Directors' biographies and the relevant relationships amongst them are set out in the Directors' Biographical Details on pages 16 to 19 in this Annual Report.

Sr Dr. Leung Tony Ka Tung had retired from office as Independent Non-executive Director after the conclusion of the annual general meeting of the Company held on 14 June 2017. Mr. Law Albert Yu Kwan had resigned as Executive Director on 1 July 2017. Mr. Kam Yiu Shing Tony was appointed as Independent Non-executive Director on 1 November 2017 and appointed as the chairman and the member of the Audit Committee on 21 December 2017. Ms. Li Yuen Yu Alice was re-designated from Independent Non-executive Director to Non-executive Director and ceased to be the chairman and the member of the Audit Committee on 21 December 2017. All of the non-executive directors are not appointed for a specific term but are subject to retirement by rotation once every three years in accordance with the Articles. The Board had at least three Independent Non-executive Directors with one of whom has appropriate professional qualifications or accounting or related financial management expertise throughout the period from 1 January 2017 to the date of this Annual Report which was in compliance with Rule 3.10(1) and Rule 3.10(2).

The Board composition is reviewed regularly to ensure that it has a balance of skills and experience appropriate to the requirements of the businesses of the Group. A balanced composition of Executive Directors and Non-executive Directors is maintained to enable the Board to exercise independent judgement effectively and provide sufficient checks and balances that safeguard the interests of shareholders and the Group.

The Company is committed to equality of opportunity and does not discriminate on the grounds of race, gender, age, disability, nationality or any other factors. It also recognizes and embraces the benefits of diversity in Board members. The Company has adopted a board diversity policy in August 2013. Under the board diversity policy, a range of diversity perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service are taken into account when considering the nomination of a candidate for directorship and all Board appointments are based on meritocracy. Candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board and the ultimate decision is based on merit and contribution that the selected candidates will bring to the Board. The Remuneration and Nomination Committee monitors the implementation of the diversity policy and review the same as appropriate.

The appointment of Directors is recommended by the Remuneration and Nomination Committee and approved by the Board based on the formal written procedures and policy for the appointment of new directors. When selecting potential candidates for directorship, their skills, experience, expertise, devotion of time and conflicts of interests are the key factors to consider.

All Directors (including Non-executive Directors) of the Company are subject to retirement by rotation at least once every three years in accordance with the Articles. The Board is collectively responsible for the formulation of the Group's strategy and overseeing the management of the business and affairs of the Group.

Pursuant to Code Provision A.4.3, any further appointment of an Independent Non-executive Director serving more than nine years should be subject to a separate resolution to be approved by the shareholders of the Company. Notwithstanding that Mrs. Tse Wong Siu Yin Elizabeth ("Mrs. Tse") and Mr. Chiu Sin Chun ("Mr. Chiu") have served as Independent Non-executive Directors of the Company for more than nine years, (i) the Board has assessed and reviewed their annual confirmations of independence under Rule 3.13 of the Listing Rules and affirmed that Mrs. Tse and Mr. Chiu remain independent; (ii) the remuneration and nomination committee of the Company has assessed and is satisfied with the independence of Mrs. Tse and Mr. Chiu; and (iii) the Board considers that Mrs. Tse and Mr. Chiu remain independent of management and free of any relationship which could materially interfere with the exercise of their independent judgment. Despite the length of service of Mrs. Tse and Mr. Chiu, the Company believes that they will continue to make their independent judgments in all related matters for the benefit of the Company and the shareholders as a whole.

Daily operation and management of the business of the Group including, inter alia, the implementation of strategies are delegated to the Executive Committee, which comprises all Executive Directors. The Executive Committee reports its work and business decisions to the Board periodically.

The roles of Chairman and Chief Executive Officer are separate and are clearly defined. Such roles are performed by different individuals with a view to reinforcing independence and accountability. Key and important decisions are fully discussed at board meetings.

The Chairman has delegated the responsibility for drawing up the agenda for each board meeting to the company secretary. With the assistance of the Executive Directors and the company secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and have received adequate and reliable information in a timely manner.

The Board held four meetings in 2017:

	Number of Meetings Attended/Eligible to Attend
Executive Directors	
Mr. Ng Hung Sang (*Chairman*)	3/4
Ms. Cheung Choi Ngor (*Vice Chairman and Chief Executive Officer*)	3/4
Mr. Richard Howard Gorges (*Vice Chairman*)	4/4
Mr. Ng Yuk Fung Peter (*Executive Vice Chairman*)	1/4
Mr. Ng Yuk Yeung Paul (*Executive Vice Chairman*)	3/4
Mr. Law Albert Yu Kwan (*resigned on 1 July 2017*)	3/3
Non-executive Directors	
Ms. Ng Yuk Mui Jessica	3/4
Mr. David Michael Norman	4/4
Ms. Li Yuen Yu Alice (*re-designated from Independent Non-executive Director on 21 December 2017*)	4/4
Independent Non-executive Directors	
Mr. Chiu Sin Chun	4/4
Sr Dr. Leung Tony Ka Tung (*resigned on 14 June 2017*)	3/3
Mr. Kam Yiu Shing Tony (*appointed on 1 November 2017*)	N/A
Mrs. Tse Wong Siu Yin Elizabeth	4/4
Mr. Yip Dicky Peter, J.P.	3/4

The Board meets at least four times a year. At least fourteen days' notice is given to all Directors for each regular Board meeting. All Directors are given the opportunity to include matters for discussion in the agenda. Agenda and Board papers are sent to all Directors at least three days before each regular Board meeting. Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles.

The company secretary ensures that the procedures and all applicable rules and regulations are complied with. Minutes of Board meetings and meetings of Board committees are kept by the company secretary and are available for inspection at any time on reasonable notice by any Director.

Directors have full access to information on the Group and are able to seek independent professional advice at the Group's expense as they consider appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding the directors' securities transactions. In addition, the Board has established similar guidelines for relevant employees who are likely to possess inside information in relation to the Group or its securities.

In response to the Company's specific enquiry, all Directors of the Company confirmed that they have complied with the required standard set out in the Model Code regarding securities transactions by Directors throughout the year ended 31 December 2017.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for overseeing and maintaining a sound and effective risk management and internal control systems and reviewing the effectiveness of same. The Board assesses the effectiveness of the risk management and internal control systems through the ongoing reviews performed by the Audit Committee, executive management and both internal and external auditors. Taking into account the views of the Audit Committee, the Internal Audit Department formulates audit plan periodically, agree the same with the Audit Committee and reports its findings and recommendations to the Audit Committee which, in turn, reports to the Board on the effectiveness of the risk management and internal control systems. The audit plan covers the key financial, operational and compliance controls of the major business units on a rotation basis. The scope of and time budgeted for an audit assignment normally depend on the assessed risk level. The Audit Committee meets with the internal auditor and external auditor at least twice a year. During the year, Internal Audit Department reviewed the leasing activities in Nanjing, the credit policy of shoes trading business in Hong Kong and the payroll cycle of toy manufacturing business. The results, including assessment of adequacy and effectiveness of controls, were addressed in the internal audit report to the Audit Committee and the Board for their review and approval.

The risk management and internal control systems aims at safeguarding assets from inappropriate use, ensuring the maintenance of proper accounting records, compliance with the applicable rules and regulations and confinement the risks to our acceptance level. Management is primarily responsible for the design, implementation and maintenance of the risk management and internal control systems, which are designed to provide reasonable but not absolute assurance against misstatement or loss, and to manage risks of failure in the Group's operational systems.

The Internal Audit Department may also conduct ad hoc review in light of the concerns expressed by management or the Audit Committee from time to time, if any.

With the support of the relevant business unit managers, the Board identifies and assesses the key risks, existing or emerging, facing the Group, and formulates strategies and measures to mitigate the relevant risk exposures. A risk register is prepared to facilitate the management of key risks of the Group. For each key risk identified, the risk register records the risk exposure estimation, current risk mitigation measures and further management actions to better control the risks. The Board has reviewed the Group's risk management and internal control systems for the year ended 31 December 2017. The review included considering the risk register and risk management and internal control evaluations conducted by the Audit Committee, executive management and the internal and external auditors.

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Group.

The statement by the auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 63 to 69 of this Annual Report.

AUDITOR'S REMUNERATION

The fees paid/payable to the auditor of the Company for the year ended 31 December 2017 in respect of the audit and non-audit services provided to the Company and its subsidiaries amounted to approximately HK$3,382,000 and HK$507,000, respectively. Such non-audit services were rendered to the Group for tax consultancy services and to review and report on the continuing connected transactions.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors must keep abreast of their collective responsibilities. Each newly appointed Director receives an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company.

To enhance the Directors of the changes in applicable rules and regulations and the developments in corporate governance, the Company also provides the Directors with updates on the relevant topics. In addition, the Directors are encouraged to participate in continuous professional development activities to develop and refresh their knowledge and skills.

According to the records maintained by the Company, the Directors have received the following training in the year ended 31 December 2017:

	Type of trainings	
	Attending Seminars/ Conferences and/ or Similar Events	**Reading Materials and Updates**
Executive Directors		
Mr. Ng Hung Sang (*Chairman*)		✓
Ms. Cheung Choi Ngor (*Vice Chairman and Chief Executive Officer*)		✓
Mr. Richard Howard Gorges (*Vice Chairman*)		✓
Mr. Ng Yuk Fung Peter (*Executive Vice Chairman*)		✓
Mr. Ng Yuk Yeung Paul (*Executive Vice Chairman*)		✓
Mr. Law Albert Yu Kwan (*resigned on 1 July 2017*)	✓	✓
Non-executive Directors		
Ms. Ng Yuk Mui Jessica		✓
Mr. David Michael Norman		✓
Ms. Li Yuen Yu Alice (*re-designated from Independent Non-executive Director on 21 December 2017*)		✓
Independent Non-executive Directors		
Mr. Chiu Sin Chun		✓
Sr Dr. Leung Tony Ka Tung (*resigned on 14 June 2017*)		✓
Mr. Kam Yiu Shing Tony (*appointed on 1 November 2017*)		✓
Mrs. Tse Wong Siu Yin Elizabeth		✓
Mr. Yip Dicky Peter, J.P.	✓	✓

AUDIT COMMITTEE

The Audit Committee currently consists of four Independent Non-executive Directors, namely Mr. Kam Yiu Shing Tony who was appointed on 21 December 2017 as the Chairman and member of the Committee, Mr. Chiu Sin Chun, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Yip Dicky Peter, J.P. and Mr. David Michael Norman, a Non-executive Director. Ms. Li Yuen Yu Alice was the Chairman and the member of the Committee for the period from 1 January 2017 to 21 December 2017.

As set out in the terms of reference posted on the websites of the Stock Exchange and the Company, the principal duties of the Audit Committee, which are substantially the same as the relevant code provisions in the CG Code, include, among others, overseeing the Group's financial reporting system, risk management and internal control procedures, relationship with the Company's auditor, and reviewing the Group's financial information. The Board has also delegated the responsibilities of risk management and corporate governance duties to the Audit Committee.

The Audit Committee held three meetings and met with the internal and external auditors twice in the year ended 31 December 2017. It has reviewed, among others, the half-yearly and annual results, internal audit plan, internal audit reports on risk management and internal control systems, audit strategy, external auditor's report to the Audit Committee, the independence and terms of engagement of the external auditor and corporate governance report. There were two private sessions between the Audit Committee members and the external auditor without the presence of management in the Audit Committee meetings held in 2017. The attendance records of the members of the Audit Committee at the abovementioned Audit Committee meetings are as follows:

	Number of Meetings Attended/Eligible to Attend
Ms. Li Yuen Yu Alice *(resigned as the Chairman and the member of the Committee on 21 December 2017)*	3/3
Mr. Chiu Sin Chun	2/3
Mrs. Tse Wong Siu Yin Elizabeth	3/3
Mr. Yip Dicky Peter, J.P.	3/3
Mr. David Michael Norman	3/3
Mr. Kam Yiu Shing Tony *(appointed as the Chairman and the member of the Committee on 21 December 2017)*	N/A

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee performs both remuneration and nomination functions under the CG Code. It currently consists of four Independent Non-executive Directors, namely Mrs. Tse Wong Siu Yin Elizabeth (Chairman of the Committee), Mr. Chiu Sin Chun, Ms. Li Yuen Yu Alice and Mr. Yip Dicky Peter, J.P. and Mr. David Michael Norman, a Non-executive Director.

As set out in the terms of reference posted on the websites of the Stock Exchange and the Company, the principal duties of the Remuneration and Nomination Committee, which are substantially the same as the relevant code provisions in the CG Code, include, among others, reviewing the policy and structure for Directors' and (if any) senior management's remuneration, remuneration proposals for Directors' and (if any) senior management's remuneration, determining the remuneration packages of Executive Directors and (if any) senior management, making recommendations to the Board on the remuneration of Non-executive Directors, reviewing the structure, size and diversity of the Board, identifying suitable candidate for directorship and making recommendations to the Board on the remuneration and Director nomination matters as referred to in the terms of reference of the Remuneration and Nomination Committee.

For new appointment of Director, the Remuneration and Nomination Committee identifies and selects suitable candidates following the board diversity policy as referred to in the section "Board Composition and Board Practices" and taking into account the candidate's his/her independence and capability to devote sufficient time and commitment to the role as well as potential conflict of interests. Once the Remuneration and Nomination Committee has selected a candidate, it seeks the comments on such candidate from the Executive Committee for its consideration and approves the appointment as it thinks fit.

The Remuneration and Nomination Committee met once in the year ended 31 December 2017 to review, consider and, where appropriate, approve/make recommendation to the Board on the remuneration packages of the Directors (based on the skills, knowledge, performance and involvement in the Company's affairs of the relevant Director taking into consideration the Company's performance), the policy and structure for Directors' remuneration, the structure, size and diversity of the Board, the Director nomination policy, the independence of the Independent Non-executive Directors and the retirement and re-election of Directors. The attendance records of the members of the Remuneration and Nomination Committee at the abovementioned Remuneration and Nomination Committee meeting are as follows:

	Number of Meetings Attended/Eligible to Attend
Mrs. Tse Wong Siu Yin Elizabeth	1/1
Mr. Chiu Sin Chun	1/1
Ms. Li Yuen Yu Alice	1/1
Mr. Yip Dicky Peter, J.P.	1/1
Mr. David Michael Norman	1/1

SHAREHOLDERS' RIGHTS

Information is communicated to the shareholders mainly through the Company's corporate communications (such as interim and annual reports, announcements and circulars), annual general meetings and other general meetings, as well as disclosure on the website of the Company.

Interim reports, annual reports and circulars are sent to the shareholders in a timely manner and are available on the website of the Company. The Company's website provides shareholders with the corporate information of the Group.

Shareholders are provided with contact details of the Company to enable them to make enquiries with respect to the Company's affairs. Shareholders can also send their enquiries to the Company through these channels or contact Union Registrars Limited, the share registrar of the Company, in case of enquiries about shareholdings.

The AGM allows the Directors to meet and communicate with shareholders. The Company ensures that shareholders' views are communicated to the Board. The chairman of the AGM proposes separate resolutions for each issue to be considered. Members of the Audit Committee and the Remuneration and Nomination Committee and the external auditor also attend the AGM to answer questions from shareholders. AGM proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of AGM is distributed to all shareholders at least 20 clear business days prior to the AGM. The accompanying circular sets out the details of each proposed resolution and other relevant information as required under the Listing Rules. Voting results are posted on the websites of the Stock Exchange and the Company on the day of the AGM.

Extraordinary general meetings of the Company shall be convened on the requisition of any one member of the Company which is a recognized clearing house or any two 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 company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 3 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them 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.

The attendance record of the Directors at the general meeting held during the year is set out below:

	AGM (14 June 2017)
Executive Directors	
Mr. Ng Hung Sang (*Chairman*)	✗
Ms. Cheung Choi Ngor (*Vice Chairman and Chief Executive Officer*)	✓
Mr. Richard Howard Gorges (*Vice Chairman*)	✓
Mr. Ng Yuk Fung Peter (*Executive Vice Chairman*)	✗
Mr. Ng Yuk Yeung Paul (*Executive Vice Chairman*)	✗
Mr. Law Albert Yu Kwan	✓
Non-Executive Directors	
Ms. Ng Yuk Mui Jessica	✓
Mr. David Michael Norman	✗
Independent Non-executive Directors	
Mr. Chiu Sin Chun	✓
Sr Dr. Leung Tony Ka Tung	✓
Ms. Li Yuen Yu Alice	✓
Mrs. Tse Wong Siu Yin Elizabeth	✓
Mr. Yip Dicky Peter, J.P.	✗

THE COMPANY'S CONSTITUTIONAL DOCUMENTS

The memorandum and articles of associations of the Company are available on the websites of the Company and the Stock Exchange. No change was made to the constitutional document of the Company during the year ended 31 December 2017.

Environmental, Social and Governance Report

Subsequent to the release of the Group's first Environmental, Social and Governance Report for the financial period from 1 January 2016 to 31 December 2016, it is the Group's commitment to continuously reviewing and updating its Environmental, Social and Governance ("ESG") strategy and report by reference to the provisions set forth in Appendix 27 (Environmental, Social and Governance Reporting Guide) ("ESG Guide") of the Listing Rules.

During the year under review, the Group continued to focus on four key areas — (a) Environment; (b) Employment and Labour Practices; (c) Operation Practices; and (d) Community Investment, and to strive to balance the impacts of environmental protection and social responsibility in the Group's strategic plans for the purpose of driving sustainable value for the Group's stakeholders and the communities in which the operations of the Group are located. There were no significant changes in the Group's businesses, operation locations, share capital structure and supply chain structure during the year under review. This ESG Report was reviewed by the Audit Committee and approved by the Board of the Company.

According to the financial results of the Group during the financial year of 2017, revenue from trading and manufacturing business accounted for approximately 94.6% of the Group's total revenue (2016: approximately 94.6%), in which revenue from toys manufacturing business (as an OEM) accounted for approximately 87.3% of the Group's total revenue (2016: approximately 89.1%). As for the toys segment, Wahheng Toys (Shenzhen) Co., Ltd. ("Wahheng"), remaining as the centralized operation headquarters in Mainland China, focusing on customer relationship management, production planning, shipping, procurement, financial service and other management functions. Everwin Toys (Dongguan) Co., Ltd. ("Everwin"), the flagship factory which continuously ranked first in terms of number of employees, revenue and factory area among other toys factories of the Group in the People's Republic of China (the "PRC"). The scope of this ESG Report mainly covers the Group's headquarters in Hong Kong, Wahheng and Everwin.

During the year under review, the Group continued to upholding its philosophy of "Healthy Life, Safe Environment and Bright Future" and requiring each of its subsidiaries, especially Wahheng and Everwin, to strictly comply with relevant national and local laws, regulations, rules and procedures concerning environmental protection, employment and labour practices and operation practices. In addition, both Wahheng and Everwin are the members of International Council of Toys Industries ("ICTI"), which have strictly adhered to the Code of Business Practices set out by ICTI by committing to factory operations in a lawful, safe and healthful manner. Wahheng and Everwin all the time uphold such principles prescribed by ICTI as (a) no underage or forced labour should be employed; (b) no one should be denied a job because of gender, ethnic origin, religion, affiliation or association; (c) provision of a safe working environment and compliance with relevant laws and regulations; and (d) compliance with laws and regulations protecting the environment.

Wahheng and Everwin continuously and proactively look for and apply suitable advanced techniques in relevant stages of the production process. By introducing highly efficient equipment and simplifying operation procedures for the purpose of reduction of consumption in fuels, electricity and water such that resources could be used more effectively and in turn would be helpful for environmental protection.

The material aspects under the four key areas — 1. Environment; 2. Employment and Labour Practices; 3. Operation Practices; and 4. Community Investment are set out as follows:

1. ENVIRONMENT

1.1 Emission:

Environmental protection plays a crucial role for a corporation's sustainability. It is the strategy of the Group to keep reducing the environmental impact from its operations, and to promote environmental protection within the Group, its marketplace and the communities in which the Group's operations are located. Notwithstanding toys manufacturing industry is considered as light industry which usually does not consume much energy and cause severe air and water pollution, the Group keeps minimizing the environmental impacts from its operations by means of:

(a) Control of emission of greenhouse gases ("GHG"):

For strict compliance with ICTI's Code of Business Practices and by reference to such relevant laws and regulations as《中華人民共和國大氣污染防治法》(Atmospheric Pollution Prevention and Control Law of the PRC*),《廣東省地方標準大氣污染物排放限值》(Emission Limits of Atmospheric Pollutants of Local Standard of Guangdong Province*) and《工業企業廠界環境噪聲排放標準》(Emission Standard of Environmental Noise for Industrial Enterprise and Factory Sectors*), the Group has formulated and implemented certain policies and controlling procedures such as《環境保護控制程序》(Environmental Protection Control Procedures*),《健康安全環保政策》(Health and Safety Environmental Protection Policy*),《溫室氣體量化與報告程序》(Greenhouse Gas Quantitative Reporting Procedures*) and《溫室氣體管理文件與記錄管理程序》(Greenhouse Gas Qualitative Management Procedures and Greenhouse Gas Documentation and Record Management Procedures*), for controlling emission of GHG, noise, light intensity, workplace temperature, water consumption and etc., and all such policies and controlling procedures were in force during the period under review.

For compliance with the relevant laws and regulations, the Group has continuously engaged an independent third party whose qualifications are accredited by the local authorities in the PRC, to conduct regular tests on air quality, industrial emission, generator emission, noise and illumination levels in the workplaces for the purpose of ensuring all such data are complied with the national and local standards.

The Group has encouraged staff to (a) use environmentally-friendly public transportation, e.g. MTR for local travelling in Hong Kong, and use public transportation and car-pool for local travelling in the PRC; (b) use video/audio conferences for business meetings for reducing the frequency of business travel by air so as to reduce direct and indirect emissions of GHG; and (c) use electronic messages, especially internal communications, for the purpose of reduction of paper consumption which in turn will be helpful for reduction of indirect emission of GHG.

Paper consumption is another main source of indirect GHG emissions. The Group has implemented a number of internal administrative measures to reduce paper consumption, e.g. e-leave system (application and approval of leave), e-pay slip (salary payment notification), e-internal communications, e-reports, printing on duplex mode, paperless storage and regular waster paper collection for recycling etc. In addition, the Group has encouraged customers and suppliers to communicate by electronic means. For giving greater efforts in reduction of GHG emissions, the Group has arranged an independent recycling paper collector to collect used papers from the offices of the headquarters in Hong Kong at regular intervals.

The Group's Wahheng and Everwin have participated to "2017 Hong Kong Corporate Environmental Leadership Awards" by The Federation of Hong Kong Industries, and the result is expected to be announced in about mid-2018.

Emission summary:

Indicators	**2017 Tonnes**	2016 Tonnes	Note
Total GHG emissions[1]	**3,348**	3,034	
Total GHG emissions per facility:			
— Wahheng	**1,621**	1,104	
— Everwin	**1,183**	1,328	
— HongKong Headquarters	**555**	611	
— Reduced by used papers recycling	**(11)**	(9)	
Direct emissions:			
— Company cars[2]	**499**	501	
— Diesel and liquefied petroleum gas[3]	**103**	132	
— Refrigerants	**1,234**	725	#
Indirect emissions:			
— Electricity	**664**	688	
— Business travel[4]	**113**	131	
— Paper consumption	**735**	857	

1 GHG mainly includes carbon dioxide

2 It is based on kilometers travelled and liters of gasoline and diesel consumed

3 It was consumed by water heaters and stoves

4 It is based on the International Civil Aviation Organization Carbon Emissions Calculator.

Note:

the increase in refrigerants was due to self-maintenance of air-conditioners instead of outsourcing maintenance service during the year under review.

(b) ***Control of production of hazardous and non-hazardous wastes:***

Both Wahheng and Everwin produce certain wastes. By reference to such relevant laws and regulations as《中華人民共和國固體廢物污染環境防治法》(Solid Waste Environmental Pollution Prevention and Control Law of the PRC*),《廣東省固體廢物污染環境防治條例》(Solid Waste Environmental Pollution Prevention and Control Regulation of Guangdong Province*) and《三廢處理管理程序》(Three Wastes Treatment Management Procedures*) has been implemented for regular identification, evaluation and proper treatment of the wastes. In addition, the Group has engaged an independent third party whose qualifications are accredited by the local authorities in the PRC, to collect those wastes in Wahheng and Everwin for the purpose of effective control of waste treatment and avoidance of environmental pollution by reckless disposal. In the Hong Kong headquarters, areas are designated for disposal of electronic equipment and waste papers. Collections of scrapped electronic equipment and waste papers are usually taken place at a regular interval by independent third parties for ensuring proper treatment and re-cycling respectively.

Waste summary:

Indicators	**2017**	2016	Note
Total water discharged[1] (m^3)	**465,350**	484,734	
Hazardous wastes[2] collected for treatment/recycling per facility:			
— Wahheng (tonnes)	**32,092**	14,142	#
— Everwin (tonnes)	**11,725**	483	#
Non-hazardous wastes[3] collected for treatment/recycling per facility:			
— Wahheng (tonnes)	**169,855**	169,465	
— Everwin (tonnes)	**402,495**	395,917	

Note:

the increment of harzadous wastes was due to one-off empty out the waste water pools during the year under review.

Electronic equipment (pieces)		
— Wahheng	**25**	39
— Everwin	**122**	63
— Hong Kong headquarters	**131**	0

1 It is based on the volume of water consumed as per the water bills for the facilities of Wahheng and Everwin. Water consumption in the Hong Kong headquarters was not taken into account as it did not involve high water consumption. The Hong Kong headquarters had only about 229 people who were working in such departments as accounts and finance, administration, human resources, legal and company secretarial, and information technology etc.

2 Includes waste oil, waste water, oil wiping towels, and empty barrels and cans for solvents.

3 Includes waste wooden pallets, waste plastic bags, waste papers, waste paper products and general office garbage. All non-hazardous wastes are directly handled by the property management of the buildings in which the offices of Hong Kong headquarters are situated so that no data in this aspect.

1.2 Use of Resources:

Fuel (unleaded petrol and diesel) consumption and electricity consumption is respectively the main source of direct and indirect energy consumption. Both fuel and electricity consumptions are the main sources of GHG emissions. Each of Wahheng and Everwin has its own 節能減排小組 (Energy Conservation and Emission Reduction Team*) which is responsible for carrying out periodical analysis of effectiveness of resources management and of consumption level for identification of any deficiency and any practicable way of reduction of energy consumption and prevention of unnecessary energy wastage for the purpose of enhancement of environmental protection. Moreover, both Wahheng and Everwin continuously adhere to《能源資源節約管理程序制度》(Regulations for Energy Resources Conservation Management Procedures*) as well as to implement certain measures of energy conservation as recommended by an accredited third-party.

The e-notice of "Save Our World and Build our Green Office" — saving water, energy and paper at work has continuously been in force in the Hong Kong headquarters. In addition, another e-notice of "Environmental Initiative and Cost Saving" has been addressed to all staff in Hong Kong headquarters in mid-2017 to keep the office air temperature at 25 degrees all the time.

Energy consumption summary:

Indicators	**2017**	2016	Note
Total energy consumption (KWh)	**30,161,531**	28,495,648	#
Total energy consumption per facility:			
— Wahheng	**9,007,283**	9,139,168	
— Everwin	**20,560,196**	18,674,487	#
— Hong Kong headquarters	**594,052**	681,993	
Direct energy consumption (KWh):	**2,088,004**	2,205,700	
— Unleaded petrol:			
— Wahheng	**721,828**	706,801	
— Everwin	**863,310**	810,790	
— Hong Kong headquarters	**45,153**	98,060	
— Diesel:			
— Wahheng	**303,036**	420,986	
— Everwin	**87,926**	68,417	
— Hong Kong headquarters	**7,775**	6,182	
— Liquefied Petroleum gas/gas oil:			
— Wahheng	**10,021**	23,578	
— Everwin	**0**	0	
— Hong Kong headquarters	**48,955**	70,886	
Indirect emissions (KWh):	**28,073,527**	26,289,948	
— Electricity			
— Wahheng	**7,972,398**	7,987,803	
— Everwin	**19,608,960**	17,795,280	#
— Hong Kong headquarters	**492,169**	506,865	

Note:

Energy consumption increased by more electricity usage at Everwin for rising manufacturing during the year.

(a) The Group is committed to conserving clean water. Both Wahheng and Everwin are using water properly provided by the municipal government in the places where they are located. It is the Group's objective to control water pollution by proper waste water treatment. Waste water is mainly generated from machine cooling and cleaning in Wahheng and Everwin. The Hong Kong headquarters are operating in several leased office premises of which both water supply and discharge are controlled by the respective building management which does not provide any data in relation to volume of water consumed and discharged. The management fee of each of the leased premises paid to the respective building management includes fee for water supply and discharge. Energy Conservation and Emission Reduction Team in each of Wahheng and Everwin continuously implemented different measures to reduce water consumption, and the Group achieved reduction in total water consumption during the year under review as follows:

Water consumption summary:

Indicators	**2017**	2016	Note
Total water consumption (m^3)	**465,350**	484,734	
Total water consumption per facility (m^3):			
— Wahheng	**110,915**	141,891	
— Everwin	**354,435**	342,843	
Expenses on water consumption per facility (RMB):			
— Wahheng	**526,114**	643,901	
— Everwin	**1,342,380**	1,239,291	

The Group aims at operating its toys manufacturing business with maximum resources efficiency by minimizing unnecessary waste of materials in the production process. Being a responsible OEM, the Group is committed to complying with all specifications of all products stipulated in all contracts signed with its customers, including nature and quality of all materials for each of the designated products (including the packaging materials for such products). Given the role of OEM, the materials (including packaging materials) used for manufacturing toys are contractually specified by its renowned multinational customers from the USA, Canada and Australia.

1.3 Environmental and Natural Resources:

Environmental protection is a continuous process, including management of energy and water consumption, and waste production. Apart from the aforesaid policies, guidelines, procedures, and engagement of an independent organization for carrying out energy audit on an annual basis, the Group from time to time promotes the awareness of "Energy Conservation, Start by Us" and "Energy Conservation Starting from Each Drop of Water and Each Unit of Electricity". In addition, both Wahheng and Everwin have always observed the guidance of the facility's temperature as per the guidance document under ICTI's Code of Business Practice. During the period under review, such environmental protection measures as using energy saving fluorescent tubes and LED light tubes in some applicable office areas were still in force and would be monitored and reviewed regularly pursuant to the environmental requirements.

2. EMPLOYMENT AND LABOUR PRACTICES

2.1 Employment:

"People Oriented" is the Group's persistent notion. In conformity with the principle of harmonious sustainable development, the Group continuously invests its available resources in providing a supportive, comfortable and healthy workplace for employees, and in fostering a caring community in the working environment. The Group cares for all employees, which has been endorsed by its compliance with the standards of ICTI by its production facilities as both Wahheng and Everwin have been certified by ICTI CARE (Caring, Awareness, Responsible, Ethical) Process for its compliance since 2004.

The Group recognizes that attracting competent talents is important for its sustainable growth, so it is committed to providing fair and competitive remuneration package in form of salary and fringe benefits, e.g. personal and life insurance, paid leave and education sponsorship etc. apart from those mandatory employment-related benefits. It is the policy that salary of employees working in the headquarters in Hong Kong will be reviewed on an annual basis in December, and the eligible employees will be subject to performance appraisal evaluation to be carried out by the respective department heads and then endorsed by such employees, and all such evaluations are subject to the final approval by the relevant executive director or to whom that the director delegates. The Group Human Resources Department will provide a guideline of salary range of each category in light of the current market rate to each department head for reference for ensuring that the salary range for each job category in the headquarters in Hong Kong remains competitive. And, each of Wahheng and Everwin's annual budget for various operation expenses has taken into account of the wages trend for the workers in Guangdong province of the PRC. In addition, the Group is committed to comply with the code provisions set out in Appendix 14 of the Listing Rules, regarding of remuneration of directors and senior management.

In order to provide a framework and guidance for ensuring (a) fairness in recruitment; (b) maximization of diversity of applicants; and (c) high caliber candidates are attracted and selected by taking into account of equal opportunities, anti-discrimination, non-harassment and prohibition of child and forced labour, such policies as "Recruitment Policy", "Equal Opportunities and Anti-Discrimination Policy" and "Code of Conduct" have been in force.

For (a) providing basic understanding of the Group's background, organization structures and business objectives; (b) safeguarding the agreed employment terms and conditions, e.g. working hours, probation period, rest periods, termination of employment, other fringe benefits; and (c) adherence to the relevant policies, systems and procedures etc., an orientation training will be provided for all newcomers by the Group Human Resources Department, and the Staff Handbook and the aforesaid policies are available in the Group's intranet folder (paperless for upholding of environmental protection) for reference at any time by the employees. As the members of ICTI, Wahheng and Everwin are always in strict compliance with the relevant requirements as set out in ICTI's Code of Business Practices. Furthermore, the PRC Staff Handbook for local Chinese employees of both Wahheng and Everwin is prepared in accordance with the relevant provisions in the Employment Contract Law of the PRC.

The Group explicitly opposes any discrimination on the grounds of age, gender, marital status, pregnancy, family status, race, nationality, religion and disability, and from time to time observes the provisions of such relevant laws as Employment Ordinance, Cap. 52, Employees' Compensation Ordinance, Cap. 282, Sex Discrimination Ordinance, Cap. 480 in Hong Kong, Disability Discrimination Ordinance, Cap. 487 and Race Discrimination Ordinance, Cap. 602, and of《中華人民共和國勞動合同法》(Employment Contract Law of the PRC*) in the PRC.

The Group had 5,829 employees as at 31 December 2017 of which 2,954 male and 2,875 female. Indicators of employment type of each gender, employees' age group of each gender, geographical region of employment of each gender and employee turnover rate during the years of 2016 and 2017 are as follows:

(a) Employment type and gender:

Number of employees:	**2017**		2016	
	Male	**Female**	Male	Female
Management and Department Head	**35**	**5**	33	8
Managerial	**111**	**40**	107	41
Supervisory	**160**	**71**	152	72
General Staff	**2,648**	**2,759**	2,752	2,793

(b) *Employees' age group and gender:*

Number of employees:	**2017**		2016	
	Male	**Female**	Male	Female
18 ~ below 30	**944**	**639**	994	669
30 ~ below 50	**1,806**	**2,186**	1,837	2,118
50 and over	**204**	**50**	213	127

(c) *Geographical region of employment and gender:*

Number of employees:	**2017**		2016	
	Male	**Female**	Male	Female
Hong Kong	**139**	**76**	136	88
PRC	**2,808**	**2,799**	2,899	2,826
Others	**7**	**0**	9	0

(d) *Employee turnover rate[1]:*

	2017	2016
Percentage of employees:	**33.9%**	20.7%

1 Due to the seasonality, demand for workers by Wahheng and Everwin varies substantially, therefore, turnover rate for workers in the PRC has not been taken into account.

2.2 Health and Safety:

The Group is committed to providing employees a safety and healthy working environment by reference to such occupational safety and health publications issued by Occupational Safety and Health Council as Office Lighting, Design of Office Station, Office Stretching Exercises, Work Stress, Work Postures, Correct Use of Display Screen Equipment and OSH Guides for Computer Workstation, which are all applicable to the offices of the Hong Kong headquarters. In view of the Group's manufacturing facilities in the PRC, both《環境健康安全管理程序》(Environmental Health and Safety Management Procedures*) and《危害能源控制程序》(Hazardous Energy Control Procedures*) are continuously adhered, and the Environmental Health and Safety Team keeps functioning by means of on-site communications and regular meetings for managing the environmental health and safety projects, regular assessment of the effectiveness, practicality and comprehensiveness of environmental, health and safety procedures, and timely update of all such procedures for the purposes of avoidance of accidents and continuous improvement in environment, health and safety. In order to prevent, control and eliminate occupational hazards and to raise the employee awareness of safety production, both《職業健康管理制度》(Occupational Health Management System*) and《職業病管理制度》(Occupational Disease Management System*) formulated in accordance with《中華人民共和國職業病防治法》(Prevention and Treatment of Occupational Diseases Law of PRC*) and《使用有毒物品場所勞動保護條例》(Labour Protection for Workplace Using Toxic Substance Regulation*) are continuously adhered by providing, among other things, such protective gears as safety helmets, safety shoes, ear plugs and gas masks to workers, and medical check-ups for staff who are having high exposure to occupational disease are provided at pre-employment, under-employment (on an annual basis) and post-employment stages. It is the policy that staff having occupational contraindication or suspected occupational disease would be transferred out from their original posts for diagnosis and treatments for protection of health of workforce and production safety by reference to the advices from the occupational safety and health authority.

The Group Human Resources Department oversees the occupational health and safety matters. All occupational health and safety-related accidents must be reported to the Group Human Resources Department as and when necessary. Staff has been notified that any potential or suspected occupational health and safety-related issues may be notified to the Group Human Resources Department by means of email to the designated email address. The Group Human Resources Department will carry out investigation and remedial actions as and when necessary.

During the year under review, the Group did not have any work-related fatalities. Number of reportable injuries, reportable occupational diseases and lost days due to work-related injury and occupational diseases are as follows:

Number of cases and lost days:	**2017**	2016
Number of reportable injuries[1]	**117**	117
Number of reportable occupational diseases[2]	**2**	0
Number of lost days due to reportable injuries	**1,027**	973
Number of lost days due to reportable occupational diseases	**208**	0

1 Any work-related injury resulting in incapacity, which is required to notify the Commissioner for Labour pursuant to the Employees' Compensation Ordinance in Hong Kong or to notify 社會保險行政部門 (social insurance administrative authorities*) pursuant to 工傷保險條例 (industrial injury insurance regulations*) in the PRC.

2 Any occupational disease resulting in incapacity, which is required to notify the Commissioner for Labour pursuant to the Employees' Compensation Ordinance in Hong Kong or to notify 社會保險行政部門 (social insurance administrative authorities*) pursuant to 工傷保險條例 (industrial injury insurance regulations*) in the PRC.

2.3 Development and Training:

For sustainable development of the Group and its employees, Employees Training and Development Policy continued playing a key role during the year under review. The Group has arranged in-house training courses, e.g. induction orientation and on-the-job trainings, and other training courses and seminars conducted by third party providers in light of the employees' job requirements and the business objectives of the Group. During the year under review, the Group arranged a well-known training institute to conduct a seminar namely "Project Management for Young Managers" for the selected young managerial staff for providing knowledge and skills in project management.

Performance appraisal evaluation is an interactive exercise between an employee and his/her department head, which involves appraising an employee's past performance and identifying the employee's areas for improvement and enhancement for fulfilment of the agreed objectives. The Group encourages and supports employees to improve and enhance their knowledge and skills that are attributable to achievement of the agreed objectives by granting study and examination leave.

Both Wahheng and Everwin have their respective《員工培訓控制程序》(Staff Training Control Procedures*) in accordance to their own unique conditions and demands. The Human Resources Department will conduct training survey in the fourth quarter of each financial year for planning training programmes for the forthcoming year. Training programmes cover a wide range of topics, including pre-employment induction orientation, management, professional, technique, quality control and safety, which are provided by means of both internal and external sources for the purpose of enhancement of employees' professionalism and occupational skills.

Number of employees trained by employment type and gender during the years of 2016 and 2017 are as follows:

Number of employees:	**2017**		2016	
	Male	**Female**	Male	Female
Management and Department Head	**8**	**2**	6	2
Managerial	**49**	**9**	38	16
Supervisory	**129**	**50**	116	42
General Staff	**14,327**	**8,670**	13,536	9,134

Average training hours completed per employee by employment type and gender during the years of 2016 and 2017 are as follows:

Average training hours per employee: (hours)	**2017**		2016	
	Male	**Female**	Male	Female
Management and Department Head	**3**	**7**	18	1
Managerial	**11**	**6**	4	4
Supervisory	**62**	**72**	5	6
General Staff	**6**	**7**	4	4

The Group's Wah Shing Academy had provided various training courses substantially during the year under review.

2.4 Labour Standards:

The Group strictly complies with the Employment Ordinance and《中華人民共和國勞動合同法》(Employment Contract Law of the PRC*) in respect of employment in Hong Kong and the PRC respectively. As per the Recruitment Policy, employment of child and forced labour is strictly prohibited. In addition, all such illegal means as retention of identity cards or passports, intimidation, coercion and undue pressure are strictly prohibited. It is the policy that all employees in the Hong Kong headquarters are aged 18 and above. In the PRC, both Wahheng and Everwin have implemented their own《限制童工入廠辦法》(Minor Labour Hiring Control Practice*) which explicitly prohibits from hiring any labour aged under 16. It is a standard procedure in screening stage being adopted in Hong Kong and the PRC that all interviewees are required to present their identity cards for inspection for ascertaining their identities, ages and validity of employment status. No employment offer will be made to any candidates whose ages are below 18 in Hong Kong and below 16 in the PRC. In the event that any irregularities in ages, identities and/or validities of employment status is subsequently found, employment with all such concerned candidates will be immediately terminated, and the Group will report such incident to the relevant authorities as soon as possible. In the case of any child labour is ascertained by Wahheng or Everwin, such labour will be repatriated to their homes after medical check-up.

No child labour was hired or subsequently found in both 2016 and 2017.

3. OPERATION PRACTICES

3.1 Supply Chain Management:

As the supply chain management is crucial to the Group's sustainable operations, the Group from time to time manages the quality of its suppliers by means of its《供應商管理控制程序》(Supplier Management and Control Procedures*). Apart from the assessment of all potential suppliers and new suppliers designated by customers in form of capability of supply of materials, qualities of materials and prices of materials by the assessment team of the procurement department of each of Wahheng and Everwin for the purpose of achieving fair, open and just selection of new suppliers, the procurement department of each of Wahheng and Everwin is responsible for fostering all current key suppliers (a) to comply with all applicable laws and regulations in respect of their employment and operations, including occupational health and safety, environmental protection, and statutory maintenance of relevant records of documentation; (b) not to engage any corruption and take any undue advantage to obtain or retain business; (c) to protect intellectual property rights and safeguarde customers' personal information; (d) not to engage any child and forced labour; and (e) not to discriminate age, gender, marital status, pregnancy, family status, race, nationality, religion and disability in employment, for the purpose of managing the supply chain in a socially and environmentally responsible manner. In the event of any violation of such business integrity as corruption or extortion, the Group will take all appropriate actions for safeguarding its interest, including immediate termination of contract with the supplier in default.

Number of key suppliers by geographical regions during the years of 2016 and 2017 is as follows:

Number of key suppliers:	**2017**	2016
Hong Kong	**315**	235
PRC	**268**	207
Others	**4**	4

3.2 Product Responsibility:

The Group continues adhering to the principle of "Quality First, Customer Foremost" by closely monitoring its production processes and attending to the customers' needs. The Group is also committed to the quality of its products that meets both the local and international standards by maintaining a quality management system in accordance with the standards of ISO9001 Quality Management Systems. In addition, the manufacturing facilities in the PRC have obtained certifications from the International Certification Network (IQNet), China Quality Certification Centre (CQC) and Hong Kong Quality Assurance Agency (HKQAA). For continuing reinforcement of product quality, the Group conducts an annual review of the provisions of《質量手冊》(Quality Handbook*) for compliance with the international standards of ISO9001, which in turn strengthens the Group's competitiveness in the international market.

Wahheng has its own physics testing laboratory which has been certified by its customers. Everwin has its own physics and chemistry testing laboratories, both of them have been certified by the China National Accreditation Service for Conformity Assessment (CNAS). These laboratories can provide professional examinations and reports in respect of reliability and safety measures covering product mechanical, physical and chemical aspects, and certain electronic aspects, for ensuring fulfilment of both quality and safety standards at the stages of R&D and production set out by the Group's customers. Strong and reliable quality assurance helps the Group to gain recognition and credibility from its customers, which in turn further reinforces the Group's position in the international business market.

The procedures of product recall and customer complaints are set out in《產品召回程序》(Product Recall Procedures*) and《處理客戶投訴程序》(Customer Complaints Handling Procedures*) respectively for providing efficient after-sale services which are useful in maintaining customer satisfaction and helpful for lowering down the costs and losses if the recalls or complaints are remedied shortly.

The Group has maintained product acceptance rate at almost 100% during the year under review. No product recall due to safety or health reasons and no significant complaints in respect of defects during the year under review.

The Group from time to time observes the provisions of Copyright Ordinance, Cap. 528, and respects intellectual property rights. As per the IT Policy, employees are not allowed to install any unauthorized or unlicensed software into their working computers provided by the Group. Use of any materials which are in violation of the relevant law is strictly prohibited.

Both Wahheng and Everwin have implemented《敏感產品保密控制程序》(Classified Products Confidentiality Control Procedures*) which sets out stringent requirements in relation to responsible departments and personnel, execution of confidentiality agreement, classification and criteria of restricted areas, security management, information management, destruction of classified products, divulgence handling, record keeping and etc., for upholding confidentiality in each stage of R&D, processing, testing and delivery.

The Group respects privacy rights of its stakeholders, and a privacy policy statement is published on its website (www.scholding.com). All personal data collected, processed, used, disclosed and retained are subject to the Personal Data Privacy Policy which is prepared by reference to Personal Data (Privacy) Ordinance, Cap. 486. Personal Information Collection Statement (PICS) will be provided for all candidates pertaining to employment, which sets out the purposes of personal data collection, disclosure, retention and storage. In addition, the Group is obliged to safeguard the personal data of its stakeholders and to use such data for specific purpose, e.g. verifying identity and checking creditability for provision of goods and services.

3.3 Anti-corruption:

The Group is committed to conducting its business activities legally and ethically. Code of Conduct stipulates no bribes, kickbacks or advantages solicited from or given to any person for any purposes, the way of handling gifts and other benefits valued at more than HK$500, and no violation of any applicable laws and ethical standards. The Group Internal Audit Department is responsible for reviewing and auditing the business activities.

Both Wahheng and Everwin have their own《員工行為準則政策與程序》(Employee Code of Conduct Policies and Procedures*) by reference to the provisions of Code of Conduct, which places emphasis on compliance with the relevant laws, e.g. Prevention of Bribery Ordinance, Cap. 201, integrity maintenance and prohibition from involvement of any bribes, kickbacks and etc. During the year under review, there were no confirmed incidents in relation to corruption, and no suppliers' contracts were terminated or not renewed due to corruption.

In addition, the Group encourages its stakeholders to report its employees' misconduct by reference to its Whistleblowing Policy and Procedures which are set out on the corporate website (www.scholding.com). Any complainant may raise his/her complaints against inappropriate and unlawful behavior or malpractice of any Group's employees (including its contractors and consultants) on confidential base, directly to the Head of Group Internal Audit, without the fear of incrimination. The Head of Group Internal Audit will review and evaluate the complaints, and then determine the mode of investigation. If the alleged misconduct, malpractice or irregularity is confirmed, a report prepared by the Head of Group Internal Audit will then be circulated to the relevant department head and the Group Human Resources Department for the purpose of consideration and determination of any remedial and disciplinary actions to be taken. A summary of complaints received, results of such complaints and the actions taken will be made available to the Board on a biannual basis.

4. COMMUNITY INVESTMENT

As a responsible corporate citizen, the Group uses its expertise and resources to support the communities in which it operates in such manner as helping people in need and organizing charitable events and donating funds raised by such events to local charities etc.

The Company has been consecutively conferred an award of "Caring Company" logo by The Hong Kong Council of Social Services for 2 years, marking the recognition of the Group's continuous contribution to the Hong Kong community.

* For reference only (the official name is in Chinese)

The Volunteer Team Committee is responsible for carrying out various community activities for the Group, which comprises members from different departments and business units. During the year under review, activities that the Committee participated into were "旭茉 JESSICA RUN" for raising funds for under-privilege; and "Cookie's Factory" for making cookies with disabled teenagers for delivering positive support to them. In addition, the Group's encourages staff to participate organ donation organized by Department for Health. The Group keeps making donations to the Poverty Alleviation Fund in the PRC on an annual basis.

The Group is a supporter for developing a healthy and green community, so it will not only continuously dedicates its efforts to protect the environment by controlling emissions of GHG, consumption of energy and water and waste production etc. but also participates in different events to contribute positivity to the communities in which it operates.

Summary of compliance with the ESG Guide

Subject Areas	Aspects	General Disclosure and KPIs		Disclosure in this Report
A. Environmental	A1: Emissions	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		Pages 44 to 46
		KPI A1.1 and KPI A1.2	Types of emissions, greenhouse gas emissions and respective emissions data	Page 45
		KPI A1.3 and KPI A1.4	Total hazardous and non-hazardous waste produced and, where appropriate, intensity	Page 46
		KPI A1.5	Description of measures to mitigate emissions and results achieved	Page 45
		KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Pages 45 to 47

Subject Areas	Aspects	General Disclosure and KPIs		Disclosure in this Report
	A2: Use of Resources	Policies on the efficient use of resources, including energy, water and other raw materials.		Pages 47
		KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	Page 48
		KPI A2.2	Water consumption in total and intensity	Page 49
		KPI A2.3, KPI A2.4 and KPI A2.5	Description of whether there is any issue in sourcing water, water and energy use efficiency initiatives and results achieved and total packaging material used for finished products	
	A3: The Environment and Natural Resources	Policies on minimizing the Group's significant impact on the environment and natural resources.		Page 50
		KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	Page 50
B. Social — Employment and Labour Practices	B1: Employment	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		Pages 50 to 51
		KPI B1.1 and KPI B1.2	Total workforce by gender, employment type, age group and geographical region and employee turnover rate	Pages 51 to 52

Subject Areas	Aspects	General Disclosure and KPIs		Disclosure in this Report
	B2: Health and Safety	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting from occupational hazards.		Page 53
		KPI B2.1 and KPI B2.2	Number and rate of work-related fatalities and lost days due to work injury	Page 54
		KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Page 53
	B3: Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		Page 54
		KPI B3.1 and KPI B3.2	The percentage of employees trained by gender and employee category and the average training hours completed per employee by gender and employee category	Page 55
	B4: Labour Standard	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labour.		Page 55
		KPI B4.1 and KPI B4.2	Description of measures to review employment practices to avoid child and forced labour and description of steps taken to eliminate child and forced labour practices when discovered	Page 55
B. Social — Operating Practices	B5: Supply Chain Management	Policies on managing environmental and social risks of the supply chain.		Page 56
		KPI B5.1 and KPI B5.2	Number of suppliers by geographical region and description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Page 56

Subject Areas	Aspects	General Disclosure and KPIs		Disclosure in this Report
	B6: Product Responsibility	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		Pages 56 to 57
		KPI B6.1, KPI B6.2, KPI B6.3 and KPI B6.5	Percentage of total products sold or shipped subject to recalls for safety and health reasons, number of products and service related complaints received and how they are dealt with, description of practices relating to observing and protecting intellectual property rights and description of consumer data protection and privacy policies, how they are implemented and monitored	Page 57
		KPI B6.4	Description of quality assurance process and recall procedures	Pages 56 to 57
	B7: Anti-corruption	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering		Page 58
		KPI B7.1 and KPI B7.2	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases and description of preventive measures and whistleblowing procedures, how they are implemented and monitored	Page 58
B. Social — Community	B8: Community Investment	Policies on community engagement to understand the needs of the communities where the Group operates and to ensure its activities taken into consideration the communities' interests.		Pages 58
		KPI B8.1 and KPI B8.2	Focus areas of contribution and resources contributed to the focus areas	Page 58

Independent Auditor's Report

Independent auditor's report to the shareholders of South China Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of South China Holdings Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 70 to 201, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(Continued)*

Valuation of investment properties and investment properties classified as held for sale

Refer to notes 13 and 30 to the consolidated financial statements and the accounting policies on page 95.

The Key Audit Matter	How the matter was addressed in our audit
The Group holds a portfolio of investment properties located in Hong Kong and in certain cities across Mainland China. The carrying value of these properties (including those classified as held for sale) accounted for 61% of the Group's total assets as at 31 December 2017. Investment properties are stated at fair value. The fair values of the investment properties as at 31 December 2017 were assessed by the board of directors primarily based on valuations prepared by an independent professionally qualified property valuer which take into account current rents or hypothetical rents and the reversionary potential of the tenancies of each property or comparable sales evidence as available in the relevant markets, where appropriate. The net changes in fair value of investment properties (including those classified as held for sale) recognised in the consolidated statement of profit or loss represented 95% of the Group's profit before taxation for the year ended 31 December 2017. We identified the valuation of the Group's investment properties and investment properties classified as held for sale as a key audit matter because these properties represent the majority of the Group's total assets and a small percentage error in the valuation of individual investment properties, when aggregated, could have a significant impact on the Group's profit before taxation for the year and because the valuations are inherently subjective and require significant judgement and estimates, particularly in selecting the appropriate valuation methodology and in determining capitalisation rates, market rents and unit prices.	Our audit procedures to assess the valuation of the Group's investment properties and investment properties classified as held for sale included the following: • obtaining and inspecting the valuation reports prepared by the independent professionally qualified property valuer engaged by the Group and on which the directors' assessment of the fair values of investment properties was based; • meeting the independent professionally qualified property valuer and discussing the valuation methodology adopted with reference to the requirements of the prevailing accounting standards, challenging the key estimates and assumptions adopted in the valuations, including prevailing market rents, market yields and comparable market transactions, and assessing the independent professionally qualified property valuer's qualifications, expertise, objectivity and independence; • with the assistance of our internal property valuation specialists, comparing the key estimates and assumptions adopted in the valuation of investment properties, on a sample basis, including those relating to capitalisation rates, market rents and unit prices, with available market data and government produced market statistics; • comparing tenancy information, including rental and occupancy status, provided by the Group to the independent professionally qualified property valuer with the underlying contracts, on a sample basis.

KEY AUDIT MATTERS *(Continued)*

Assessing the net realisable value of properties under development

Refer to note 23 to the consolidated financial statements and the accounting policies on page 104.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2017 the Group held properties under development in Mainland China, which were stated at the lower of cost and net realisable value at an aggregate amount of HK$1,597 million. The calculation of the net realisable value of each property development project at the reporting date is performed by the Group's internal property experts. The calculation of the net realisable value of properties under development involves significant management judgement in preparing estimations of the costs to complete each property development project as well as in assessing the expected selling prices for each property (with reference to recent sales transactions in nearby locations and rates of new property sales) and the estimated future selling costs. We identified the assessment of net realisable value of the Group's properties under development as a key audit matter because of the inherent risks involved in estimating future selling prices and the future costs to complete each property development project.	Our audit procedures to assess the net realisable value of properties under development included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs for each property development project; • conducting site visits to all property development sites and discussing with the Group's internal property experts the progress and development budgets reflected in the latest forecasts for each property development project; • meeting the Group's internal property experts to discuss and challenge the key estimates and assumptions adopted in their net realisable value assessments and to consider their qualifications and experience; • assessing the valuation methodology adopted by the Group's internal property experts and comparing the key estimates adopted, including those relating to average net selling price, with available market data and the sales budget plans maintained by the directors;

KEY AUDIT MATTERS *(Continued)*

Assessing the net realisable value of properties under development *(Continued)*

Refer to note 23 to the consolidated financial statements and the accounting policies on page 104.

The Key Audit Matter	How the matter was addressed in our audit
	Our audit procedures to assess the net realisable value of properties under development included the following (*Continued*): • re-performing calculations made by the Group's internal property experts in arriving at the year end assessments of net realisable value, on a sample basis, and performing a retrospective review for all properties under development by comparing the estimated construction costs to complete each property development project with the Group's updated budgets and actual construction costs incurred during the current year; • performing sensitivity analyses to determine the extent of change in those estimates and assumptions that, either individually or collectively, would be required for the properties under development to be materially misstated and considering the likelihood of such a movement in those key estimates arising.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- 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 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.

The engagement partner on the audit resulting in this independent auditor's report is Leung Sze Kit, Roy.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 March 2018

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017 *(Expressed in Hong Kong dollars)*

	Note	2017 $'000	2016 $'000
Revenue	4 & 5	**3,901,796**	3,731,153
Cost of sales		**(3,328,548)**	(3,021,044)
Gross profit		**573,248**	710,109
Other income and gains, net	5	**162,331**	100,297
Fair value gain on investment properties inclusive of investment properties presented as non-current assets classified as held for sale		**289,053**	146,683
Fair value loss on financial assets at fair value through profit or loss		**(2,462)**	(22,137)
Fair value loss on foreign exchange forward contracts		**–**	(55)
Selling and distribution expenses		**(72,399)**	(68,068)
Administrative expenses		**(513,634)**	(535,909)
Equity-settled share award expense		**(4,736)**	(7,927)
Profit from operations		**431,401**	322,993
Finance costs	7	**(127,048)**	(120,622)
Share of losses of associates	17	**(604)**	(1,090)
Profit before tax	6	**303,749**	201,281
Income tax	10	**(55,617)**	(54,648)
Profit for the year		**248,132**	146,633
Attributable to:			
Equity shareholders of the Company		**229,872**	152,142
Non-controlling interests		**18,260**	(5,509)
		248,132	146,633
Earnings per share	11		
Basic		**HK1.77 cents**	HK1.71 cents
Diluted		**HK1.64 cents**	HK1.08 cents

The notes on pages 79 to 201 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017 *(Expressed in Hong Kong dollars)*

	2017 $'000	2016 $'000
Profit for the year	**248,132**	146,633
Other comprehensive income (after tax and reclassification adjustments)		
Items that may be reclassified to profit or loss in subsequent periods (nil of tax effect):		
Available-for-sale financial assets:		
– Net changes in fair value	**33,442**	(633)
– Reclassification adjustment for impairment loss transferred to profit or loss	**–**	12
	33,442	(621)
Exchange differences on translation of financial statements of operations outside Hong Kong	**337,962**	(313,626)
Release of exchange reserve upon step acquisition	**(1,091)**	–
Share of other comprehensive income of associates	**5,236**	(664)
Other comprehensive income for the year	**375,549**	(314,911)
Total comprehensive income for the year	**623,681**	(168,278)
Attributable to:		
Equity shareholders of the Company	**570,877**	(130,282)
Non-controlling interests	**52,804**	(37,996)
	623,681	(168,278)

The notes on pages 79 to 201 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2017 *(Expressed in Hong Kong dollars)*

	Note	As at 31 December 2017 $'000	As at 31 December 2016 $'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**180,565**	202,863
Investment properties	13	**6,062,534**	6,405,099
Prepaid land lease payments	14	**82,969**	81,358
Construction in progress	15	**158,003**	138,374
Investments in associates	17	**1,374**	10,347
Bearer plants	18	**63,536**	69,852
Available-for-sale financial assets	19	**106,902**	73,400
Prepayments and deposits	20	**20,958**	18,301
Goodwill	21	**3,106**	2,986
Other non-current assets		**15,638**	15,638
Total non-current assets		**6,695,585**	7,018,218
CURRENT ASSETS			
Inventories	22	**577,305**	451,876
Properties under development	23	**1,597,326**	1,153,055
Trade receivables	24	**538,310**	617,040
Prepayments, deposits and other receivables	25	**792,500**	859,526
Financial assets at fair value through profit or loss	26	**26,050**	28,040
Foreign exchange forward contracts	27	**25,660**	–
Amounts due from non-controlling shareholders of subsidiaries	28	**56,153**	52,203
Amounts due from affiliates	28	**–**	75,500
Tax recoverable		**57,300**	44,414
Cash and bank balances	29	**713,029**	498,099
		4,383,633	3,779,753
Non-current assets classified as held for sale	30	**1,883,000**	939,000
Total current assets		**6,266,633**	4,718,753
CURRENT LIABILITIES			
Trade payables	31	**668,987**	649,533
Other payables and accruals	32	**787,536**	575,228
Interest-bearing bank borrowings	33	**1,744,489**	1,802,320
Amounts due to non-controlling shareholders of subsidiaries	34	**5,221**	2,310
Tax payable		**54,998**	59,727
Total current liabilities		**3,261,231**	3,089,118
NET CURRENT ASSETS		**3,005,402**	1,629,635
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,700,987**	8,647,853

As at 31 December 2017 *(Expressed in Hong Kong dollars)*

	Note	**As at 31 December 2017 $'000**	As at 31 December 2016 $'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	33	**2,577,109**	2,245,134
Advances from non-controlling shareholders of subsidiaries	35	**7,941**	7,941
Other non-current liabilities	36	**74,323**	69,147
Deferred tax liabilities	37	**904,094**	805,060
Total non-current liabilities		**3,563,467**	3,127,282
NET ASSETS		**6,137,520**	5,520,571
CAPITAL AND RESERVES			
Share capital	38	**140,423**	112,567
Reserves	40(a)	**5,625,022**	5,088,733
Total equity attributable to equity shareholders of the Company		**5,765,445**	5,201,300
Non-controlling interests		**372,075**	319,271
TOTAL EQUITY		**6,137,520**	5,520,571

Approved and authorised for issue by the board of directors on 23 March 2018.

Cheung Choi Ngor
Director

Richard Horward Gorges
Director

The notes on pages 79 to 201 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017 (*Expressed in Hong Kong dollars*)

		Attributable to equity shareholders of the Company																	
		Share capital																	
	Note	Ordinary shares $'000	Redeemable convertible preference shares $'000	Share premium $'000	Contributed surplus $'000	Capital redemption reserve $'000	Merger reserve $'000	Land and buildings revaluation reserve $'000	Available-for-sale financial assets revaluation reserve $'000	PRC statutory reserves $'000	Treasury shares $'000	Shares held for Share Award Scheme $'000	Employee share-based compensation reserve# $'000	Goodwill reserve $'000	Exchange reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2016		59,773	54,715	1,799,633	508,172	223	(1,603,030)	68,355	56,486	10,965	–	(22,500)	54,434	(3,067)	147,511	4,287,564	5,419,234	357,267	5,776,501
Profit for the year		–	–	–	–	–	–	–	–	–	–	–	–	–	–	152,142	152,142	(5,509)	146,633
Other comprehensive income for the year:																			
Net change in fair value of available-for-sale financial assets	19	–	–	–	–	–	–	–	(633)	–	–	–	–	–	–	–	(633)	–	(633)
Reclassification adjustment for impairment loss on available-for-sale financial assets transferred to profit or loss		–	–	–	–	–	–	–	12	–	–	–	–	–	–	–	12	–	12
Exchange differences on translation of financial statements of operations outside Hong Kong		–	–	–	–	–	–	–	–	–	–	–	–	–	(281,139)	–	(281,139)	(32,487)	(313,626)
Share of other comprehensive income of associates		–	–	–	–	–	–	–	–	–	–	–	–	–	(664)	–	(664)	–	(664)
Total comprehensive income for the year		–	–	–	–	–	–	–	(621)	–	–	–	–	–	(281,803)	152,142	(130,282)	(37,996)	(168,278)
Redemption of redeemable convertible preference shares	38	–	(1,512)	(44,151)	–	–	–	–	–	–	–	–	–	–	–	–	(45,663)	–	(45,663)
Conversion of redeemable convertible preference shares	38	44,298	(44,707)	409	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Shares received from distribution in specie	40(b)	–	–	–	–	–	–	–	–	–	(10,837)	(38,947)	–	–	–	–	(49,784)	–	(49,784)
Transfer of employee share-based compensation reserve upon lapse of shares awarded and share options		–	–	–	–	–	–	–	–	–	–	–	(1,469)	–	–	1,469	–	–	–
Recognition of equity-settled share-based compensation: share award and share options		–	–	–	–	–	–	–	–	–	–	–	7,795	–	–	–	7,795	–	7,795
At 31 December 2016		104,071	8,496	1,755,891	508,172	223	(1,603,030)	68,355	55,865	10,965	(10,837)	(61,447)	60,760	(3,067)	(134,292)	4,441,175	5,201,300	319,271	5,520,571

For the year ended 31 December 2017 (*Expressed in Hong Kong dollars*)

	Note	Attributable to equity shareholders of the Company																Non-controlling interests	Total equity
		Share capital																	
		Ordinary shares	Redeemable convertible preference shares	Share premium	Contributed surplus	Capital redemption reserve	Merger reserve	Land and buildings revaluation reserve	Available-for-sale financial assets revaluation reserve	PRC statutory reserves	Treasury shares	Shares held for Share Award Scheme	Employee share-based compensation reserve#	Goodwill reserve	Exchange reserve	Retained profits	Total		
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2017		104,071	8,496	1,755,891	508,172	223	(1,603,030)	68,355	55,865	10,965	(10,837)	(61,447)	60,760	(3,067)	(134,292)	4,441,175	5,201,300	319,271	5,520,571
Profit for the year		–	–	–	–	–	–	–	–	–	–	–	–	–	–	229,872	229,872	18,260	248,132
Other comprehensive income for the year:																			
Net change in fair value of available-for-sale financial assets	19	–	–	–	–	–	–	–	33,442	–	–	–	–	–	–	–	33,442	–	33,442
Exchange differences on translation of financial statements of operations outside Hong Kong		–	–	–	–	–	–	–	–	–	–	–	–	–	303,418	–	303,418	34,544	337,962
Release of exchange reserve upon step acquisition		–	–	–	–	–	–	–	–	–	–	–	–	–	(1,091)	–	(1,091)	–	(1,091)
Share of other comprehensive income of associates		–	–	–	–	–	–	5,986	–	–	–	–	–	–	(750)	–	5,236	–	5,236
Total comprehensive income for the year		–	–	–	–	–	–	5,986	33,442	–	–	–	–	–	301,577	229,872	570,877	52,804	623,681
Issue of bonus shares	38	28,142	–	(28,142)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Release of reserve for step acquisition		–	–	–	–	–	–	(5,986)	–	–	–	–	–	–	–	5,986	–	–	–
Redemption of redeemable convertible preference shares	38	–	(286)	(11,182)	–	–	–	–	–	–	–	–	–	–	–	–	(11,468)	–	(11,468)
Transfer of employee share-based compensation reserve upon lapse of share options		–	–	–	–	–	–	–	–	–	–	–	(50,752)	–	–	50,752	–	–	–
Recognition of equity-settled share-based compensation: share award and share options		–	–	–	–	–	–	–	–	–	–	–	4,736	–	–	–	4,736	–	4,736
Vesting of shares awarded under Share Award Scheme		–	–	–	–	–	–	–	–	–	–	372	(333)	–	–	(39)	–	–	–
At 31 December 2017		132,213	8,210	1,716,567	508,172	223	(1,603,030)	68,355	89,307	10,965	(10,837)	(61,075)	14,411	(3,067)	167,285	4,727,746	5,765,445	372,075	6,137,520

Merger reserve arose from the Group reorganisation in 1992 and the business combinations under common control in respect of the acquisitions of certain fellow subsidiaries in 2007 and certain related companies ultimately controlled by the substantial shareholder of the Company in 2011 and 2013.

\# Employee share-based compensation reserve comprises the share option reserve and the share award reserve.

The notes on pages 79 to 201 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2017 *(Expressed in Hong Kong dollars)*

	Note	**2017 $'000**	2016 $'000
Operating activities			
Profit before tax		**303,749**	201,281
Adjustments for:			
Finance costs	7	**127,048**	120,622
Share of losses of associates	17	**604**	1,090
Interest income	5	**(4,362)**	(4,327)
Gain on disposal of items of property, plant and equipment	5	**(220)**	(25)
Gain on disposal of an investment property	5	**(42,080)**	–
Gain on disposal of interest in a subsidiary	5	**(88,984)**	–
Gain on disposal of bearer plants	5	**–**	(2,742)
Fair value gain on investment properties inclusive of investment properties presented as non-current assets classified as held for sale		**(289,053)**	(146,683)
Fair value loss on financial assets at fair value through profit or loss		**2,462**	22,137
Fair value gain on foreign exchange forward contracts	6	**(19,426)**	(30,413)
Equity-settled share award expense	6	**4,736**	7,927
Impairment loss on property, plant and equipment	5	**8,084**	–
Impairment of advances to associates, net	17	**16**	129
Impairment loss on available-for-sale investments	5	**–**	12
Impairment loss on trade receivables, net	6	**23,277**	8,334
Impairment loss on other receivables	6	**10,514**	215
Write-back of trade payables	5	**(428)**	–
Write-back of other payables	5	**(1,082)**	(4,562)
Provision for inventories, net	6	**26,084**	1,168
Write-off of construction in progress	15	**–**	334
Write-off of property, plant and equipment	5	**156**	–
Write-off of bearer plants	5	**9,399**	10,867
Dividend income from listed investments	5	**(339)**	(50,332)
Depreciation	6	**49,963**	49,245
Amortisation of prepaid land lease payments	6	**44,685**	45,679
Changes in working capital:			
Increase in inventories		**(150,522)**	(112,116)
Increase in properties under development		**(210,355)**	(166,037)
Decrease/(increase) in trade receivables		**56,492**	(245,838)
Increase in prepayments, deposits and other receivables		**(76,121)**	(61,686)
Increase in trade payables		**9,355**	306,875
Increase/(decrease) in other payables and accruals		**197,565**	(15,092)
Decrease in provision for severance payment		**(53)**	(189)
Cash used in operations		**(8,836)**	(64,127)

For the year ended 31 December 2017 *(Expressed in Hong Kong dollars)*

	Note	2017 $'000	2016 $'000
Hong Kong Profits Tax paid		**(28,843)**	(7,166)
The People's Republic of China ("PRC") enterprise income tax paid		**(13,533)**	(15,395)
Net cash used in operating activities		**(51,212)**	(86,688)
Investing activities			
Purchases of items of property, plant and equipment	12	**(39,750)**	(53,123)
Additions to investment properties	13(a)	**(3,049)**	(1,288)
Additions to prepaid land lease payments	14	**(41,085)**	(40,280)
Additions to construction in progress	15	**(10,347)**	(18,620)
Additions to bearer plants	18	**(2,034)**	(930)
Purchases of financial assets at fair value through profit or loss		**(2)**	–
Advances to an associate		**(16)**	(129)
Interest received		**4,362**	4,327
Proceeds from disposal of an investment property		**110,880**	–
Proceeds from disposal of bearer plants		**–**	3,333
Payment for settlement of foreign exchange forward contracts		**(6,234)**	(25,301)
Proceeds from disposal of items of property, plant and equipment		**339**	78
Net cash outflow from acquisition of a subsidiary	49	**(19,945)**	–
Proceeds from disposal of a subsidiary	50	**102,000**	–
Decrease in amounts due from affiliates		**75,500**	28,777
Dividend received from associates	17	**738**	–
Dividend received from listed investments		**–**	318
Deregistration of an associate		**–**	3,884
Increase in bank deposits with original maturity over three months		**(156)**	(10,051)
Increase in non-current prepayments and deposits		**(2,311)**	–
Net cash generated from/(used in) investing activities		**168,890**	(109,005)

Consolidated Cash Flow Statement

For the year ended 31 December 2017 *(Expressed in Hong Kong dollars)*

	Note	**2017** **$'000**	2016 $'000
Financing activities			
New bank loans	29	**3,354,326**	3,100,863
Repayment of bank loans	29	**(3,152,270)**	(2,645,288)
Increase/(decrease) in trust receipt loans	29	**35,546**	(76,277)
Interest and other borrowing costs paid	29	**(149,900)**	(117,669)
Decrease in restricted bank deposits	33	**2,387**	4,318
Redemption of redeemable convertible preference shares	38	**(11,468)**	(45,663)
Increase in balances with non-controlling shareholders, net	29	**2,701**	2,187
Net cash generated from financing activities		**81,322**	222,471
Net increase in cash and cash equivalents		**199,000**	26,778
Cash and cash equivalents at beginning of year		**459,302**	439,910
Effect of foreign exchange rate changes, net		**14,496**	(7,386)
Cash and cash equivalents at end of year		**672,798**	459,302
Analysis of balances of cash and cash equivalents			
Cash and bank balances	29	**713,029**	498,099
Less: Restricted bank deposits	33	**(20,613)**	(23,000)
Bank deposits with original maturity over three months	29	**(10,207)**	(10,051)
Bank overdrafts	33	**(9,411)**	(5,746)
Cash and cash equivalents as stated in the consolidated cash flow statement		**672,798**	459,302

The notes on pages 79 to 201 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1 CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted limited company. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

The Company is an investment holding company. The principal subsidiaries are engaged in the trading and manufacturing of toys, property investment and development, and agriculture and forestry.

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). Significant accounting policies adopted by the Group are disclosed below. These financial statements are presented in Hong Kong dollars and all figures are rounded to the nearest thousand ("HK$'000") unless otherwise indicated.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2.2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2.1 STATEMENT OF COMPLIANCE *(Continued)*

Basis of preparation of the financial statements

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

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

– investment properties;

– agricultural produce;

– financial assets at fair value through profit or loss;

– derivative financial instruments; and

– certain available-for-sale financial assets.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 2.4(i)).

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(Expressed in Hong Kong dollars)

2.2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group:

– Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*

– Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*

None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 29 to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

2.3 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
Amendments to HKAS 28, *Investments in associates and joint ventures*	1 January 2018
Amendments to HKAS 40, *Investment property: Transfers of investment property*	1 January 2018
HK(IFRIC) 22, *Foreign currency transactions and advance consideration*	1 January 2018
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019

2.3 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(Continued)*

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the Group's results of operations and financial position. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

HKFRS 9, *Financial instruments*

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) *Classification and measurement*

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

– The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairments and gains/ losses on disposal will be recognised in profit or loss.

– For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

2.3 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(Continued)*

HKFRS 9, *Financial instruments* (Continued)

(a) *Classification and measurement (Continued)*

The Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale financial assets", the Group has assessed that they will be measured at FVTPL under HKFRS 9. This will give rise to a change in accounting policy as currently the Group recognises the fair value changes of these investments in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies set out in notes 2.4(l) and 2.4(n). This change in policy will have no impact on the Group's net assets and total comprehensive income, but will increase volatility in profit or loss. Upon the initial adoption of HKFRS 9, fair value gains of $89,307,000 related to the available-for-sale investments will be transferred from the fair value reserve to retained profits at 1 January 2018.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

(b) *Impairment*

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will not have a material impact on the Group's consolidated net assets.

2.3 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(Continued)*

HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) *Timing of revenue recognition*

The Group's revenue recognition policies are disclosed in note 2.4(w). Currently, revenue arising from the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue for the sale of goods or services.

2.3 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(Continued)*

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

(b) *Significant financing component*

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears. Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers. Currently, the Group does not apply such a policy when payments are received in advance. Advance payments are not common in the Group's arrangements with its customers, with the exception of when residential properties are marketed by the Group while the property is still under construction.

In assessing whether such advance payments schemes include a significant financing component, the Group has considered the difference between the discounted price offered to those customers and the cash selling price, and the length of time between the payment date and the completion date of legal assignment (i.e. the date when the customers obtain control of the properties) based on the typical arrangements entered into with the customers.

Where such advance payment schemes include a significant financing component, the transaction price will need to be adjusted to separately account for this component. Such adjustment will result in interest expense being recognised to reflect the effect of the financing benefit obtained from the customers during the period between the payment date and the completion date of legal assignment, with a corresponding increase to revenue on sale of properties recognised when control of the completed property is transferred to the customer. However, the actual extent of impact of this new accounting policy will also depend on whether and by how much such interest expense can be capitalised as part of the cost of the properties under HKAS 23, *Borrowing costs*. If the interest expense is to be capitalised until the construction work is completed, then this new accounting policy will not have a material impact on the Group's net profits during the construction period and gross profit from the sales of properties. The Group is in the process of assessing the implication of the significant financing component identified from the property sales on its capitalisation policy.

2.3 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(Continued)*

HKFRS 16, *Leases*

As disclosed in note 2.4(k), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 43(b), at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to $121,460,000 for factory premises and office properties, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

2.3 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(Continued)*

HKFRS 16, *Leases* *(Continued)*

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiaries and non-controlling interests

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 2.4(o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2.4(l)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2.4(b)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2.4(e)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2.4(i)).

(b) Investments in associates

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

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses (see note 2.4(n)), unless classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2.4(i)).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Investments in associates *(Continued)*

The Group's share of the post-acquisition results and other comprehensive income of associates is included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change in net assets recognised directly in the equity of the associate, the Group recognises its share of any changes in net assets, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

(c) Business combinations and goodwill

Business combinations, other than combinations of businesses under common control, are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2.4(u). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2.4(u).

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and the fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of the consideration transferred, the amount recognised for non-controlling interests and the fair value the Group's previously held equity interests in the acquiree is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Business combinations and goodwill *(Continued)*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units). An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

(d) Fair value measurement

The Group measures its investment properties, available-for-sale financial assets, financial assets at fair value through profit or loss and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Fair value measurement *(Continued)*

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1, based on quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2, based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

- Level 3, based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(e) Impairment of non-financial assets

Where an indication of impairment exist for property, plant and equipment, prepaid land lease payments, construction in progress, goodwill, properties under development, bearer plants and investments in subsidiaries in the Company's statement of financial position, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Impairment of non-financial assets *(Continued)*

An assessment is made in respect of assets other than goodwill at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

(f) 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.

(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); and

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Related parties *(Continued)*

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

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

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

(g) Property, plant and equipment (including bearer plants) and depreciation

Property, plant and equipment (including bearer plants), other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Certain land and buildings are stated in the consolidated statement of financial position at amounts based on revaluations performed prior to 30 September 1995, less subsequent accumulated depreciation and amortisation and any impairment losses.

In accordance with the transitional provisions of paragraph 80A of HKAS 16, *Property, plant and equipment*, the Group's land and buildings which were carried at revalued amounts in the financial statements relating to periods ended before 30 September 1995 are not required to be revalued regularly. Accordingly, no revaluation of land and buildings is carried out subsequent to 30 September 1995. In previous years, the revaluation surplus arising on the revaluation of these assets was credited to the land and buildings revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment (including bearer plants) and depreciation *(Continued)*

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

–	Leasehold land and buildings	Over the shorter of the lease terms and 2% to 5%
–	Furniture and leasehold improvements	Over the shorter of the lease terms, where applicable, and 20%
–	Machinery and equipment	10% to 25%
–	Moulds and tools	20% to 25%
–	Motor vehicles and vessels	20% to 25%
–	Bearer plants	2% to 5%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Construction in progress mainly represents properties under construction and bearer plants before maturity, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment (including bearer plants) and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with as a movement in the land and buildings revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to profit or loss. On disposal of a revalued asset, the relevant portion of the land and buildings revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

(i) Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than deferred tax assets, financial assets (other than investments in subsidiaries and associates) and investment properties) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Agricultural produce

Agricultural produce comprises winter date, lychee, pear, apple and other fruits on fruit trees.

Winter date, lychee, pear, apple and other fruits harvested from fruit trees are measured at their fair values less costs to sell at the time of harvest. The fair values of winter date, lychee, pear, apple and other fruits are determined based on market prices in the local area. Such measurement is the cost at that date when applying HKAS 2, *Inventories*.

A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell shall be included in profit or loss for the period in which it arises.

Fair value represents the estimated selling price that the Group can obtain from selling such inventories in the market on an arm's length basis.

(k) Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Investments and other financial assets

(i) *Initial recognition and measurement*

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

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

The Group's financial assets include cash and bank balances, trade receivables, deposits and other receivables, financial assets at fair value through profit or loss, foreign exchange forward contracts, available-for-sale financial assets and amounts due from non-controlling shareholders of subsidiaries and affiliates.

(ii) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value presented in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

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

(iii) *Loans and receivables*

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(I) Investments and other financial assets *(Continued)*

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

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

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

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

For a financial asset classified as available-for-sale that would have met the definition of loans and receivables (if it had not been designated as available-for-sale), the Group may reclassify these financial assets as loans and receivables if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Derecognition of financial assets

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

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

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

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

(n) Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Impairment of financial assets *(Continued)*

(i) *Financial assets carried at amortised cost*

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

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

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

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

(ii) *Assets carried at cost*

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Impairment of financial assets *(Continued)*

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

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

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

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

(iv) *Investments in associates*

For investments in associates accounted for under the equity method in the consolidated financial statements (see note 2.4(b)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2.4(e). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2.4(e).

(v) *Interim financial reporting and impairment*

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2.4(n)).

(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Impairment of financial assets *(Continued)*

(v) *Interim financial reporting and impairment (Continued)*

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

(o) Financial liabilities

(i) *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or loans and borrowings.

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

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, financial liability included in other non-current liabilities and amounts due to non-controlling shareholders of subsidiaries.

(ii) *Loans and borrowings*

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Derecognition of financial liabilities

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

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

(q) Offsetting of financial instruments

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

(r) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

(s) Inventories

(i) Trading and manufacturing of goods

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Inventories *(Continued)*

(ii) *Property development*

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– **Property under development for sale**
The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 2.4(y)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– **Completed property held for sale**
In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(t) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and bank balances comprise cash on hand and at banks including term deposits.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Provisions and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditure expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

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

The Group carries a provision for severance payment in accordance with the relevant regulations in Mainland China. Compensation payable to employees upon termination of the employment contracts therewith are charged to the provision when incurred.

(v) Income tax

Income tax comprises current and deferred taxes. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

– when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with interests in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and unused tax credits and unused tax losses carried forward. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the unused tax credits and unused tax losses can be utilised, except:

– when the deferred tax asset relating to the deductible temporary differences which arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of deductible temporary differences associated with interests in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

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

(b) from the sale of properties held for sale, upon the later of the signing of the sale and purchase agreement and the completion of the properties, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under other payables and accruals;

(c) service income and management fee income, when services are rendered;

(d) rental income receivable under operating leases, in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset;

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

(f) dividend income, when the shareholders' right to receive payment has been established.

(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Employee benefits

(i) *Contributions to defined contribution retirement plans*

The Group operates a defined contribution staff retirement scheme registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") for certain employees (including certain directors), the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the ORSO Scheme. When an employee leaves the ORSO Scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

The Group also operates another defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance. Contributions to the MPF Scheme are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Employees who joined the Group before 1 December 2000 had the option to join either one of the schemes. Employees who joined the Group on or after 1 December 2000 are only eligible to join the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central defined contribution retirement scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of its payroll costs to the central defined contribution retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central defined contribution retirement scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Employee benefits *(Continued)*

(ii) *Share-based payment transactions*

– Share option scheme and share award scheme

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

The cost of equity-settled transactions with employees for grants of the Company's own equity instruments is measured by reference to the fair value at the date at which they are granted. The fair value of share options and awarded shares granted to employees in an equity-settled share-based payment transaction is recognised as an employment cost with a corresponding increase in the employee share-based compensation reserve within equity. In respect of share options, the fair value is measured at grant date using a trinomial model, taking into account the terms and conditions upon which the options were granted (further details of which being set out in note 39 to the financial statements). In respect of awarded shares, the fair value is based on the closing price at the grant date. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options and awarded shares, the total estimated fair value of the share options and awarded shares is spread over the vesting period, taking into account the probability that the share options and awarded shares will vest. Where awarded shares are not the shares in the Company or its group entity, the grant of such shares does not constitute a share-based payment arrangement, and is accounted for as a financial liability.

During the vesting period, the number of share options and awarded shares that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review with a corresponding adjustment to the employee share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options and awarded shares that are vested (with a corresponding adjustment to the employee share-based compensation reserve).

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

The equity amount for the share options is recognised in the employee share-based compensation reserve until either the option is exercised (whereupon it is transferred to share capital and the share premium account) or the option expires (whereupon it is released directly to retained profits).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Employee benefits *(Continued)*

(ii) *Share-based payment transactions (Continued)*

– Shares held for Share Award Scheme

Where the shares of the Company are acquired under the Share Award Scheme, the consideration paid, including any directly attributable incremental costs, is presented as "shares held for Share Award Scheme" and deducted from total equity.

When the awarded shares are transferred to the awardees upon vesting, the related weighted average costs of the awarded shares vested are credited to "shares held for Share Award Scheme" and the related employment costs of the awarded shares vested are debited to the employee share-based compensation reserve. The difference between the related weighted average cost and the related employment costs of the awarded shares is transferred to retained profits.

Where the shares held for Share Award Scheme are revoked and the revoked shares are disposed of, the related gain or loss from disposal of revoked shares is transferred to retained profits and not recognised in profit or loss.

Where cash or non-cash dividend distribution is declared in respect of the shares held for Share Award Scheme, such cash dividend or fair value of the non-cash dividend is transferred to retained profits with no gain or loss recognised in the statement of profit or loss.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(z) Dividends and distributions

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

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

(aa) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(aa) Foreign currencies *(Continued)*

The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain subsidiaries and associates outside Hong Kong are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of an operation outside Hong Kong, the component of other comprehensive income relating to that particular operation is recognised in profit or loss.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

(bb) Segment reporting

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(cc) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 2.4(o)(ii) and accordingly dividends thereon are recognised on an accrual basis in profit or loss as part of finance costs.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

(i) Estimation of fair value of investment properties and investment properties presented as non-current assets classified as held for sale

At the end of each reporting period, investment properties and investment properties presented as non-current assets classified as held for sale are stated at fair value based on the valuations performed by an independent professionally qualified valuer. Such valuations were based on certain assumptions and estimates, which are subject to uncertainty and might materially differ from the actual results. In making estimation, information from current prices in an active market for similar properties has been considered and assumptions that are mainly based on the existing market conditions have been applied. Further details, including the key assumptions used for fair value measurement of investment properties and investment properties presented as non-current assets classified as held for sale, are given in notes 13 and 30, respectively, to the financial statements.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(ii) Estimated net realisable value of properties under development

In determining whether allowances should be made to the Group's properties under development, the directors of the Company takes into consideration the current market environment and the estimated market value (i.e. the estimated selling price less estimated costs to sell) less estimated costs to completion of the properties. An allowance is made if the estimated net realisable value is less than the carrying amount. If the actual net realisable value of properties under development is less than expected as a result of a change in market condition and/or significant variation in the development cost, material provision for losses may result. No provision for losses was made for both the current and prior years.

4 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the trading and manufacturing segment is engaged in trading and manufacturing of merchandises including toys, footwear products and leather products;

(b) the property investment and development segment is engaged in property investment and development;

(c) the agriculture and forestry segment is engaged in the cultivation of fruit trees and crops, rearing of livestock and aquatic products, forestation and sale of relevant agricultural produces; and

(d) the investment holding segment comprises, principally, the Group's investment holding related management functions.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that share of profits and losses of associates and finance costs are excluded from such measurement.

Segment assets exclude investments in associates and tax recoverable as these assets are managed on a group basis.

Segment liabilities exclude tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4 OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following tables present revenue, profit and certain assets, liabilities and expenditure information for the Group's business segments for the years ended 31 December 2017 and 2016.

	Trading and manufacturing		Property investment and development		Agriculture and forestry		Investment holding		Group	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Segment revenue										
External sales	**3,692,043**	3,528,762	**195,426**	182,457	**14,327**	19,934	**–**	–	**3,901,796**	3,731,153
Segment results	**91,416**	308,481	**515,546**	198,405	**(48,515)**	(78,694)	**(127,046)**	(105,199)	**431,401**	322,993
Reconciliation:										
– Share of (losses)/ profits of associates	**(605)**	(1,206)	**–**	–	**–**	–	**1**	116	**(604)**	(1,090)
– Finance costs									**(127,048)**	(120,622)
Profit before tax									**303,749**	201,281

4 OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

		Trading and manufacturing		Property investment and development		Agriculture and forestry		Investment holding		Group	
	Note	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000
Segment assets		**2,045,659**	1,897,122	**10,457,407**	9,438,770	**158,722**	157,598	**241,756**	188,720	**12,903,544**	11,682,210
Reconciliation:											
– Investments in associates		**22**	8,997	**–**	–	**–**	–	**1,352**	1,350	**1,374**	10,347
– Tax recoverable										**57,300**	44,414
Total assets										**12,962,218**	11,736,971
Segment liabilities		**2,494,522**	2,528,204	**3,332,765**	2,790,944	**25,525**	22,933	**12,794**	9,532	**5,865,606**	5,351,613
Reconciliation:											
– Tax payable										**54,998**	59,727
– Deferred tax liabilities										**904,094**	805,060
Total liabilities										**6,824,698**	6,216,400
Other segment information:											
Capital expenditure		**49,441**	67,863	**55,078**	4,362	**45,473**	42,084	**–**	551	**149,992**	114,860
Depreciation and amortisation		**38,372**	37,793	**6,167**	5,611	**49,816**	51,268	**293**	252	**94,648**	94,924
Provision for inventories, net	6	**26,084**	1,168	**–**	–	**–**	–	**–**	–	**26,084**	1,168
Impairment loss on trade receivables, net	6 & 24	**16,691**	6,296	**6,586**	2,038	**–**	–	**–**	–	**23,277**	8,334
Impairment loss on other receivables	6	**8,564**	–	**1,950**	215	**–**	–	**–**	–	**10,514**	215
Write-off of bearer plants	5	**–**	–	**–**	–	**9,399**	10,867	**–**	–	**9,399**	10,867
Write-off of property, plant and equipment	5	**156**	–	**–**	–	**–**	–	**–**	–	**156**	–
Impairment loss on property, plant and equipment	5 & 12	**8,084**	–	**–**	–	**–**	–	**–**	–	**8,084**	–

Capital expenditure consists of the amounts incurred for the additions to property, plant and equipment, investment properties, prepaid land lease payments, construction in progress and bearer plants, including the deposits and amounts prepaid for the above, and cash payments for acquisition of a subsidiary.

4 OPERATING SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

(i) *Revenue from external customers*

	2017 $'000	2016 $'000
PRC including Hong Kong and Macau	**369,333**	376,974
The United States of America	**2,045,478**	2,117,773
Europe	**812,355**	630,635
Japan	**73,330**	51,270
Others	**601,300**	554,501
	3,901,796	3,731,153

The revenue information above is based on the destination to which goods and services are delivered.

(ii) *Non-current assets*

	2017 $'000	2016 $'000
Hong Kong	**1,257,419**	2,081,222
Mainland China	**5,324,357**	4,848,197
Others	**5,533**	5,052
	6,587,309	6,934,471

The non-current assets information above is based on the location of assets, and excludes available-for-sale financial assets and investments in associates.

(iii) *Information about major customers with revenue derived from whom amounted to 10% of the Group's revenue or above*

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

	2017 $'000	2016 $'000
Customer A	**1,349,729**	952,536
Customer B	**674,546**	399,190
Customer C (note)	**N/A**	479,113

Note: The corresponding revenue did not contribute over 10% of the total revenue of the Group during the year.

(Expressed in Hong Kong dollars)

5 REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value of goods sold after allowances for returns and trade discounts, the value of services rendered and gross rental income received and receivable from investment properties during the year.

An analysis of revenue, other income and gains, net is as follows:

	Note	2017 $'000	2016 $'000
Revenue			
Sale of merchandise from manufacturing and trading businesses		**3,692,043**	3,528,762
Rental income		**195,426**	182,457
Sale of agricultural produce		**14,327**	19,934
		3,901,796	3,731,153
Other income and gains, net			
Bank interest income		**764**	395
Interest income from related companies	45	**3,296**	3,775
Other interest income		**302**	157
Write-back of trade payables		**428**	–
Write-back of other payables		**1,082**	4,562
Gain on disposal of items of property, plant and equipment		**220**	25
Gain on disposal of bearer plants		**–**	2,742
Impairment loss on available-for-sale investments		**–**	(12)
Impairment loss on property, plant and equipment	12	**(8,084)**	–
Write-off of property, plant and equipment		**(156)**	–
Write-off of bearer plants		**(9,399)**	(10,867)
Dividend income from listed investments		**339**	50,332
Gain on disposal of interest in a subsidiary	50	**88,984**	–
Gain on disposal of an investment property		**42,080**	–
Others		**42,475**	49,188
		162,331	100,297

(Expressed in Hong Kong dollars)

6 PROFIT BEFORE TAX

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

	Note	2017 $'000	2016 $'000
Cost of inventories sold		**3,302,464**	3,019,876
Depreciation	12 &18	**49,963**	49,245
Amortisation of prepaid land lease payments	14	**44,685**	45,679
Auditors' remuneration			
– audit services		**3,382**	3,302
– non-audit services		**507**	86
		3,889	3,388
Employee benefits expenses (including directors' remuneration (note 8)):			
Contributions to defined contribution retirement schemes*		**100,071**	72,393
Equity-settled share award expense		**4,736**	7,927
Salaries, wages and other benefits		**1,388,232**	1,249,102
		1,493,039	1,329,422
Less: Employee benefits expenses capitalised to properties under development:			
Contributions to defined contribution retirement schemes		**(2,747)**	(2,681)
Salaries, wages and other benefits		**(22,239)**	(20,513)
		1,468,053	1,306,228
Operating lease rental in respect of land and buildings		**71,037**	59,378
Gross rental income from investment properties inclusive of investment properties presented as non-current assets classified as held for sale		**(195,426)**	(182,457)
Less: Direct operating expenses		**28,044**	23,237
Net rental income		**(167,382)**	(159,220)
Impairment loss on trade receivables, net	24	**23,277**	8,334
Provision for inventories, net**	22	**26,084**	1,168
Impairment loss on other receivables		**10,514**	215
Fair value gain on foreign exchange forward contracts***	27	**(19,426)**	(30,413)
Exchange (gain)/loss, net		**(23,713)**	23,288

* At 31 December 2017 and 2016, the Group had no forfeited contributions available to reduce its contributions to the defined contribution retirement schemes in future years.

** The amount (included in cost of sales) represents the net charge/credit recognised in respect of provision/write-back of provision against inventories to write down the inventories to their estimated net realisable values.

*** Fair value gain on foreign exchange forward contracts of $19,426,000 (2016: $30,468,000) was included in cost of sales.

(Expressed in Hong Kong dollars)

7 FINANCE COSTS

An analysis of finance costs is as follows:

	2017 $'000	2016 $'000
Interest on bank loans, overdrafts and other borrowings	**143,073**	132,546
Less: Amounts capitalised:		
– Interest	**(16,025)**	(11,924)
	127,048	120,622

The borrowing costs have been capitalised at a weighted average rate of 4.09% per annum (2016: 4.81%).

8 DIRECTORS' REMUNERATION

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

	2017 $'000	2016 $'000
Fees	**956**	1,010
Other emoluments:		
– Salaries, allowances and benefits in kind	**11,260**	12,600
– Discretionary bonuses	**–**	2,200
– Retirement scheme contributions	**286**	300
	11,546	15,100
	12,502	16,110

8 DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2017	2016
	$'000	$'000
Mr. Chiu Sin Chun	**100**	100
Mrs. Tse Wong Siu Yin Elizabeth	**100**	100
Ms. Li Yuen Yu Alice (redesignated as non-executive director on 21 December 2017)	**–**	100
Mr. Yip Dicky Peter J.P.	**280**	280
Sr Dr. Leung Tony Ka Tung (resigned on 14 June 2017)	**54**	120
Mr. Kam Yiu Shing Tony (appointed on 1 November 2017)	**17**	–
	551	700

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

(Expressed in Hong Kong dollars)

8 DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and non-executive directors

2017

	Fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Total remuneration $'000
Executive directors:					
Mr. Ng Hung Sang	10	–	–	–	10
Ms. Cheung Choi Ngor	10	3,200	–	160	3,370
Mr. Richard Howard Gorges	10	1,800	–	90	1,900
Mr. Ng Yuk Fung Peter	10	2,400	–	18	2,428
Mr. Ng Yuk Yeung Paul	10	2,600	–	18	2,628
Mr. Law Albert Yu Kwan (resigned on 1 July 2017)	5	1,260	–	–	1,265
	55	11,260	–	286	11,601
Non-executive directors:					
Ms. Ng Yuk Mui Jessica	100	–	–	–	100
Mr. David Michael Norman	150	–	–	–	150
Ms. Li Yuen Yu Alice (redesignated on 21 December 2017)	100	–	–	–	100
	350	–	–	–	350
	405	11,260	–	286	11,951

8 DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and non-executive directors *(Continued)*

2016

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total remuneration
	$'000	$'000	$'000	$'000	$'000
Executive directors:					
Mr. Ng Hung Sang	10	480	–	24	514
Ms. Cheung Choi Ngor	10	3,000	–	150	3,160
Mr. Richard Howard Gorges	10	1,800	–	90	1,900
Mr. Ng Yuk Fung Peter	10	2,400	–	18	2,428
Mr. Ng Yuk Yeung Paul	10	2,400	2,200	18	4,628
Mr. Law Albert Yu Kwan	10	2,520	–	–	2,530
	60	12,600	2,200	300	15,160
Non-executive directors:					
Ms. Ng Yuk Mui Jessica	100	–	–	–	100
Mr. David Michael Norman	150	–	–	–	150
	250	–	–	–	250
	310	12,600	2,200	300	15,410

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2016: Nil).

The executive directors of the Company constitute senior management of the Group.

(Expressed in Hong Kong dollars)

9 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2016: three) directors whose remuneration is set out in details in note 8 above. Details of the remuneration of the remaining three (2016: two) highest paid employees for the year are set out below:

	2017 $'000	2016 $'000
Salaries, allowances and benefits in kind	**7,964**	5,952
Discretionary bonuses	**1,011**	3,200
Retirement scheme contributions	**36**	18
Share awards	**2,122**	2,287
	11,133	11,457

The remuneration of the aforesaid remaining three (2016: two) highest paid employees fell within the following bands:

	Number of employees	
	2017	2016
$2,000,001 to $2,500,000	**1**	–
$3,500,001 to $4,000,000	**1**	–
$5,000,001 to $5,500,000	**1**	1
$6,000,001 to $6,500,000	**–**	1
	3	2

The Company has granted share awards to certain highest paid employees in respect of their services to the Group. The fair value of such share awards has been recognised in profit or loss over the vesting period and the amount so recognised is included in the above highest paid employees' remuneration disclosure.

10 INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in respective countries/jurisdictions in which the Group operates.

	2017 $'000	2016 $'000
Current – Hong Kong		
Charge for the year	**7,469**	9,360
Over-provision in prior years	**(1,372)**	(894)
Current – Mainland China		
Charge for the year	**14,194**	20,302
Under-provision in prior years	**2,921**	–
Deferred tax (note 37)	**32,405**	25,880
Total tax charge for the year	**55,617**	54,648

A reconciliation of the notional tax expense on the Group's profit before tax at the Hong Kong Profits Tax rate to the actual tax expense is as follows:

	2017 $'000	2016 $'000
Profit before tax	**303,749**	201,281
Notional tax at the Hong Kong Profits Tax rate of 16.5% (2016: 16.5%)	**50,119**	33,211
Effect of different tax rates of subsidiaries operating in Mainland China and Taiwan	**340**	13,116
Tax effect of share of losses of associates	**151**	282
Tax effect of non-deductible expenses	**70,325**	63,682
Tax effect of non-taxable income	**(93,097)**	(72,835)
Tax effect of unused tax losses not recognised	**31,828**	26,969
Tax losses utilised from prior years	**(5,975)**	(9,096)
Under/(over)-provision in prior years	**1,549**	(894)
Others	**377**	213
Total tax charge for the year	**55,617**	54,648

11 EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to equity shareholders of the Company of $229,872,000 (2016: $152,142,000), and the weighted average number of ordinary shares of 12,981,705,000 (2016: 8,906,562,000) in issue, after adjusting for the bonus issue during the year, less shares held for the Share Award Scheme and treasury shares.

The calculation of diluted earnings per share is based on the profit for the year attributable to equity shareholders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on vesting, and the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares, after adjusting for the bonus issue during the year.

The calculations of basic and diluted earnings per share are based on:

	2017	2016
	$'000	$'000
Earnings		
Profit attributable to equity shareholders of the Company used in the basic and diluted earnings per share calculation	**229,872**	152,142

	Number of shares	
	2017	2016
	'000	'000
Shares		
Weighted average number of ordinary shares used in the basic earnings per share calculation	**12,981,705**	8,906,562
Effect of redeemable convertible preference shares	**835,617**	5,081,478
Effect of shares held for Share Award Scheme	**207,348**	91,500
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**14,024,670**	14,079,540

The Company's share options have no dilution effect for the years ended 31 December 2017 and 2016 because the exercise price of the Company's share options was higher than the average market price of the shares for both years and the share options are therefore anti-dilutive.

12 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings $'000	Furniture and leasehold improvements $'000	Machinery and equipment $'000	Moulds and tools $'000	Motor vehicles and vessels $'000	Total $'000
Cost and valuation:						
At 1 January 2017	204,828	323,357	331,021	22,296	31,960	913,462
Exchange realignment	4,174	1,832	6,464	64	1,033	13,567
Additions	–	12,794	23,420	1,819	1,717	39,750
Transfer from construction in progress (note 15)	–	1,071	–	–	–	1,071
Disposal of a subsidiary (note 50)	(18,839)	–	–	–	–	(18,839)
Disposals	–	(1,418)	(13,348)	–	(1,662)	(16,428)
Write-offs	–	–	–	(1,887)	(170)	(2,057)
At 31 December 2017	190,163	337,636	347,557	22,292	32,878	930,526
Analysis of cost or valuation:						
At cost	142,654	337,636	347,557	22,292	32,878	883,017
At 31 December 1988 valuation	31,112	–	–	–	–	31,112
At 31 December 1989 valuation	5,220	–	–	–	–	5,220
At 31 December 1992 valuation	204	–	–	–	–	204
At 31 December 1994 valuation	10,973	–	–	–	–	10,973
	190,163	337,636	347,557	22,292	32,878	930,526
Accumulated depreciation and impairment:						
At 1 January 2017	118,216	278,000	267,906	20,714	25,763	710,599
Exchange realignment	2,606	1,380	5,166	58	798	10,008
Depreciation provided during the year (note 6)	7,987	15,267	19,925	677	2,306	46,162
Disposal of a subsidiary (note 50)	(6,682)	–	–	–	–	(6,682)
Impairment loss (note 5)	–	–	8,081	–	3	8,084
Disposals	–	(1,415)	(13,263)	–	(1,631)	(16,309)
Write-offs	–	–	–	(1,731)	(170)	(1,901)
At 31 December 2017	122,127	293,232	287,815	19,718	27,069	749,961
Net book value:						
At 31 December 2017	68,036	44,404	59,742	2,574	5,809	180,565

(Expressed in Hong Kong dollars)

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold land and buildings $'000	Furniture and leasehold improvements $'000	Machinery and equipment $'000	Moulds and tools $'000	Motor vehicles and vessels $'000	Total $'000
Cost and valuation:						
At 1 January 2016	207,865	310,331	300,606	21,551	32,566	872,919
Exchange realignment	(3,060)	(2,296)	(4,040)	(37)	(1,197)	(10,630)
Additions	23	15,771	34,846	782	1,701	53,123
Disposals	–	(449)	(391)	–	(1,110)	(1,950)
At 31 December 2016	204,828	323,357	331,021	22,296	31,960	913,462
Analysis of cost or valuation:						
At cost	157,319	323,357	331,021	22,296	31,960	865,953
At 31 December 1988 valuation	31,112	–	–	–	–	31,112
At 31 December 1989 valuation	5,220	–	–	–	–	5,220
At 31 December 1992 valuation	204	–	–	–	–	204
At 31 December 1994 valuation	10,973	–	–	–	–	10,973
	204,828	323,357	331,021	22,296	31,960	913,462
Accumulated depreciation and impairment:						
At 1 January 2016	112,977	262,647	252,771	20,078	25,505	673,978
Exchange realignment	(1,493)	(1,147)	(2,834)	(160)	(786)	(6,420)
Depreciation provided during the year (note 6)	6,732	16,904	18,356	796	2,150	44,938
Disposals	–	(404)	(387)	–	(1,106)	(1,897)
At 31 December 2016	118,216	278,000	267,906	20,714	25,763	710,599
Net book value:						
At 31 December 2016	86,612	45,357	63,115	1,582	6,197	202,863

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

During the year ended 31 December 2017, a number of machinery and equipment in the trading and manufacturing segment were impaired. The Group assessed the recoverable amounts of those machinery and equipment and as a result the carrying amount of the machinery and equipment was written down. An impairment loss of $8,084,000 was recognised in "Other income and gains, net" during the year ended 31 December 2017. The estimates of recoverable amount were based on the machinery and equipment's fair values less costs of disposal, using market comparison approach by reference to recent sales price of similar assets, adjusted for differences such as remaining useful lives. The fair value on which the recoverable amount is based is categorised as a Level 3 measurement.

The Group's land and buildings are situated in Hong Kong and Mainland China and are held under the following lease terms:

	2017	2016
	$'000	$'000
Leasehold land and buildings in Hong Kong:		
– Long term leases	**14,979**	15,877
– Medium term leases	**–**	12,497
	14,979	28,374
Buildings in Mainland China		
– Medium term leases	**53,057**	58,238
	68,036	86,612

The Group is in the process of applying the land use right certificates for certain leasehold land in Mainland China on which buildings with carrying amount of approximately $30,551,000 (2016: $31,774,000) as at 31 December 2017 were erected. The directors do not expect any legal obstacle in obtaining the relevant title certificates.

Certain of the Group's land and buildings were revalued on or before 31 December 1994. The land and buildings were revalued at open market value based on their existing use. Since 1995, no further revaluation of the Group's land and buildings has been carried out as the Group has relied on the exemption from the requirement to carry out future revaluation of its property, plant and equipment, which were stated at valuation at that time, granted under the transitional provisions in paragraph 80A of HKAS 16.

Had the land and buildings been carried at cost less accumulated depreciation and impairment losses, the net book value of the Group's land and buildings at 31 December 2017 would have been approximately $50,746,000 (2016: $68,657,000).

At 31 December 2017, certain of the Group's property, plant and equipment, including leasehold land and buildings and their corresponding prepaid land lease payments were pledged to secure the banking facilities granted to the Group (note 33).

(Expressed in Hong Kong dollars)

13 INVESTMENT PROPERTIES

(a) Investment properties

	2017 $'000	2016 $'000
Carrying amount at 1 January	**6,405,099**	6,598,018
Exchange realignment	**335,898**	(305,890)
Acquisition of a subsidiary (note 49)	**42,235**	–
Transfer to non-current assets classified as held for sale (note 30)	**(855,000)**	–
Additions	**3,049**	1,288
Disposals	**(68,800)**	–
Fair value gain	**200,053**	111,683
Carrying amount at 31 December	**6,062,534**	6,405,099

The Group's investment properties are situated in Hong Kong, Taiwan and Mainland China and are held under the following lease terms:

	2017 $'000	2016 $'000
Hong Kong:		
– Long term leases	**463,710**	431,220
– Medium term leases	**745,150**	1,599,270
	1,208,860	2,030,490
Taiwan:		
– Freehold	**5,535**	5,051
Mainland China:		
– Medium term leases	**4,848,139**	4,369,558
	6,062,534	6,405,099

13 INVESTMENT PROPERTIES *(Continued)*

(a) Investment properties *(Continued)*

The Group's investment properties were revalued on 31 December 2017 by BMI Appraisals Limited, an independent professionally qualified valuer, at $6,062,534,000 (2016: $6,405,099,000) in aggregate, on an open market, existing use basis. Such investment properties are leased or available for lease to third parties under operating leases. Details about such operating lease arrangements are included in note 43(a) to the financial statements.

At 31 December 2017, certain investment properties of the Group were pledged and mortgaged to secure the banking facilities granted to the Group (note 33).

As 31 December 2017, certain investment properties of the Group with an aggregate value of $109,270,000 (2016: $93,291,000) were pledged to secure the employees resettlement reserve funds (included in provision for severance payments (note 36)) for certain subsidiaries of the Group.

The Group is in the process of applying the land use right certificates in respect of certain investment properties of the Group located in Mainland China amounting to approximately $576,595,000 as at 31 December 2017 (2016: $1,197,140,000). The directors do not expect any legal obstacle in obtaining the relevant title certificates.

At the end of each reporting period, the Group's management has discussion with the valuer on the valuation methodology and valuation results when the valuation is performed for financial reporting purposes. The investment properties comprised commercial and industrial properties.

Further particulars of the Group's investment properties are included on pages 203 to 209.

(Expressed in Hong Kong dollars)

13 INVESTMENT PROPERTIES *(Continued)*

(b) Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2017 using			
	Quoted prices in active markets (Level 1) $'000	**Significant observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Fair value at 31 December 2017 $'000**
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**5,407,544**	**5,407,544**
Industrial properties	**–**	**–**	**654,990**	**654,990**
	–	**–**	**6,062,534**	**6,062,534**

	Fair value measurement as at 31 December 2016 using			
	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Fair value at 31 December 2016 $'000
Recurring fair value measurement for:				
Commercial properties	–	–	5,814,211	5,814,211
Industrial properties	–	–	590,888	590,888
	–	–	6,405,099	6,405,099

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2016: Nil).

13 INVESTMENT PROPERTIES *(Continued)*

(b) Fair value hierarchy *(Continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties $'000	**Industrial properties $'000**
At 1 January 2017	**5,814,211**	**590,888**
Exchange realignment	**321,726**	**14,172**
Acquisition of a subsidiary (note 49)	**42,235**	**–**
Transfer to non-current assets classified as held for sale (note 30)	**(855,000)**	**–**
Additions	**3,049**	**–**
Fair value gain	**150,123**	**49,930**
Disposals	**(68,800)**	**–**
At 31 December 2017	**5,407,544**	**654,990**
At 1 January 2016	6,029,038	568,980
Exchange realignment	(293,672)	(12,218)
Additions	1,288	–
Fair value gain	77,557	34,126
At 31 December 2016	5,814,211	590,888

(Expressed in Hong Kong dollars)

13 INVESTMENT PROPERTIES *(Continued)*

(b) Fair value hierarchy *(Continued)*

Below is a summary of the valuation techniques and the key inputs used in the valuation of the Group's investment properties within Level 3 of the fair value hierarchy:

Properties	Valuation techniques	Rental rate/Unit price	Capitalisation rate
Situated in Hong Kong			
– Commercial	Investment approach	$14 – $180 per square foot (2016: $14 – $183 per square foot)	2.7% – 4.0% (2016: 2.8% – 3.5%)
– Industrial	Investment approach	$8 per square foot (2016: $7 per square foot)	3.0% – 3.2% (2016: 3.0% – 3.2%)
– Industrial	Comparison approach	$4,300 – $7,800 per square foot (2016: $5,300 – $5,700 per square foot)	N/A (2016: N/A)
Situated in Mainland China			
– Commercial	Investment approach	RMB8 – RMB414 per square metre (2016: RMB9 – RMB399 per square metre)	4.6% – 12.5% (2016: 4.6% – 12.5%)
– Commercial	Comparison approach	RMB16,000 – RMB55,000 per square metre (2016: RMB10,000 – RMB70,000 per square metre)	N/A (2016: N/A)
– Industrial	Investment approach	RMB4 – RMB14 per square metre (2016: RMB3 – RMB15 per square metre)	6.5% – 8.0% (2016: 6.5% – 8.0%)
Situated in Taiwan			
– Commercial	Comparison approach	TWD36,000 – TWD45,000 per square metre (2016: TWD41,500 – TWD50,800 per square metre)	N/A (2016: N/A)

Under the investment approach, the properties are valued by taking into account the current rents passing or the hypothetical rents and the reversionary potential of the tenancies if the properties have been or would be leased to tenants.

Under the comparison approach, the properties are valued on market basis assuming sales in their existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets. Appropriate adjustments are then made to account for the differences between such properties and their respective comparables in terms of age, time, location, floor level and other relevant factors.

Fair values of investment properties will increase if there were increases in rental rate or unit price, or a decrease in capitalisation rate.

14 PREPAID LAND LEASE PAYMENTS

	2017 $'000	2016 $'000
Carrying amount at 1 January	**89,992**	100,918
Exchange realignment	**5,671**	(5,527)
Additions	**41,085**	40,280
Amortisation charged to profit or loss during the year (note 6)	**(44,685)**	(45,679)
Carrying amount at 31 December	**92,063**	89,992
Current portion included in prepayments, deposits and other receivables	**(9,094)**	(8,634)
Non-current portion	**82,969**	81,358

The Group's leasehold land is situated in Mainland China, and is held under the following lease terms:

	2017 $'000	2016 $'000
Long term leases	**34,356**	58,159
Medium term leases	**57,707**	31,833
	92,063	89,992

15 CONSTRUCTION IN PROGRESS

	2017 $'000	2016 $'000
Carrying amount at 1 January	**138,374**	127,907
Exchange realignment	**10,261**	(8,438)
Additions	**10,347**	18,620
Transfer to property, plant and equipment (note 12)	**(1,071)**	–
Write-off	**–**	(334)
Interest capitalised	**92**	619
Carrying amount at 31 December	**158,003**	138,374

(Expressed in Hong Kong dollars)

16 INVESTMENTS IN SUBSIDIARIES

The Company has set up a trust for the purpose of administering the Share Award Scheme established by the Company in 2011. The Company is required to consolidate the trust as the Company has the power over the trust and can derive benefits from the contributions of employees who have been awarded the awarded shares through their employment with the Group.

Shares of certain indirect wholly-owned subsidiaries of the Company were pledged and mortgaged to secure the banking facilities granted to the Group (note 33).

Details of the principal subsidiaries are included on pages 197 to 201.

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2017	2016
	%	%
Percentage of equity interest held by non-controlling equity holders:		
— 遼寧長盛置業有限公司	**20%**	20%
Profit for the year allocated to non-controlling interests:	**$'000**	$'000
— 遼寧長盛置業有限公司	**3,117**	6,165
Accumulated balances of non-controlling interests at the reporting dates:	**$'000**	$'000
— 遼寧長盛置業有限公司	**353,187**	315,256

16 INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following table illustrates the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations.

	2017	2016
	遼寧長盛置業有限公司	遼寧長盛置業有限公司
	$'000	$'000
Revenue	**30,304**	31,082
Profit for the year	**15,584**	30,823
Other comprehensive income for the year	**175,263**	(160,707)
Total comprehensive income for the year	**190,847**	(129,884)
Current assets	**142,642**	114,197
Non-current assets	**3,120,907**	2,907,092
Current liabilities	**(195,852)**	(211,461)
Non-current liabilities	**(568,574)**	(512,656)
Net cash used in operating activities	**(13,335)**	(6,531)
Net cash generated from investing activities	**36**	2
Net cash generated from financing activities	**14,499**	5,778
Net increase/(decrease) in cash and cash equivalents	**1,200**	(751)

As disclosed in the announcement of the Company dated 17 January 2013, the acquisition of the entire issued share capital of Splendor Sheen Limited was completed on 16 January 2013. The principal subsidiary of Splendor Sheen Limited is 遼寧長盛置業有限公司 (formerly 遼寧大發房地產有限責任公司) which is owned as to 80% by Splendor Sheen Limited and 20% by the non-controlling shareholders (the "Non-controlling Shareholders").

16 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Two agreements dated 27 December 2011 and 28 October 2012, respectively, were signed by the shareholders of 遼寧長盛置業有限公司. Pursuant to the aforesaid agreements, the parties thereto agreed to make additional pro-rata capital contribution to 遼寧長盛置業有限公司 with reference to respective parties' equity ownership percentage in 遼寧長盛置業有限公司 in the aggregate amounts of RMB608,000,000 for the Group and RMB152,000,000 for the Non-controlling Shareholders. Up to 31 December 2017, the Group has injected approximately RMB597,843,000 (up to 31 December 2016: approximately RMB582,887,000), equivalent to approximately $737,995,000 (up to 31 December 2016: equivalent to approximately $720,891,000), in aggregate to 遼寧長盛置業有限公司 under the capital contribution obligation as referred to in the above. The Non-controlling Shareholders, however, have not made any payment for their respective additional capital contribution obligations up to 31 December 2017. As such, the abovementioned outstanding capital contributions from the Non-controlling Shareholders have not been recognised in equity as non-controlling interests in 遼寧長盛置業有限公司 of $315,256,000 and $353,187,000 as carried in the consolidated statement of financial position as at 31 December 2016 and 2017, respectively.

17 INVESTMENTS IN ASSOCIATES

	2017	2016
	$'000	$'000
Share of net assets:		
– Unlisted associates	**939**	9,912
Advances to associates	**58,014**	57,998
Provision for impairment#	**(57,579)**	(57,563)
	435	435
	1,374	10,347

An impairment was recognised for the advances to an associate as the associate has incurred recurring losses in prior years and its future profit stream is uncertain.

The advances to associates are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, advances to associates with carrying amount before provision of $58,014,000 (2016: $57,998,000) are not repayable within twelve months from the end of the reporting period and, accordingly, such advances are classified in the consolidated statement of financial position as non-current assets.

17 INVESTMENTS IN ASSOCIATES *(Continued)*

The movement in the provision for impairment of advances to associates is as follows:

	2017 $'000	2016 $'000
At 1 January	**57,563**	57,434
Impairment loss recognised	**16**	129
At 31 December	**57,579**	57,563

The associates of the Group are not individually material, and the following table illustrates the aggregate financial information of the associates:

	2017 $'000	2016 $'000
Share of the associates' loss for the year	**(604)**	(1,090)
Share of the associates' other comprehensive income	**5,236**	(664)
Share of the associates' total comprehensive income	**4,632**	(1,754)
Dividend received from the associates	**(738)**	–
Deregistration of an associate	**–**	(3,884)
Disposal of an associate upon step-acquisition (note 49)	**(12,867)**	–
Aggregate carrying amount of the Group's share of net assets of associates	**939**	9,912

(Expressed in Hong Kong dollars)

18 BEARER PLANTS

Movements of bearer plants by principal category of the Group are as follows:

	Lychee trees $'000	Pear trees $'000	Winter date trees $'000	Apple trees $'000	Others $'000	Total $'000
Cost:						
At 1 January 2017	17,379	11,452	11,314	24,763	14,469	79,377
Exchange realignment	1,258	789	711	1,829	1,058	5,645
Additions	–	781	–	–	1,253	2,034
Disposal/written off	(1,472)	(4,092)	(3,722)	(1,146)	(858)	(11,290)
At 31 December 2017	17,165	8,930	8,303	25,446	15,922	75,766
Accumulated depreciation and impairment:						
At 1 January 2017	1,449	1,126	2,504	2,442	2,004	9,525
Exchange realignment	123	88	191	218	175	795
Depreciation provided during the year (note 6)	500	645	882	1,012	762	3,801
Disposal/written off	(164)	(586)	(851)	(166)	(124)	(1,891)
At 31 December 2017	1,908	1,273	2,726	3,506	2,817	12,230
Net book value:						
At 31 December 2017	15,257	7,657	5,577	21,940	13,105	63,536

18 BEARER PLANTS *(Continued)*

	Lychee trees $'000	Pear trees $'000	Winter date trees $'000	Apple trees $'000	Others $'000	Total $'000
Cost:						
At 1 January 2016	18,881	16,282	16,244	30,987	16,750	99,144
Exchange realignment	(1,232)	(905)	(898)	(1,854)	(1,051)	(5,940)
Additions	–	234	46	2	648	930
Disposal/written off	(270)	(4,159)	(4,078)	(4,372)	(1,878)	(14,757)
At 31 December 2016	17,379	11,452	11,314	24,763	14,469	79,377
Accumulated depreciation and impairment:						
At 1 January 2016	1,049	1,789	2,368	2,378	1,579	9,163
Exchange realignment	(90)	(94)	(169)	(166)	(127)	(646)
Depreciation provided during the year (note 6)	512	708	1,129	1,161	797	4,307
Disposal/written off	(22)	(1,277)	(824)	(931)	(245)	(3,299)
At 31 December 2016	1,449	1,126	2,504	2,442	2,004	9,525
Net book value:						
At 31 December 2016	15,930	10,326	8,810	22,321	12,465	69,852

18 BEARER PLANTS *(Continued)*

Quantities of fruit trees:

	2017 Number of trees ’000	2016 Number of trees ’000
Lychee trees	**189**	206
Pear trees	**282**	345
Winter date trees	**87**	121
Apple trees	**144**	164
Others	**1,576**	1,735
	2,278	2,571

The fair value less costs to sell of the Group’s agricultural produce as at 31 December 2017 and 2016 is not material.

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 $’000	2016 $’000
Club debentures, at fair value	**106,878**	73,378
Unlisted equity investments, at cost	**24**	22
	106,902	73,400

The above investments consist of the investments in unlisted equity securities and club debentures which were designated as available-for-sale financial assets.

The fair value gain in respect of the Group’s club debentures recognised in other comprehensive income during the year amounted to $33,442,000 (2016: fair value loss of $633,000).

The directors consider that the fair value of the unlisted equity investments cannot be measured reliably given the absence of market information for companies of similar nature and scale and the probabilities of the various estimates to be used in estimating fair value cannot be reasonably assessed. As such, the unlisted equity investments are carried at cost less impairment losses, if any.

20 PREPAYMENTS AND DEPOSITS

Non-current prepayments and deposits are neither past due nor impaired.

21 GOODWILL

	2017 $'000	2016 $'000
Carrying amount at 1 January	**2,986**	3,041
Exchange realignment	**120**	(55)
At 31 December	**3,106**	2,986
At 31 December:		
Cost	**6,606**	6,486
Accumulated impairment	**(3,500)**	(3,500)
Net carrying amount	**3,106**	2,986

The amount of goodwill arising from the acquisition of subsidiaries prior to the adoption of the Group's current accounting policy on business combination, which is included in goodwill reserve in the consolidated reserves, was $3,067,000 (2016: $3,067,000) as at 31 December 2017.

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units for impairment testing:

– Property investment and development cash-generating unit; and

– Toy manufacturing and trading cash-generating unit

21 GOODWILL *(Continued)*

Property investment and development cash-generating unit

The recoverable amount of the property investment and development cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to cash flow projections is 15% (2016: 16%). Cash flows beyond the five-year period are extrapolated using a growth rate of 5% (2016: 4%) which is estimated on the basis of the long term average growth rate of the property investment and development industry.

Toy manufacturing and trading cash-generating unit

The recoverable amount of the toy manufacturing and trading cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to cash flow projections is 7% (2016: 7%). Cash flows beyond the five-year period are extrapolated using a growth rate of 7% (2016: 3%) which is estimated on the basis of the long term average growth rate of the toy manufacturing and trading industry.

The net carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2017	2016
	$'000	$'000
Cash-generating units:		
Property investment and development	**1,732**	1,612
Toy manufacturing and trading	**1,374**	1,374
	3,106	2,986

22 INVENTORIES

	2017 $'000	2016 $'000
Raw materials	**203,715**	173,651
Work in progress	**164,377**	120,947
Finished goods	**271,340**	205,782
	639,432	500,380
Provision against obsolete inventories	**(62,127)**	(48,504)
	577,305	451,876

The movements in provision against obsolete inventories are as follows:

	2017 $'000	2016 $'000
At 1 January	**48,504**	49,356
Exchange realignment	**295**	(439)
Provision, net (note 6)	**26,084**	1,168
Amount utilised	**(12,756)**	(1,581)
At 31 December	**62,127**	48,504

As at 31 December 2017, certain inventories of the Group were pledged to secure the banking facilities granted to the Group (note 33).

(Expressed in Hong Kong dollars)

23 PROPERTIES UNDER DEVELOPMENT

	2017 $'000	2016 $'000
Carrying amount at 1 January	**1,153,055**	1,044,074
Exchange realignment	**91,494**	(68,361)
Transfer from deposit for land acquisition	**126,489**	–
Additions	**210,355**	166,037
Interest capitalised	**15,933**	11,305
Carrying amount at 31 December	**1,597,326**	1,153,055

The Group's properties under development are situated in Mainland China, and are held under the following lease terms:

	2017 $'000	2016 $'000
Medium term leases	**1,597,326**	1,153,055

The amount of properties under development expected to be recovered after more than one year is $1,597,326,000 (2016: $1,153,055,000).

At 31 December 2017, certain properties under development of the Group were pledged to secure the banking facilities granted to the Group (note 33).

Further particulars of the Group's properties under development are included on page 210.

24 TRADE RECEIVABLES

	2017	2016
	$'000	$'000
Trade receivables	621,012	687,162
Provision for impairment	(82,702)	(70,122)
	538,310	617,040

The Group's trading terms with its customers are mainly on credit with credit periods normally ranging from one to three months depending on a number of factors including trade practice, collection history and location of customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to monitor credit risk. Overdue balances are reviewed regularly by the senior management. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 48 to the financial statements. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

An ageing analysis of trade receivables net of provision for impairment as at the end of the reporting period based on invoice date is as follows:

	2017	2016
	$'000	$'000
Within 90 days	506,467	579,732
91 to 180 days	18,354	22,677
181 to 365 days	5,559	6,420
Over 365 days	7,930	8,211
	538,310	617,040

(Expressed in Hong Kong dollars)

24 TRADE RECEIVABLES *(Continued)*

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

	2017 $'000	2016 $'000
At 1 January	**70,122**	64,647
Exchange realignment	**982**	(603)
Impairment loss provision (note 6)	**23,277**	8,334
Amount written off as uncollectible	**(11,679)**	(2,256)
At 31 December	**82,702**	70,122

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of $82,702,000 (2016: $70,122,000) with an aggregate carrying amount before provision of $82,702,000 (2016: $70,122,000). The individually impaired trade receivables relate to customers that were in financial difficulties or with whom there were trade disputes. The Group does not hold any collateral or other credit enhancements over these balances.

Trade receivables that are not impaired

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

	2017 $'000	2016 $'000
Neither past due nor impaired	**427,334**	435,636
Less than 1 month past due	**64,916**	101,715
1 to 3 months past due	**30,977**	45,185
4 to 6 months past due	**3,247**	20,444
7 to 12 months past due	**4,275**	6,297
Over 1 year past due	**7,561**	7,763
	110,976	181,404
	538,310	617,040

24 TRADE RECEIVABLES *(Continued)*

Trade receivables that are not impaired *(Continued)*

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

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

25 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

None of the prepayments, deposits and other receivables is past due or impaired. The financial assets included in the balance relate to receivables for which there was no recent history of default.

The amount of prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year is $503,495,000 (2016: $589,713,000). All of the other prepayments, deposits and other receivables are expected to be recovered or recognised as expense within one year.

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 **$'000**	2016 $'000
Equity investments at market value listed in:		
Hong Kong	**23,255**	25,440
Mainland China	**2,795**	2,600
	26,050	28,040

The above equity investments were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

27 FOREIGN EXCHANGE FORWARD CONTRACTS

The Group entered into foreign exchange forward contracts which did not meet the criteria of hedge accounting. The changes in the fair value of such non-hedging currency derivatives gave rise to a gain of $19,426,000 (2016: $30,413,000), which was credited to profit or loss during the year. The carrying amount of foreign exchange forward contracts represent their fair value plus transaction costs.

28 AMOUNTS DUE FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES AND AFFILIATES

The amounts due from non-controlling shareholders of subsidiaries are unsecured, interest-free and recoverable on demand.

The affiliates are companies controlled by the substantial shareholder of the Company.

As at 31 December 2016, the amounts due from affiliates of $75,500,000 were unsecured, recoverable on demand, and carried interest at Hong Kong dollar prime rate. The maximum amount outstanding during the year was $78,623,000 (2016: $104,277,000).

Amounts due from non-controlling shareholders of subsidiaries and affiliates are neither past due nor impaired.

29 CASH AND BANK BALANCES

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to $162,209,000 (2016: $125,929,000). RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through the banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2017, bank deposit of an amount of $10,207,000 (2016: $10,051,000) with maturity over three months were denominated in Hong Kong dollar and carried interest of 1.2% (2016: 1.1%) per annum.

29 CASH AND BANK BALANCES *(Continued)*

As at 31 December 2017, certain cash and bank balances of the Group were pledged to secure the banking facilities granted to the Group (note 33).

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

	Bank loans	Trust receipt loans	Amounts due to non-controlling shareholders of subsidiaries	Interest payable	Total
	$'000	$'000	$'000	$'000	$'000
	(note 33)	(note 33)	(note 34)		
At 1 January 2017	3,799,890	241,818	2,310	27,130	4,071,148
Changes from financing cash flows					
Proceeds from new bank loans	3,354,326	–	–	–	3,354,326
Repayment of bank loans	(3,152,270)	–	–	–	(3,152,270)
Increase in trust receipts loans	–	35,546	–	–	35,546
Interest and other borrowing costs paid	–	–	–	(149,900)	(149,900)
Increase in balances with non-controlling shareholder, net	–	–	2,701	–	2,701
Total changes from financing cash flows	202,056	35,546	2,701	(149,900)	90,403
Exchange realignment	32,877	–	210	–	33,087
Other changes:					
Interest expenses (note 7)	–	–	–	127,048	127,048
Capitalised borrowing costs (note 7)	–	–	–	16,025	16,025
Total other changes	–	–	–	143,073	143,073
At 31 December 2017	4,034,823	277,364	5,221	20,303	4,337,711

(Expressed in Hong Kong dollars)

30 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

The Group has committed to a plan to sell certain of its investment properties. In the opinion of the directors, the disposal of the assets is expected to be completed within twelve months from the financial year end date.

	2017	2016
	$'000	$'000
Carrying amount at 1 January	**939,000**	904,000
Transfer from investment properties (note 13)	**855,000**	–
Fair value gain	**89,000**	35,000
Carrying amount at 31 December	**1,883,000**	939,000

The investment properties presented as non-current assets classified as held for sale were revalued on 31 December 2017 by BMI Appraisals Limited, an independent professionally qualified valuer, at $1,883,000,000 (2016: $939,000,000) on an open market, existing use basis. Such investment properties are leased or available for lease to third parties under operating leases. Details about such operating lease arrangements are included in note 43(a) to the financial statements.

As at 31 December 2017, all non-current assets of the Group classified as held for sale were pledged and mortgaged to secure the banking facilities granted to the Group (note 33).

Further particulars of the Group's investment properties presented as non-current assets classified as held for sale are set out on page 210.

30 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE *(Continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties presented as non-current assets classified as held for sale:

	Fair value measurement as at 31 December 2017 using			
	Quoted prices in active markets (Level 1) $'000	**Significant observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Fair value at 31 December 2017 $'000**
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**1,883,000**	**1,883,000**

	Fair value measurement as at 31 December 2016 using			
	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Fair value at 31 December 2016 $'000
Recurring fair value measurement for:				
Commercial properties	–	–	939,000	939,000

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2016: Nil).

(Expressed in Hong Kong dollars)

30 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE *(Continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties $'000
Carrying amount at 1 January 2017	**939,000**
Transfer from investment properties (note 13)	**855,000**
Fair value gain	**89,000**
Carrying amount at 31 December 2017	**1,883,000**
Carrying amount at 1 January 2016	904,000
Fair value gain	35,000
Carrying amount at 31 December 2016	939,000

Below is a summary of the valuation techniques and the key inputs used in the valuation of the Group's investment properties presented as non-current assets classified as held for sale:

Properties	**Valuation techniques**	**Unobservable inputs**	**Weighted average of unobservable input** 2017	2016
Situated in Hong Kong – Commercial	Investment approach	Rental rate	**$47 – $55 per square foot**	$47 – $61 per square foot
		Capitalisation rate	**2.6% to 2.9%**	2.8% to 3.0%

Under the investment approach, the properties are valued by taking into account the current rents passing or the hypothetical rents and the reversionary potential of the tenancies if the properties have been or would be leased to tenants.

Fair value of non-current assets classified as held for sale will increase if there were an increase in rental rate, or a decrease in capitalisation rate.

30 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE *(Continued)*

The Group's non-current assets classified as held for sale are situated in Hong Kong and are held under the following lease terms:

	2017	2016
	$'000	$'000
Medium term leases	**1,883,000**	939,000

31 TRADE PAYABLES

	2017	2016
	$'000	$'000
Trade payables	**668,987**	649,533

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

	2017	2016
	$'000	$'000
Within 90 days	**517,889**	471,259
91 to 180 days	**61,434**	88,273
181 to 365 days	**12,807**	20,964
Over 365 days	**76,857**	69,037
	668,987	649,533

The trade payables are non-interest-bearing and normally settled on 90-day terms.

32 OTHER PAYABLES AND ACCRUALS

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

The amount of other payables expected to be recognised as revenue after more than one year is $158,019,000 (2016: $19,925,000).

(Expressed in Hong Kong dollars)

33 INTEREST-BEARING BANK BORROWINGS

	Effective interest rate %	Maturity	2017 $'000	2016 $'000
Current				
Bank overdrafts – secured	5	on demand	**9,411**	5,746
Bank loans – unsecured	2–4	2018	**226,784**	214,129
Bank loans – secured	2–7	2018	**1,230,930**	1,340,627
Trust receipt loans – secured	2–3	2018	**277,364**	241,818
			1,744,489	1,802,320
Non-current				
Bank loans – unsecured	4	2019–2021	**19,709**	27,560
Bank loans – secured	2–6	2019–2024	**2,557,400**	2,217,574
			2,577,109	2,245,134
			4,321,598	4,047,454

	2017 $'000	2016 $'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**1,744,489**	1,802,320
In the second year	**210,713**	743,731
In the third to fifth years, inclusive	**2,365,419**	1,499,684
Over five years	**977**	1,719
	4,321,598	4,047,454

33 INTEREST-BEARING BANK BORROWINGS *(Continued)*

Notes:

(a) At the end of the reporting period, the Group's bank borrowings of approximately $4,075,105,000 (2016: $3,805,765,000) were secured by:

(i) pledges and mortgages over the Group's investment properties situated in Hong Kong and Mainland China, which had an aggregate carrying value of approximately $4,083,285,000 (2016: $4,653,298,000) (note 13) at the end of the reporting period;

(ii) pledges and mortgages over the Group's investment properties presented as non-current assets classified as held for sale, which had an aggregate carrying value of approximately $1,883,000,000 (2016: $939,000,000) (note 30) at the end of the reporting period;

(iii) pledges and mortgages over the Group's leasehold land and buildings (including their corresponding prepaid land lease payments), which had an aggregate carrying value of approximately $55,933,000 (2016: $73,642,000) (note 12) at the end of the reporting period;

(iv) pledges over the Group's inventories, which had an aggregate carrying value of approximately $514,742,000 (2016: $434,271,000) (note 22) at the end of the reporting period;

(v) pledges over certain bank deposits of the Group with an aggregate carrying value of approximately $20,613,000 (2016: $23,000,000) (note 29) at the end of the reporting period;

(vi) pledges and mortgages over the shares of certain indirect wholly-owned subsidiaries of the Group; and

(vii) pledges and mortgages over the property under development in Shenyang, which had an aggregate carrying value of approximately $1,458,312,000 (2016: 1,153,055,000) (note 23) at the end of the reporting period.

(b) At the end of the reporting period, except for the secured bank loans with an aggregate amount of $532,232,000 (2016: $433,824,000), which were denominated in Renminbi, and the unsecured bank loans of $720,000 (2016: $670,000) which were denominated in Renminbi, and an aggregate amount of $Nil (2016: $7,760,000) which were denominated in United States dollars, all other borrowings were in Hong Kong dollars.

34 AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The amounts due to non-controlling shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

35 ADVANCES FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The advances from non-controlling shareholders of subsidiaries are unsecured, interest-free and are not repayable within twelve months from the end of the reporting period.

(Expressed in Hong Kong dollars)

36 OTHER NON-CURRENT LIABILITIES

	2017 $'000	2016 $'000
Provision for severance payments	**73,680**	68,498
Others	**643**	649
	74,323	69,147

The movements in the provision for severance payments are as follows:

	2017 $'000	2016 $'000
At 1 January	**68,498**	73,521
Exchange realignment	**5,182**	(4,834)
Amounts utilised during the year	**–**	(189)
At 31 December	**73,680**	68,498

The provision for severance payments arose from the acquisition of certain subsidiaries in Mainland China in prior years, and was recognised under the relevant regulations in Mainland China.

On 25 July 2014, an indirect wholly-owned subsidiary of the Company entered into the equity transfer agreements with Nanjing Machinery & Electronics Industrial (Group) Co., Limited (南京機電產業(集團)有限公司) for the acquisition of all the minority stakes in three subsidiaries, 南京微分電機有限公司, 南京電力電容器有限公司 and 南京液壓件二廠有限公司. Under the Agreement, investment properties amounting to $109,270,000 (2016: $93,291,000) are pledged to secure the performance of the respective subsidiaries' obligations in respect of the employees resettlement reserve funds (職工安置備用金). Under the local government policy, companies transformed from state-owned enterprise shall pledge their assets to secure the performance of their obligations in respect of the employees resettlement reserve funds.

37 DEFERRED TAX ASSETS AND LIABILITIES RECOGNISED

The movements in deferred tax (assets)/liabilities recognised during the year are as follows:

	Depreciation allowance in excess of related depreciation	Revaluation of properties	Losses available for offsetting against future taxable profits	Total
	$'000	$'000	$'000	$'000
At 1 January 2016	37,108	800,731	(5,838)	832,001
Deferred tax charged to profit or loss (note 10)	8,968	16,595	317	25,880
Exchange realignment	(756)	(52,065)	–	(52,821)
At 31 December 2016	45,320	765,261	(5,521)	805,060
At 1 January 2017	**45,320**	**765,261**	**(5,521)**	**805,060**
Deferred tax charged to profit or loss (note 10)	**8,160**	**24,417**	**(172)**	**32,405**
Acquisition of a subsidiary (note 49)	**–**	**8,158**	**–**	**8,158**
Disposal of a subsidiary (note 50)	**(536)**	**–**	**–**	**(536)**
Exchange realignment	**1,276**	**57,731**	**–**	**59,007**
At 31 December 2017	**54,220**	**855,567**	**(5,693)**	**904,094**

Deferred tax assets have not been recognised in respect of the following items:

(i) Tax losses arising in Hong Kong

The Group has tax losses arising in Hong Kong of $467,185,000 (2016: $435,522,000). Such tax losses are available indefinitely for offsetting against future taxable profits of the relevant companies from which the losses arose.

(ii) Tax losses arising in Mainland China

The Group has tax losses arising in Mainland China of $492,658,000 (2016: $506,777,000) in the past five years available for offsetting against future taxable profits. Such tax losses will expire in one to five years.

Deferred tax assets have not been recognised in respect of the above tax losses as it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

37 DEFERRED TAX ASSETS AND LIABILITIES RECOGNISED *(Continued)*

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

No deferred tax liabilities have been recognised for withholding taxes on the unremitted earnings, which are subject to the abovementioned withholding taxes, of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in the major subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately $149,293,000 at 31 December 2017 (2016: $103,261,000).

38 SHARE CAPITAL

(a) Shares

	2017	2016
	$'000	$'000
Authorised:		
20,000,000,000 (2016: 20,000,000,000) ordinary shares of $0.01 each	**200,000**	200,000
3,000,000,000 (2016: 3,000,000,000) redeemable convertible preference shares of $0.02 each	**60,000**	60,000
Total authorised capital	**260,000**	260,000
Issued and fully paid:		
13,221,302,172 (2016: 10,407,117,286) ordinary shares of $0.01 each (note i)	**132,213**	104,071
410,475,131 (2016: 424,811,131) redeemable convertible preference shares of $0.02 each (note ii)	**8,210**	8,496
Total issued and fully paid capital	**140,423**	112,567

38 SHARE CAPITAL *(Continued)*

(a) Shares *(Continued)*

Notes:

(i) Pursuant to the resolution passed at the extraordinary general meeting of the Company held on 23 December 2016, bonus shares were issued to shareholders whose names appeared on the register of members of the Company on 5 January 2017, the Record Date, on the below basis:

(a) every four existing shares held by the ordinary shareholders whose names appear in the register of members of the Company on the Record Date; or

(b) every four shares that could be converted on an "as converted" basis as if all the outstanding redeemable convertible preference shares held by the holders of such shares, whose name(s) appear(s) in the register of holders of such shares of the Company on the Record Date, were converted in full at their effective conversion price immediately before the Record Date.

On 9 January 2017, an amount of $28,141,849 standing to the credit of the share premium account was applied in paying up in full 2,814,184,886 ordinary shares of $0.01 each which were allotted and issued as fully paid, ranking pari passu with existing shares to the shareholders who were entitled to those bonus shares.

As a result of the above bonus issue, the exercise price of the outstanding Share Options (note 39) and the number of shares to be allotted and issued upon full exercise of the subscription rights attaching thereto were adjusted with effect from 9 January 2017. Details of the adjustments were set out in the Company's announcement dated on 11 January 2017.

(ii) The redeemable convertible preference shares are redeemable at the sole discretion of the Company at any time after the issuance thereof. Holders of the redeemable convertible preference shares shall be entitled to pro-rata share of dividend or distribution declared by the Board of the Company, at its discretion, to the ordinary shareholders of the Company. Dividends or distributions payable to the holders of the redeemable convertible preference shares are not cumulative. The redeemable convertible preference shares shall not confer on the holders thereof the right to receive notice of, or to attend and vote at, general meetings of the Company unless a resolution is proposed to vary or abrogate the rights or privileges of the holders of the redeemable convertible preference shares or for winding-up the Company. The redeemable convertible preference shares rank prior to the ordinary shares on distribution of assets on liquidation, winding-up or dissolution of the Company to the extent of the amount equal to the aggregate issue price of the relevant redeemable convertible preference shares. The remaining assets shall belong to and be distributed on a pari passu basis among the holders of the ordinary shares.

The outstanding redeemable convertible preference shares were issued and convertible into fully paid ordinary shares on a one-for-one basis prior to the Share Sub-division in 2015 whereby every then issued and unissued ordinary share in the Company with par value of $0.02 was subdivided into two ordinary shares in the Company with par value of $0.01 each. As such, the conversion prices of the redeemable convertible preference shares were adjusted pursuant to the terms of the redeemable convertible preference shares subsequent to the Share Sub-division. The redeemable convertible preference shareholders shall have a right to convert at any time after the day of issue of the redeemable convertible preference share. There is no limit in conversion period. Upon full conversion of the convertible preference shares in issue as at 31 December 2017, 820,950,262 ordinary shares (as adjusted for the Share Sub-division) (2016: 849,622,262 ordinary shares (as adjusted for the Share Sub-division)) will be issued. However, the conversion of convertible preference shares to ordinary shares is subject and limited to the extent allowed under the following terms and conditions: (i) Crystal Hub Limited, the holder of the redeemable convertible preference shares and a related company, irrevocably and unconditionally undertakes that, save with the prior consent of the Company, it shall not (and procure its nominees, who are the holders of the redeemable convertible preference shares or the then holders of the redeemable convertible preference shares other than its nominees, if any, shall not) directly or indirectly, through whatsoever means, hold more than 5% of the total number of issued ordinary shares of the Company, individually or collectively; (ii) the Company shall, immediately after the conversion, meet the public float requirements under the Listing Rules that not less than 25% (or the minimum percentage as set out in the Listing Rules from time to time) of the total number of issued ordinary shares of the Company must be held by the public; and (iii) the conversion shall not result in the convertible preference shareholder and parties acting in concert therewith (within the meaning of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code")), taken together, directly or indirectly controlling or being interested in 30% or more of the entire issued voting share capital of the Company (or such other percentage as may from time to time be specified in the Takeovers Code as the level for triggering a mandatory general offer) as at the date of conversion and, hence, the mandatory general offer obligation being triggered unless either (a) such redeemable convertible preference shareholder and the parties acting in concert therewith comply with the Takeovers Code and make a general offer for all the shares not already owned by them or (b) a whitewash waiver to waive the requirement for such redeemable convertible preference shareholder and the parties acting in concert therewith to make a mandatory general offer is approved by the independent shareholders of the Company and granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission pursuant to the Takeovers Code before the date of completion of the conversion.

(Expressed in Hong Kong dollars)

38 SHARE CAPITAL *(Continued)*

(a) Shares *(Continued)*

Movements of issued capital were as follows:

	Issued ordinary shares $'000	Issued redeemable convertible preference shares $'000	Share premium $'000	Total $'000
At 1 January 2016	59,773	54,715	1,799,633	1,914,121
75,584,000 redeemable convertible preference shares redeemed during the year	–	(1,512)	(44,151)	(45,663)
2,235,406,996 redeemable convertible preference shares converted into 4,429,843,560 ordinary shares during the year	44,298	(44,707)	409	–
At 31 December 2016 and at 1 January 2017	**104,071**	**8,496**	**1,755,891**	**1,868,458**
14,336,000 redeemable convertible preference shares redeemed during the year	**–**	**(286)**	**(11,182)**	**(11,468)**
Issue of bonus shares during the year	**28,142**	**–**	**(28,142)**	**–**
At 31 December 2017	**132,213**	**8,210**	**1,716,567**	**1,856,990**

38 SHARE CAPITAL *(Continued)*

(a) Shares *(Continued)*

Movements of number of issued shares are as follows:

	No. of issued ordinary shares '000	No. of redeemable convertible preference shares '000
At 1 January 2016	5,977,274	2,735,802
Redeemed during the year	–	(75,584)
Converted during the year	–	(2,235,407)
Issued during the year	4,429,843	–
At 31 December 2016 and at 1 January 2017	**10,407,117**	**424,811**
Redeemed during the year	**–**	**(14,336)**
Issue of bonus shares during the year	**2,814,185**	**–**
At 31 December 2017	**13,221,302**	**410,475**

(b) Share options

Details of the Company's share option schemes and the share options issued under the schemes are set out in note 39 to the financial statements.

(c) Share awards

In 2011, the Board approved the establishment of the Company's Employees' Share Award Scheme (the "Share Award Scheme"). Pursuant to the rules of the Share Award Scheme, the Company has set up a trust (the "Trust") for the purpose of administering the Share Award Scheme and holding the shares purchased for the Share Award Scheme before the award and vesting of the same. The Company pays to the Trust from time to time for the purchase of shares held for the Share Award Scheme from market.

The terms of the Share Award Scheme provide for the award of shares in the Company and/or shares in SCAH, a related company under common control, to employees of the Group as part of their compensation package. Subject to the rules of the Share Award Scheme, the Board shall determine at the time of grant the vesting date for the relevant awarded shares.

38 SHARE CAPITAL *(Continued)*

(c) Share awards *(Continued)*

Dividends payable to the awarded shares are applied to acquire further shares (dividend shares) and pay the related purchase expenses and expenses of the Trust. Dividend shares have the same vesting date as the related awarded shares.

For awardees who cease employment with the Group before vesting, the unvested shares are forfeited and held by the trustee of the Share Award Scheme who may award such shares to other awardees taking into consideration the recommendations of the Board.

Movements in the number of awarded shares in the Company and their related average fair values are as follows:

	2017		2016	
	Average fair value per share	**Number of awarded shares**	Average fair value per share	Number of awarded shares
	$		$	
At 1 January		**–**		928,000
Forfeited	**–**	**–**	0.26	(928,000)
Granted	**0.30**	**1,256,000**	–	–
Vested and awarded	**0.30**	**(1,256,000)**	–	–
At 31 December		**–**		–

Movements in the number of shares in the Company held under the Share Award Scheme are as follows:

	2017		2016	
	Value	**Number of shares held**	Value	Number of shares held
	$'000		$'000	
At 1 January	**61,447**	**165,933,275**	22,500	73,200,000
Issue of bonus shares	**–**	**41,483,318**	–	–
Vested and awarded during the year	**(372)**	**(1,256,000)**	–	–
Distribution in specie	**–**	**–**	38,947	92,733,275
At 31 December	**61,075**	**206,160,593**	61,447	165,933,275

During the year, 1,256,000 shares (2016: no share) of the Share Award Scheme of the Company was transferred to the awardees upon vesting and awarded of certain awarded shares. The total cost of the awarded shares was $372,000 (2016: Nil).

39 SHARE OPTION SCHEMES

The share option scheme adopted by the Company on 31 May 2002 (the "2002 Share Option Scheme") was terminated on 5 June 2012. No further option will be granted under the 2002 Share Option Scheme after the termination thereof but the subsisting share options granted thereunder prior to the said termination shall continue to be valid and exercisable pursuant to the terms of the 2002 Share Option Scheme.

At the annual general meeting of the Company held on 5 June 2012, the shareholders of the Company approved the adoption of a new share option scheme (the "2012 Share Option Scheme") which became effective on 11 June 2012. Under the 2012 Share Option Scheme, the directors of the Company may grant options to eligible persons to subscribe for the Company's shares subject to the terms and conditions stipulated therein. Unless otherwise cancelled or amended, the 2012 Share Option Scheme will be valid and effective for a period of 10 years commencing on the date on which it became effective.

The directors and employees of the Group are entitled to participate in the share option schemes operated by the Company. Details of the share option schemes are as follows:

(i) 2002 Share Option Scheme

(a) *Purpose of the 2002 Share Option Scheme*

In order to provide incentives or rewards to the participants for their contribution to the Group and to enable the Group to attract and retain employees with relevant qualifications and experience to work for the Group and any entity in which any member of the Group holds equity interests (the "Invested Entity"). The shareholders of the Company approved the adoption of the 2002 Share Option Scheme at the annual general meeting held on 31 May 2002.

(b) *Participants of the 2002 Share Option Scheme*

According to the 2002 Share Option Scheme, the Board may, at its discretion, grant share options to any person in any of the following classes of participants:

(i) any executive director, employee or proposed employee (whether full time or part time) of any member of the Group or any Invested Entity or substantial shareholder;

(ii) any non-executive director (including any independent non-executive director) of any member of the Group or any Invested Entity or substantial shareholder;

(iii) any individual for the time being seconded to work for any member of the Group or any Invested Entity or substantial shareholder;

(Expressed in Hong Kong dollars)

39 SHARE OPTION SCHEMES *(Continued)*

(i) 2002 Share Option Scheme *(Continued)*

(b) *Participants of the 2002 Share Option Scheme (Continued)*

(iv) any shareholder of any member of the Group or any Invested Entity or substantial shareholder or any holder of any securities issued by any member of the Group or any Invested Entity or substantial shareholder;

(v) any business partner, agent, consultant, contractor or representative of any member of the Group or any Invested Entity or substantial shareholder;

(vi) any supplier of goods or services to any member of the Group or any Invested Entity or substantial shareholder;

(vii) any customer of any member of the Group or any Invested Entity or substantial shareholder;

(viii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group or any Invested Entity or substantial shareholder;

(ix) any other group or classes of participants from time to time determined by the directors as having contributed or may contribute to the development and growth of any member of the Group (including any discretionary object of a participant which is a discretionary trust); and

(x) any company wholly owned by one or more persons belonging to any of the above classes of participants.

(c) *Total number of shares available for issue under the 2002 Share Option Scheme*

The maximum number of shares in respect of which share options may be granted under the 2002 Share Option Scheme and any other share option scheme of the Company shall not exceed 10% of the total number of shares in issue as at the date of approval of the 2002 Share Option Scheme.

However, since the 2002 Share Option Scheme had already been terminated, no further share will be issued pursuant to the grant of further share options under the 2002 Share Option Scheme. Options lapsed in accordance with the terms of the 2002 Share Option Scheme or any other share option scheme of the Company under which such options are granted shall not be counted for the purpose of calculating whether the abovementioned scheme mandate limit has been exceeded.

39 SHARE OPTION SCHEMES *(Continued)*

(i) 2002 Share Option Scheme *(Continued)*

(d) *Maximum entitlement of each participant*

No participant shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant to such participant would exceed in aggregate 1% (or such other percentage as may be permitted under the Listing Rules and all other applicable laws and regulations) of the shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the Listing Rules) abstaining from voting.

Where a grant of share option is to a substantial shareholder (as defined in the Listing Rules) of the Company or an independent non-executive director of the Company or any of their respective associates (as defined in the Listing Rules) and the proposed grant of the share option, when aggregated with the share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person(s) in the past twelve months period up to and including the date of such grant, would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person(s) representing in aggregate over 0.1% of the total issued share capital of the Company for the time being (or such other amount or percentage or on such other date as the relevant provisions of the Listing Rules may specify) and having an aggregate value, based on the closing price of the share at the date of each grant, in excess of $5 million (or such other amount or such other price or date as the relevant provisions of the Listing Rules may specify), then the proposed grant of share option must be subject to the approval of the shareholders of the Company on a poll in a general meeting where all connected persons of the Company must abstain from voting.

(e) *Period within which the shares must be taken up under an option*

The Board may at its absolute discretion determine the period during which a share option may be exercised. Such period should expire no later than 10 years from the date of grant. The Board may also impose restrictions on the exercise of a share option during the period a share option may be exercised.

(f) *Minimum period, if any, for which an option must be held before it can be exercised*

There is no specific requirement under the 2002 Share Option Scheme that an option must be held for any minimum period before it can be exercised. But the terms of the 2002 Share Option Scheme provide that the Board has the discretion to impose a minimum period at the time of grant of any particular option.

39 SHARE OPTION SCHEMES *(Continued)*

(i) 2002 Share Option Scheme *(Continued)*

(g) *Amount payable upon acceptance of the option and the period within which the payment must be made*

An amount of $1 for each lot of share options granted is payable upon acceptance of the options within 5 business days from the date of offer of the option.

(h) *Basis of determining the exercise price of the options*

The exercise price is determined by the Board, and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of grant; and (iii) the nominal value of the Company's shares.

(i) *Remaining life of the 2002 Share Option Scheme*

The 2002 Share Option Scheme was in force for a period of 10 years commencing 18 June 2002 and was terminated on 5 June 2012.

The following share options were outstanding under the 2002 Share Option Scheme during the year:

	2017		2016	
	Weighted average subscription price per share	**Number of options**	Weighted average subscription price per share	Number of options
	$	**'000**	$	'000
	(note)			
At 1 January	**0.75**	**90,600**	0.75	90,600
Lapsed during the year	**0.59**	**(90,600)**	–	–
At 31 December	**–**	**–**	0.75	90,600
Exercisable at 31 December	**–**	**–**	0.75	90,600

Note: As a result of the bonus issue, the exercise price of the outstanding share options was adjusted with effect from 9 January 2017.

(Expressed in Hong Kong dollars)

39 SHARE OPTION SCHEMES *(Continued)*

(i) 2002 Share Option Scheme *(Continued)*

(i) *Remaining life of the 2002 Share Option Scheme* (Continued)

Particulars of the outstanding share options granted under the 2002 Share Option Scheme and the movements during the year were as follows:

Name or category of participant	Number of share options Outstanding as at 1 January 2017	Lapsed during the year	Outstanding as at 31 December 2017	Date of grant of share options (DD/MM/YYYY) (note 1)	Exercise period of share options (DD/MM/YYYY)	Number of ordinary shares issuable upon the exercise of share options	Exercise price per share $ (note 2)
Directors							
Cheung Choi Ngor	8,666,666	(8,666,666)	–	18/09/2007	18/09/2008 to 17/09/2017	–	0.59
	8,666,667	(8,666,667)	–	18/09/2007	18/09/2009 to 17/09/2017	–	0.59
	8,666,667	(8,666,667)	–	18/09/2007	18/09/2010 to 17/09/2017	–	0.59
Ng Yuk Fung Peter	8,666,666	(8,666,666)	–	18/09/2007	18/09/2008 to 17/09/2017	–	0.59
	8,666,667	(8,666,667)	–	18/09/2007	18/09/2009 to 17/09/2017	–	0.59
	8,666,667	(8,666,667)	–	18/09/2007	18/09/2010 to 17/09/2017	–	0.59
Ng Yuk Yeung Paul	8,666,666	(8,666,666)	–	18/09/2007	18/09/2008 to 17/09/2017	–	0.59
	8,666,667	(8,666,667)	–	18/09/2007	18/09/2009 to 17/09/2017	–	0.59
	8,666,667	(8,666,667)	–	18/09/2007	18/09/2010 to 17/09/2017	–	0.59
Sub-total	78,000,000	(78,000,000)	–			–	

(Expressed in Hong Kong dollars)

39 SHARE OPTION SCHEMES *(Continued)*

(i) 2002 Share Option Scheme *(Continued)*

(i) *Remaining life of the 2002 Share Option Scheme (Continued)*

Name or category of participant	Number of share options: Outstanding as at 1 January 2017	Lapsed during the year	Outstanding as at 31 December 2017	Date of grant of share options (DD/MM/YYYY) (note 1)	Exercise period of share options (DD/MM/YYYY)	Number of ordinary shares issuable upon the exercise of share options	Exercise price per share $ (note 2)
Other employees							
In aggregate	1,333,333	(1,333,333)	–	18/09/2007	18/09/2008 to 17/09/2017	–	0.59
	1,333,333	(1,333,333)	–	18/09/2007	18/09/2009 to 17/09/2017	–	0.59
	1,333,334	(1,333,334)	–	18/09/2007	18/09/2010 to 17/09/2017	–	0.59
	1,566,666	(1,566,666)	–	25/09/2007	25/09/2008 to 24/09/2017	–	0.59
	1,566,666	(1,566,666)	–	25/09/2007	25/09/2009 to 24/09/2017	–	0.59
	1,566,668	(1,566,668)	–	25/09/2007	25/09/2010 to 24/09/2017	–	0.59
Sub-total	8,700,000	(8,700,000)	–			–	
Others							
In aggregate	1,199,999	(1,199,999)	–	18/09/2007	18/09/2008 to 17/09/2017	–	0.59
	1,199,999	(1,199,999)	–	18/09/2007	18/09/2009 to 17/09/2017	–	0.59
	1,200,002	(1,200,002)	–	18/09/2007	18/09/2010 to 17/09/2017	–	0.59
	100,000	(100,000)	–	25/09/2007	25/09/2008 to 24/09/2017	–	0.59
	100,000	(100,000)	–	25/09/2007	25/09/2009 to 24/09/2017	–	0.59
	100,000	(100,000)	–	25/09/2007	25/09/2010 to 24/09/2017	–	0.59
Sub-total	3,900,000	(3,900,000)	–			–	
Total	90,600,000	(90,600,000)	–			–	

(Expressed in Hong Kong dollars)

39 SHARE OPTION SCHEMES *(Continued)*

(i) 2002 Share Option Scheme *(Continued)*

(i) *Remaining life of the 2002 Share Option Scheme (Continued)*

Notes:

(1) All share options granted are subject to a vesting period and exercisable in the following manner:

From the date of grant of share options	Exercisable percentage
Within 12 months	Nil
13th–24th month	Not more than 33⅓%
25th–36th month	Not more than 66⅔%
37th – 120th month	100%

(2) The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other alteration in the capital structure of the Company.

All 90,600,000 share options were lapsed in 2017, and no share option has been granted, exercised or cancelled during 2016 and 2017. The Group recognised no share option expense in respect of options granted under the 2002 Share Option Scheme in the years ended 31 December 2017 and 2016.

(ii) 2012 Share Option Scheme

(a) *Purpose of the 2012 Share Option Scheme*

In order to provide incentives or rewards to the participants for their contributions to the Group and to enable the Group to attract and retain employees with relevant qualifications and experience to work for the Group and any Invested Entity, the shareholders of the Company approved the adoption of the 2012 Share Option Scheme at the annual general meeting held on 5 June 2012.

(b) *Participants of the 2012 Share Option Scheme*

According to the 2012 Share Option Scheme, the Board may, at its discretion, grant share options to any person in any of the following classes of participants:

(i) any executive director, employee or proposed employee (whether full time or part time) of any member of the Group or any Invested Entity or substantial shareholder;

(ii) any non-executive director (including any independent non-executive director) of any member of the Group or any Invested Entity or substantial shareholder;

(iii) any individual for the time being seconded to work for any member of the Group or any Invested Entity or substantial shareholder;

39 SHARE OPTION SCHEMES *(Continued)*

(ii) 2012 Share Option Scheme *(Continued)*

(b) *Participants of the 2012 Share Option Scheme (Continued)*

(iv) any shareholder of any member of the Group or any Invested Entity or substantial shareholder or any holder of any securities issued by any member of the Group or any Invested Entity or substantial shareholder;

(v) any business partner, agent, consultant, contractor or representative of any member of the Group or any Invested Entity or substantial shareholder;

(vi) any supplier of goods or services to any member of the Group or any Invested Entity or substantial shareholder;

(vii) any customer of any member of the Group or any Invested Entity or substantial shareholder;

(viii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group or any Invested Entity or substantial shareholder;

(ix) any other group or classes of participants from time to time determined by the directors as having contributed or may contribute to the development and growth of any member of the Group (inducing any discretionary object of a participant which is a discretionary trust); and

(x) any company wholly owned by one or more persons belonging to any of the above classes of participants.

(c) *Total number of shares available for issue under the 2012 Share Option Scheme*

The maximum number of shares in respect of which share options may be granted under the 2012 Share Option Scheme and any other share option scheme of the Company shall not exceed 10% of the total number of shares in issue as at the date of approval of the 2012 Share Option Scheme, i.e. a total of 597,727,372. Options lapsed in accordance with the terms of the 2012 Share Option Scheme or any other share option scheme of the Company under which such options are granted shall not be counted for the purpose of calculating whether the abovementioned scheme mandate limit has been exceeded.

As at 31 December 2017, the total number of shares available for issue pursuant to the grant of further share options under the 2012 Share Option Scheme was 501,956,531 (2016: 512,341,004), representing approximately 3.80% of the issued share capital of the Company as at the date of this Annual Report.

39 SHARE OPTION SCHEMES *(Continued)*

(ii) 2012 Share Option Scheme *(Continued)*

(d) *Maximum entitlement of each participant*

No participant shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant to such participant would exceed in aggregate 1% (or such other percentage as may be permitted under the Listing Rules and all other applicable laws and regulations) of the shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the Listing Rules) abstaining from voting.

Where a grant of share option is to a substantial shareholder (as defined in the Listing Rules) of the Company or an independent non-executive director of the Company or any of their respective associates (as defined in the Listing Rules) and the proposed grant of the share option, when aggregated with the share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person(s) in the past twelve months period up to and including the date of such grant, would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person(s) representing in aggregate over 0.1% of the total issued share capital of the Company for the time being (or such other amount or percentage or on such other date as the relevant provisions of the Listing Rules may specify) and having an aggregate value, based on the closing price of the share at the date of each grant, in excess of $5 million (or such other amount or such other price or date as the relevant provisions of the Listing Rules may specify), then the proposed grant of share option must be subject to the approval of the shareholders of the Company on a poll in a general meeting where all connected persons of the Company must abstain from voting.

(e) *Period within which the shares must be taken up under an option*

The Board may at its absolute discretion determine the period during which a share option may be exercised. Such period should expire no later than 10 years from the date of grant. The Board may also impose restrictions on the exercise of a share option during the period a share option may be exercised.

(f) *Minimum period, if any, for which an option must be held before it can be exercised*

There is no specific requirement under the 2012 Share Option Scheme that an option must be held for any minimum period before it can be exercised. But the terms of the 2012 Share Option Scheme provide that the Board has the discretion to impose a minimum period at the time of grant of any particular option.

39 SHARE OPTION SCHEMES *(Continued)*

(ii) 2012 Share Option Scheme *(Continued)*

(g) *Amount payable upon acceptance of the option and the period within which payment must be made*

An amount of $1 for each lot of share options granted is payable upon acceptance of the options within 28 days from the date of offer of the option.

(h) *Basis of determining the exercise price of the options*

The exercise price is determined by the Board, and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of grant; and (iii) the nominal value of the Company's shares.

(i) *Remaining life of the 2012 Share Option Scheme*

Subject to early termination of the 2012 Share Option Scheme pursuant to the terms thereof, the 2012 Share Option Scheme will be valid and effective for a period of 10 years commencing on the date on which it became effective on 11 June 2012.

The following share options were outstanding under the 2012 Share Option Scheme during the year:

	2017		2016	
	Weighted average exercise price per share	**Number of options**	Weighted average exercise price per share	Number of options
	$	**'000**	$	'000
	(note)			
At 1 January	**0.65**	**57,636**	0.65	67,886
Lapsed/forfeited during the year	**0.51**	**(5,000)**	0.65	(10,250)
At 31 December	**0.51**	**52,636**	0.65	57,636
Exercisable at 31 December	**0.51**	**24,465**	0.65	9,250

Note: As a result of the bonus issue, the exercise price of the outstanding share options was adjusted with effect from 9 January 2017.

(Expressed in Hong Kong dollars)

39 SHARE OPTION SCHEMES *(Continued)*

(ii) 2012 Share Option Scheme *(Continued)*

(i) *Remaining life of the 2012 Share Option Scheme* (Continued)

Particulars of the outstanding share options granted under the 2012 Share Option Scheme and their movements during the year were as follows:

Name or category of participant	Number of share options: Outstanding as at 1 January 2017	Lapsed during the year	Outstanding as at 31 December 2017	Date of grant of share options (DD/MM/YYYY) (note 1)	Exercise period of share options (DD/MM/YYYY)	Number of ordinary share issuable upon the exercise of share options $	Exercise price per share $ (note 2)
Employees							
In aggregate	8,750,000	(1,000,000)	7,750,000	10/07/2015	10/07/2016 – 09/07/2025	19,691,200	0.51
	8,750,000	(1,000,000)	7,750,000	10/07/2015	10/07/2017 – 09/07/2025	19,691,200	0.51
	8,750,000	(1,500,000)	7,250,000	10/07/2015	10/07/2018 – 09/07/2025	18,420,800	0.51
	8,965,000	–	8,965,000	20/10/2015	20/10/2017 – 19/10/2025	11,389,136	0.51
	8,965,000	–	8,965,000	20/10/2015	20/10/2018 – 19/10/2025	11,389,136	0.51
	11,956,368	–	11,956,368	20/10/2015	20/10/2019 – 19/10/2025	15,189,369	0.51
Sub-total	56,136,368	(3,500,000)	52,636,368			95,770,841	
Others							
In aggregate	500,000	(500,000)	–	10/07/2015	10/07/2016 – 09/07/2025	–	0.51
	500,000	(500,000)	–	10/07/2015	10/07/2017 – 09/07/2025	–	0.51
	500,000	(500,000)	–	10/07/2015	10/07/2018 – 09/07/2025	–	0.51
Sub-total	1,500,000	(1,500,000)	–			–	
Total	57,636,368	(5,000,000)	52,636,368			95,770,841	

(Expressed in Hong Kong dollars)

39 SHARE OPTION SCHEMES *(Continued)*

(ii) 2012 Share Option Scheme *(Continued)*

(i) *Remaining life of the 2012 Share Option Scheme (Continued)*

Notes:

(1) All share options granted are subject to a vesting period and exercisable in the following manner:

From the date of grant of share options	**Exercisable percentage**
Within 12 months	Nil
13th–24th month	Not more than $33\frac{1}{3}$%
25th–36th month	Not more than $66\frac{2}{3}$%
37th–120th month	100%

(2) The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other alteration in the capital structure of the Company.

At the end of the reporting period, the Company had 52,636,368 share options outstanding under the 2012 Share Option Scheme. The exercise in full of the remaining share options would, under the capital structure of the Company as at 31 December 2017, result in the issue of 95,770,841 additional ordinary shares of the Company with additional cash received of $48,843,000.

40 RESERVES

(a) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 74 to 75.

(b) Nature and purpose of reserves

(i) *Share premium*

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

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

40 RESERVES *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(ii) *Contributed surplus*

The excess of the value of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in exchange was credited to the contributed surplus.

(iii) *Merger reserve*

It represents the excess of the consideration over the carrying amount of net assets acquired under common control transactions.

(iv) *Land and buildings revaluation reserve*

The land and buildings revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings held for own use in note 2.4(g).

(v) *Available-for-sale financial assets revaluation reserve*

The available-for-sale financial assets reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the reporting date and is dealt with in accordance with the accounting policies as set out in note 2.4(l).

(vi) *PRC statutory reserve*

Pursuant to the relevant laws and regulations of the PRC, certain subsidiaries of the Group registered in the PRC shall appropriate a portion of their profits after tax to the PRC statutory reserves, which are restricted as to use, subject to certain conditions provided that the said profit after tax of the relevant subsidiary is in excess of its accumulated losses brought forward, if any. For such appropriation, the said profit after tax and accumulated losses brought forward shall be the respective amounts reported in accordance with the accounting principles generally applicable to the PRC enterprises. There was no such transfer to the PRC statutory reserves for the year ended 31 December 2017 (2016: Nil).

40 RESERVES *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(vii) *Goodwill reserve*

The goodwill arising on consolidation has been set up and dealt with in accordance with the transitional arrangements under HKFRS 3 (August 2004). Goodwill which had previously been taken directly to reserves (i.e. goodwill which arose before 1 January 2001) will not be recognised in profit or loss on disposal or impairment of the acquired business, or under any other circumstances.

(viii) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policy as set out in note 2.4(aa).

(ix) *Employee share-based compensation reserve*

The employee share-based compensation reserve comprises the fair value of the unvested share awards and the unexercised share options of the Group at grant date that has been recognised in accordance with the accounting policy as set out in note 2.4(x).

(x) *Treasury shares*

At the end of the reporting period, a subsidiary had 32,249,468 of treasury shares which are available for resale and are recognised as a reduction of the total equity of the Group. During the year ended 31 December 2016, a subsidiary received a total of 25,799,575 shares of the Company as dividend from SCAH which are held as treasury shares. During the year ended 31 December 2017, 6,449,893 additional shares of the Company was issued and held as treasury shares as a result of the bonus issue.

(c) Dividend

The Company had not declared or paid any dividend during the year (2016: Nil) and the board of directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

(Expressed in Hong Kong dollars)

40 RESERVES *(Continued)*

(d) Company

	Share premium	Capital redemption reserve	Shares held for Share Award Scheme	Employee share-based compensation reserve#	Retained profits/ (accumulated losses)	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2016	1,799,633	223	(22,500)	54,434	4,655	1,836,445
Loss and total comprehensive income for the year	–	–	–	–	(68,444)	(68,444)
Redemption of redeemable convertible preference shares	(44,151)	–	–	–	–	(44,151)
Conversion of redeemable convertible preference shares	409	–	–	–	–	409
Transfer of employee share-based compensation reserve upon lapse of shares awarded and share options	–	–	–	(1,469)	1,231	(238)
Recognition of equity-settled share-based compensation: share award and share options	–	–	–	7,795	–	7,795
Shares received from distribution in specie	–	–	(38,947)	–	–	(38,947)
At 31 December 2016 and 1 January 2017	**1,755,891**	**223**	**(61,447)**	**60,760**	**(62,558)**	**1,692,869**
Loss and total comprehensive income for the year	**–**	**–**	**–**	**–**	**(92,035)**	**(92,035)**
Redemption of redeemable convertible preference shares	**(11,182)**	**–**	**–**	**–**	**–**	**(11,182)**
Transfer of employee share-based compensation reserve upon lapse of shares awarded and share options	**–**	**–**	**–**	**(50,752)**	**50,752**	**–**
Recognition of equity-settled share-based compensation: share award and share options	**–**	**–**	**–**	**4,736**	**–**	**4,736**
Vesting of shares awarded under Share Award Scheme	**–**	**–**	**372**	**(333)**	**(39)**	**–**
Issue of bonus shares	**(28,142)**	**–**	**–**	**–**	**–**	**(28,142)**
At 31 December 2017	**1,716,567**	**223**	**(61,075)**	**14,411**	**(103,880)**	**1,566,246**

Employee share-based compensation reserve comprises the share option reserve and the share award reserve.

(Expressed in Hong Kong dollars)

40 RESERVES *(Continued)*

(d) Company *(Continued)*

The Company's reserves available for distribution include share premium, capital redemption reserve, employee share-based compensation reserve and retained profits. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum or articles of association provided that the Company is able to pay its debts as they fall due in the ordinary course of business immediately following the distribution of dividend. Accordingly, the Company's reserves available for distribution to shareholders as at 31 December 2017 amounted to approximately $1,627,321,000 (2016: $1,754,316,000).

41 CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2017 **$'000**	2016 $'000
Guarantees given to banks in connection with banking facilities granted to:		
A subsidiary of an affiliate of the Group	–	15,000

As at 31 December 2016, the banking facilities granted to a subsidiary of an affiliate of the Group subject to guarantees given to the banks by the Group were utilised to the extent of approximately $11,000,000. The guarantee were released during the reporting period.

42 PLEDGES OF ASSETS

Details of the Group's bank loans and overdrafts and other non-current liabilities, which are secured by the assets of the Group, are included in notes 33 and 36 to the financial statements.

43 OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (notes 13 and 30) under operating lease arrangements with leases generally negotiated for terms ranging from one to ten years. The terms of the leases generally also require the tenants to pay security deposits and may provide for periodic rent adjustments according to the then prevailing market conditions.

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

	2017	2016
	$'000	$'000
Within one year	**163,754**	137,857
In the second to fifth years, inclusive	**159,926**	175,984
Over five years	**21,960**	27,971
	345,640	341,812

(b) As lessee

The Group leases certain of its factory premises and office properties under operating lease arrangements. Leases for these factory premises are generally negotiated for terms ranging from one month to ten years, and those for office properties are for terms of one to two years.

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

	2017	2016
	$'000	$'000
Within one year	**52,747**	61,074
In the second to fifth years, inclusive	**33,462**	54,479
Over five years	**35,251**	41,589
	121,460	157,142

(Expressed in Hong Kong dollars)

44 CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2017	2016
	$'000	$'000
Contracted but not provided for:		
Land and buildings	**21,865**	27,140
Machinery and equipment	**412**	574
Land use rights	**11,225**	10,436
	33,502	38,150
Authorised but not contracted for:		
Property, plant and equipment	**50,421**	43,950

45 RELATED PARTY TRANSACTIONS

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

	2017	2016
	$'000	$'000
Transactions with related companies#:		
Interest income (note)*	**3,296**	3,775
Rental income*	**4,972**	5,191
Air tickets and travel related services purchased**	**(2,321)**	(3,705)

The relevant related companies are controlled by a substantial shareholder, who is also a director of the Company.

* The related party transactions includes an amount of $4,215,000 (2016: $5,191,000) which constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules in respect of which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with and the key terms of the relevant loan agreement and tenancy agreements have been disclosed in the announcement of the Company.

** These related party transactions also constitute exempted connected transactions or exempted continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Note: Interest income of $3,296,000 (2016: $3,775,000) was charged at Hong Kong dollar prime rate on the outstanding balance of the loan to the related company.

45 RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties:

Details of the balances with related parties at the end of the reporting period are included in notes 17, 28, 34 and 35 to the financial statements.

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

The executive directors are the key management personnel of the Group. Details of their remuneration are disclosed in note 8 to the financial statements.

46 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amount of each of the categories of financial instruments at the end of the reporting period is as follows:

Financial assets

	2017			
	Financial assets at fair value through profit or loss $'000	Loans and receivables $'000	Available-for-sale financial assets $'000	Total $'000
Available-for-sale financial assets (note 19)	–	–	106,902	106,902
Trade receivables (note 24)	–	538,310	–	538,310
Financial assets included in prepayments, deposits and other receivables	–	256,382	–	256,382
Amounts due from non-controlling shareholders of subsidiaries (note 28)	–	56,153	–	56,153
Financial assets at fair value through profit or loss (note 26)	26,050	–	–	26,050
Foreign exchange forward contracts (note 27)	25,660	–	–	25,660
Cash and bank balances (note 29)	–	713,029	–	713,029
	51,710	1,563,874	106,902	1,722,486

(Expressed in Hong Kong dollars)

46 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial assets *(Continued)*

	2016			
	Financial assets at fair value through profit or loss $'000	Loans and receivables $'000	Available-for-sale financial assets $'000	Total $'000
Available-for-sale financial assets (note 19)	–	–	73,400	73,400
Trade receivables (note 24)	–	617,040	–	617,040
Financial assets included in prepayments, deposits and other receivables	–	240,453	–	240,453
Amounts due from non-controlling shareholders of subsidiaries (note 28)	–	52,203	–	52,203
Amounts due from affiliates (note 28)	–	75,500	–	75,500
Financial assets at fair value through profit or loss (note 26)	28,040	–	–	28,040
Cash and bank balances (note 29)	–	498,099	–	498,099
	28,040	1,483,295	73,400	1,584,735

46 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial liabilities

	2017	
	Financial liabilities at amortised cost $'000	**Total $'000**
Trade payables (note 31)	**668,987**	**668,987**
Financial liabilities included in other payables and accruals	**660,985**	**660,985**
Interest-bearing bank borrowings (note 33)	**4,321,598**	**4,321,598**
Amounts due to non-controlling shareholders of subsidiaries (notes 34 and 35)	**13,162**	**13,162**
	5,664,732	**5,664,732**

	2016	
	Financial liabilities at amortised cost $'000	Total $'000
Trade payables (note 31)	649,533	649,533
Financial liabilities included in other payables and accruals	448,679	448,679
Interest-bearing bank borrowings (note 33)	4,047,454	4,047,454
Amounts due to non-controlling shareholders of subsidiaries (notes 34 and 35)	10,251	10,251
Financial liability included in other non-current liabilities	51	51
	5,155,968	5,155,968

(Expressed in Hong Kong dollars)

47 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the management and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the management. The valuation process and results are discussed with the audit committee for annual financial reporting.

The fair values of the financial assets and liabilities are included in the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments and club debentures are based on quoted market prices.

The Group enters into foreign exchange forward contracts with financial institutions. Foreign exchange forward contracts are measured using valuation techniques similar to forward pricing models. The models incorporate various market observable inputs including foreign exchange spot and forward rates. The carrying amounts of foreign exchange forward contracts are the same as their fair values.

At the end of the reporting period, the listed equity investments and club debentures were classified as Level 1 under the fair value hierarchy.

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

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

48 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating-rate net borrowings).

	Change in basis point	**Change in profit before tax**
		$'000
2017	**50**	**18,043**
2016	50	17,747

(b) Foreign currency risk

The Group operates in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("RMB") and United States dollars ("USD"). Foreign exchange risk mainly arises from transactions in Mainland China. The directors consider that the Group's exposure to foreign currency risk in respect of balances denominated in USD to be minimal as the Hong Kong dollar is pegged to the USD.

(Expressed in Hong Kong dollars)

48 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Foreign currency risk *(Continued)*

(i) *Exposure to currency risk*

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in Hong Kong dollars)			
	2017		2016	
	RMB	**USD**	RMB	USD
	$'000	**$'000**	$'000	$'000
Assets	**115,484**	**389,760**	127,800	398,708
Liabilities	**(605,041)**	**(34,945)**	(590,460)	(41,805)
Gross exposure arising from recognised non-derivative assets and liabilities	**(489,557)**	**354,815**	(462,660)	356,903
Notional amounts of forward exchange contracts	**1,200,768**	**–**	–	–
Net exposure arising from recognised assets and liabilities	**711,211**	**354,815**	(462,660)	356,903

48 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Foreign currency risk *(Continued)*

(ii) *Sensitivity analysis*

The following table indicates the instantaneous change in the Group's profit before tax that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies.

	2017		2016	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit before tax $'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit before tax $'000
RMB	**5%**	**35,561**	5%	(23,133)
	(5)%	**(35,561)**	(5)%	23,133

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit before tax measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for 2016.

48 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Credit risk

The Group trades mainly with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the head of credit control.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 41 to the financial statements.

At the end of the reporting period, the Group had certain concentrations of credit risk as 81.2% (2016: 70.8%) of the Group's trade receivables were due from the Group's five largest customers within the trading and manufacturing segment.

(d) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and other interest-bearing loans.

48 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Liquidity risk *(Continued)*

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

	2017			
	Within 1 year or on demand $'000	More than 1 year but less than 5 years $'000	More than 5 years $'000	Total $'000
Trade payables	668,987	–	–	668,987
Other payables	660,985	–	–	660,985
Interest-bearing bank borrowings	1,892,194	2,766,015	993	4,659,202
Amounts due to non-controlling shareholders of subsidiaries	5,221	7,941	–	13,162
	3,227,387	2,773,956	993	6,002,336

	2016			
	Within 1 year or on demand $'000	More than 1 year but less than 5 years $'000	More than 5 years $'000	Total $'000
Trade payables	649,533	–	–	649,533
Other payables	448,679	–	–	448,679
Interest-bearing bank borrowings	1,926,561	2,388,020	1,778	4,316,359
Amounts due to non-controlling shareholders of subsidiaries	2,310	7,941	–	10,251
Financial liability included in other non-current liabilities	–	51	–	51
	3,027,083	2,396,012	1,778	5,424,873

(Expressed in Hong Kong dollars)

48 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(e) Equity price risk

The following table demonstrates the sensitivity to every 10% change in the fair values of the Group's equity investments, with all other variables held constant, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments $'000	**Change in profit before tax $'000**
2017		
Investments held for trading listed in:		
– Hong Kong	**23,255**	**2,326**
– Mainland China	**2,795**	**280**

	Carrying amount of equity investments $'000	Change in profit before tax $'000
2016		
Investments held for trading listed in:		
– Hong Kong	25,440	2,544
– Mainland China	2,600	260

48 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(f) Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the two years ended 31 December 2017 and 31 December 2016.

The Group monitors capital using a gearing ratio, which is total long-term bank borrowings divided by capital. The Group's policy is to maintain the gearing ratio below 50%. The long-term bank borrowings include non-current portion of interest-bearing bank borrowings. Capital includes total equity. The gearing ratios at the end of the reporting periods were as follows:

	2017 **$'000**	2016 $'000
Non-current interest-bearing bank borrowings	**2,577,109**	2,245,134
Capital	**6,137,520**	5,520,571
Gearing ratio	**42.0%**	40.7%

49 ACQUISITION OF A SUBSIDIARY

On 3 July 2017, Nanjing Second Compressor Company Limited (南京第二壓縮機有限公司) (the "Transferee"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Ingersoll-Rand (China) Investment Company Limited (英格索蘭（中國）投資有限公司) (the "Transferor") for the acquisition of all the remaining 80% interests in 南京南英置業有限公司 (formerly known as Nanjing Ingersoll-Rand Compressor Co., Ltd. (南京英格索蘭壓縮機有限公司)), a then 20% associate of the Group held by the Transferee at a total cash consideration of RMB44,405,000 (equivalent to $51,466,000). This acquisition was accounted for as acquisition of assets. The transaction was completed on 11 August 2017.

The fair values of assets and liabilities acquired of 南京南英置業有限公司 recognised on the date of acquisition are as follows:

	Fair value on date of acquisition $'000
Investment properties	42,235
Trade receivables	950
Prepayments, deposits and other receivables	32
Cash and bank balances	31,521
Trade payables	(132)
Other payables and accruals	(2,115)
Deferred tax liability	(8,158)
Net assets acquired	64,333
Cash consideration	(51,466)
Cash acquired	31,521
Net cash outflow	(19,945)

(Expressed in Hong Kong dollars)

50 DISPOSAL OF A SUBSIDIARY

On 18 October 2017, the Group entered into an agreement in relation to the sale by the Group of its entire equity interest in Shirton Limited for a cash consideration of $102,120,000 (the "Disposal"). The transaction was completed on 24 November 2017.

An analysis of the gain on disposal is as follows:

	HK$'000
Net assets of Shirton Limited on disposal date:	
Property, plant and equipment	12,157
Prepayments and deposits	120
Amount due to immediate holding company	(15,790)
Deferred tax liability	(536)
Net liabilities disposed of	(4,049)
Gain on disposal:	
Cash consideration	102,120
Expenses in connection with the Disposal	(1,395)
Net liabilities disposed of	4,049
Amount due to immediate holding company	(15,790)
Gain on disposal	88,984
Net cash inflow arising on the Disposal during the year:	
Cash consideration received	102,000

As at 31 December 2017, $120,000 of the consideration was recorded in prepayment, deposits and other receivables and was subsequently received by the Group.

51 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

	Note	2017 $'000	2016 $'000
Non-current asset			
Investments in subsidiaries		**4,742,639**	4,666,587
Current assets			
Other receivables		**8,324**	7,836
Financial assets at fair value through profit or loss		**12,870**	16,317
Cash and bank balances		**71,489**	18,830
Total current assets		**92,683**	42,983
Current liabilities			
Other payables		**19,426**	24,232
Interest-bearing bank borrowings		**117,813**	385,813
Total current liabilities		**137,239**	410,045
Net current liabilities		**(44,556)**	(367,062)
Total assets less current liabilities		**4,698,083**	4,299,525
Non-current liabilities			
Interest-bearing bank borrowings		**1,877,291**	1,365,790
Amounts due to subsidiaries		**1,114,123**	1,128,299
Total non-current liabilities		**2,991,414**	2,494,089
NET ASSETS		**1,706,669**	1,805,436
CAPITAL AND RESERVES			
Share capital	38	**140,423**	112,567
Reserves	40(d)	**1,566,246**	1,692,869
TOTAL EQUITY		**1,706,669**	1,805,436

Particulars of Principal Subsidiaries

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

Name	Place of incorporation/ registration and operations	Particulars of issued/ paid-up capital	Percentage of equity attributable to the Company	Principal activities
Autowill Limited	British Virgin Islands ("BVI")	US$1	100%	Investment holding
Beat Time Enterprises Limited	BVI	US$1	100%	Investment holding
重慶華慶農林發展有限公司 (note (d))	The PRC/ Mainland China	RMB25,000,000	100%	Forestry
Copthorne Holdings Corp.	Republic of Panama/ Hong Kong	US$200	100%	Property investment
長德玩具(東莞)有限公司 (note (d))	The PRC/ Mainland China	$20,000,000	100%	Manufacturing of toys
創峰塑膠電子製品(北流)有限公司 (note (d))	The PRC/ Mainland China	US$1,000,000	100%	Manufacturing of toys
東莞盈峰塑膠電子製品有限公司 (note (d))	The PRC/ Mainland China	US$3,000,000	100%	Manufacturing of toys
Eastand Investments Limited	Hong Kong	$2	100%	Property investment
Everwin Toys (Dongguan) Co., Ltd (note (d))	The PRC/ Mainland China	$64,500,000	100%	Manufacturing of toys
廣東華興果業發展有限公司 (note (d))	The PRC/ Mainland China	US$11,500,000	100%	Fruit plantation
海興華豐農業有限公司 (note (d))	The PRC/ Mainland China	$30,000,000	100%	Woods and crops plantation
遼寧長盛置業有限公司 (note (c))	The PRC/ Mainland China	RMB869,250,000	80%	Property investment
Nanjing South China Dafang Electric Co., Ltd (note (d))	The PRC/ Mainland China	RMB77,550,000	100%	Property investment

Particulars of Principal Subsidiaries

Name	Place of incorporation/ registration and operations	Particulars of issued/ paid-up capital	Percentage of equity attributable to the Company	Principal activities
Nanjing South China Huaguan Compressor Ltd. (note (d))	The PRC/ Mainland China	RMB53,426,450	100%	Property investment
Nanjing South China Sanda Motor Co. Ltd. (note (d))	The PRC/ Mainland China	RMB18,900,000	100%	Property investment
Nanjing South China Santa Machinery Co., Ltd. (note (d))	The PRC/ Mainland China	RMB47,900,000	100%	Property investment
南京電力電容器有限公司 (note (d))	The PRC/ Mainland China	RMB1,425,400	100%	Property investment
南京液壓件二廠有限公司 (note (d))	The PRC/ Mainland China	RMB2,345,600	100%	Property investment
南京第二壓縮機有限公司 (note (d))	The PRC/ Mainland China	RMB16,756,800	100%	Property investment
南京電機有限公司(note (d))	The PRC/ Mainland China	RMB25,261,300	100%	Property investment
南京微分電機有限公司 (note (d))	The PRC/ Mainland China	RMB29,035,500	100%	Property investment
南京南英置業有限公司(前稱:南京英格索蘭壓縮機有限公司)	The PRC/ Mainland China	RMB33,616,000	100%	Property investment
陝西泰添農林發展有限公司 (note (d))	The PRC/ Mainland China	$1,000,000	100%	Woods and crops plantation
瀋陽華寶農林綜合開發有限公司 (note (d))	The PRC/ Mainland China	US$2,000,000	100%	Woods and crops plantation
瀋陽華凱農林開發有限公司 (note (d))	The PRC/ Mainland China	US$2,100,000	100%	Woods and crops plantation

Name	Place of incorporation/ registration and operations	Particulars of issued/ paid-up capital	Percentage of equity attributable to the Company	Principal activities
瀋陽萬鴻星匯商業有限公司 (note (c))	The PRC/ Mainland China	RMB5,000,000	80%	Property management
瀋陽南華鴻基房地產開發有限公司 (note (d))	The PRC/ Mainland China	US$130,000,000	100%	Property development
South China Industries (BVI) Limited (note (a))	BVI	US$1,000	100%	Investment holding
South China Shoes Products Company Limited	Hong Kong	$500,000	100%	Trading of footwear products
South China Strategic (BVI) Limited	BVI	US$1	100%	Investment holding
South China Strategic Limited	Hong Kong	$308,593,789	100%	Investment holding
South China Strategic Properties (BVI) Limited	BVI	US$1	100%	Property investment
South China Strategic Property Development Limited	Hong Kong	$5,000,000	100%	Investment holding
Splendor Sheen Limited	BVI	US$2	100%	Investment holding
Strategic Finance Limited	Hong Kong	$2	100%	Provision of financing services
泰美華升(惠州)電子有限公司 (note (d))	The PRC/ Mainland China	US$13,589,775	70%	Manufacturing and trading of electronic products
Thousand China Investments Limited	BVI	US$1	100%	Investment holding
Tianjin South China Leather Chemical Products Co. Ltd. (note (c))	The PRC/ Mainland China	RMB20,516,500	80%	Manufacturing of leather chemical products

Particulars of Principal Subsidiaries

Name	Place of incorporation/ registration and operations	Particulars of issued/ paid-up capital	Percentage of equity attributable to the Company	Principal activities
Tianjin South China Leesheng Sporting Goods Co. Ltd. (note (c))	The PRC/ Mainland China	RMB10,213,600	80%	Manufacturing of sports products
Tianjin South China Shoes Products Co. Ltd. (note (c))	The PRC/ Mainland China	RMB36,100,200	80%	Manufacturing and trading of footwear products
Wahheng Toys (Shenzhen) Co., Ltd (note (d))	The PRC/ Mainland China	US$8,000,000	100%	Manufacturing of toys
華輝玩具(郁南)有限公司 (note (d))	The PRC/ Mainland China	US$7,500,000	100%	Manufacturing of toys
天津南華譽基房地產開發有限公司 (note (d))	The PRC/ Mainland China	$136,810,100	100%	Property development
Wah Shing (BVI) Limited	BVI	US$1,000	100%	Investment holding
Wah Shing Electronics Company Limited	Hong Kong/ Mainland China	$571,500	70%	Manufacturing and trading of toys
Wah Shing International Holdings Limited	Bermuda	$54,432,000	100%	Investment holding
Wah Shing Toys Company Limited	Hong Kong	$2 ordinary and $3,020,002 Non-voting deferred (note (b))	100%	Trading of toys
華太玩具(深圳)有限公司 (note (d))	The PRC/ Mainland China	US$5,000,000	100%	Manufacturing of toys
Welbeck Holdings Limited	BVI	US$1	100%	Investment holding
WTS International (BVI) Limited	BVI	US$1	100%	Investment holding

Name	Place of incorporation/ registration and operations	Particulars of issued/ paid-up capital	Percentage of equity attributable to the Company	Principal activities
Wuhan Huafeng Agricultural Development Company Limited (note (d))	The PRC/ Mainland China	RMB6,000,000	100%	Forestry
武漢港洋林業發展有限公司 (note (d))	The PRC/ Mainland China	RMB1,000,000	100%	Forestry
容縣華榮玩具有限公司 (note (d))	The PRC/ Mainland China	US$2,000,000	100%	Manufacturing of toys

Notes:

(a) Except for South China Industries (BVI) Limited, the principal subsidiaries are all held indirectly by the Company.

(b) The non-voting deferred shares have no voting rights and practically no entitlement to dividend of profit or distribution on winding up.

(c) These are Sino-foreign equity joint ventures established in the PRC.

(d) These are wholly-foreign-owned equity enterprises established in the PRC.

The above summary lists only the subsidiaries which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Summary of Financial Information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

RESULTS

	2017	2016	2015	2014	2013
	$'000	$'000	$'000	$'000	$'000
Revenue	**3,901,796**	3,731,153	3,406,501	3,159,789	3,013,518
Profit before tax	**303,749**	201,281	237,695	213,178	317,099
Income tax	**(55,617)**	(54,648)	(86,040)	(32,660)	(33,481)
Profit for the year	**248,132**	146,633	151,655	180,518	283,618
Attributable to:					
Owners of the Company	**229,872**	152,142	156,749	189,780	285,604
Non-controlling interests	**18,260**	(5,509)	(5,094)	(9,262)	(1,986)
	248,132	146,633	151,655	180,518	283,618

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2017	2016	2015	2014	2013
	$'000	$'000	$'000	$'000	$'000
Total assets	**12,962,218**	11,736,971	11,440,219	10,157,016	8,843,617
Total liabilities	**(6,824,698)**	(6,216,400)	(5,663,718)	(5,132,562)	(4,179,810)
Non-controlling interests	**(372,075)**	(319,271)	(357,267)	(380,430)	(483,756)
	5,765,445	5,201,300	5,419,234	4,644,024	4,180,051

Details of Major Properties

1 INVESTMENT PROPERTIES

Location	Group's interest	Existing use
(a) Hong Kong		
UG, G and carpark The Centrium No. 60 Wyndham Street, Central Hong Kong	30%	Commercial
Units A, B, C and D on 2nd Floor Units A, B, C and D on 3rd Floor Units A, B, C and D on 4th Floor Units A and B on 6th Floor Units A, B and D on 10th Floor Units A, B, C and D on 12th Floor Unit B, C and D on 13th Floor Car Parking Space Nos. 7, 17, 18 and 19 and Lorry Parking Space Nos 3, 12, 13, 21, 25 and 26 Wah Shing Centre No. 5 Fung Yip Street Chai Wan Hong Kong	100%	Industrial and carparking
1st Floor of Block G Kimberley Mansion No. 15 Austin Avenue Tsim Sha Tsui Kowloon Hong Kong	100%	Residential
The 1st floor and 2nd floor On Lok Yuen Building and the four lavatories thereof Nos. 25, 27 & 27A Des Voeux Road Central Hong Kong	100%	Commercial

1 INVESTMENT PROPERTIES *(Continued)*

Location	Group's interest	Existing use
(a) Hong Kong *(Continued)*		
Unit No. 78 on 2nd Floor Units Nos. 4, 5, 6, 7 and 8 on 3rd floor Houston Centre No. 63 Mody Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial
Units J and L on 2nd Floor Private Car Parking Space Nos. G20 and G22 and Lorry Parking Space Nos. L3 and L4 on Ground Floor Kaiser Estate 2nd Phase Nos. 47–53 Man Yue Street Nos. 20–28 Man Lok Street Hung Hom, Kowloon, Hong Kong	100%	Industrial and carparking
Units A, B and C on 7th Floor and the three lavatories thereof Century House Nos. 3–4 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial
Units A, B and C on 8th Floor and the three lavatories thereof Century House Nos. 3–4 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial

1 INVESTMENT PROPERTIES *(Continued)*

Location	Group's interest	Existing use
(a) Hong Kong *(Continued)*		
Units B and C on 9th Floor and the two lavatories thereof Century House Nos. 3–4 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial
The whole of 4th Floor McDonald's Building Nos. 46–54 Yee Wo Street Causeway Bay Hong Kong	100%	Commercial
Unit 14 on 6th Floor Nan Fung Commercial Centre No. 19 Lam Lok Street Kowloon Bay, Kowloon Hong Kong	100%	Commercial
Flats A, B, C and D on 1st Floor Fu Fung Building Nos. 5–7 Tsing Fung Street North Point Hong Kong	100%	Commercial
2nd Floor No. 10A Austin Avenue Tsim Sha Tsui Kowloon Hong Kong	100%	Residential

1 INVESTMENT PROPERTIES *(Continued)*

Location	Group's interest	Existing use
(a) Hong Kong *(Continued)*		
Unit No. 1022 on 10th Floor, Nan Fung Centre Nos. 264–298 Castle Peak Road and Nos. 64–98 Sai Lau Kok Road Tsuen Wan New Territories Hong Kong	100%	Commercial
(b) Mainland China		
Various buildings and a land parcel located at No. 28 Yunan North Road No. 2 Shiziqiao Gulou District Nanjing City Jiangsu Province The PRC	100%	Commercial
A building and a land parcel located at No. 32 Shiziqiao Gulou District Nanjing City Jiangsu Province The PRC	100%	Commercial
Various buildings and two land parcels located at No. 36 Jiefang Road Baixia District Nanjing City Jiangsu Province The PRC	100%	Commercial

1 INVESTMENT PROPERTIES *(Continued)*

Location	Group's interest	Existing use
(b) Mainland China *(Continued)*		
Various buildings erected upon a land parcel located at No. 855 Yingtian Da Jie (formerly No. 166 Yingtian West Road) Jianye District Nanjing City Jiangsu Province The PRC	100%	Commercial
4th Floor No. 64 Ertiao Lane Baixia District Nanjing City Jiangsu Province The PRC	100%	Commercial
Various buildings and two land parcels located at No. 104 & 160 Fenghuang East Road Luhe District, Dachang Nanjing City Jiangsu Province The PRC	100%	Commercial
Various buildings and a land parcel located at No. 262 Yuhua West Road Yuhuatai District Nanjing City Jiangsu Province The PRC	100%	Commercial
Various buildings and a land parcel located at No. 160 Honghua Village Qinhuai District Nanjing City Jiangsu Province The PRC	100%	Commercial

1 INVESTMENT PROPERTIES *(Continued)*

Location	Group's interest	Existing use
(b) Mainland China *(Continued)*		
A building and a land parcel located at No. 2 Tuoyuan, Nanhu Street Jianye District Nanjing City Jiangsu Province The PRC	100%	Commercial
Various buildings and a land parcel located at No. 292 Shengzhou Road Jianye District Nanjing City Jiangsu Province The PRC	100%	Commercial
Various buildings and a land parcel located at Zhetang Town Industrial Park Lishui County Nanjing City Jiangsu Province The PRC	100%	Industrial
An industrial complex located at No. 158 Jiangdong Middle Road Jianye District Nanjing City Jiangsu Province The PRC	100%	Industrial
Various buildings and a land parcel located at 462 Da Gu Nan Road Hexi District Tianjin City The PRC	100%	Commercial
Various buildings and a land parcel located at No. 51 Suti Road Nankai District Tianjin City The PRC	100%	Commercial/ Industrial

1 INVESTMENT PROPERTIES *(Continued)*

Location	Group's interest	Existing use
(b) Mainland China *(Continued)*		
Various buildings and a land parcel located at Xin Le Road South Dianshanhu Town Kunshan City Jiangsu Province The PRC	100%	Industrial
Unit C, 15th Floor World Trade Plaza No. 71 Wu Si Road Fuzhou City Fujian Province The PRC	100%	Commercial
Industrial buildings located at Xiaobian Administrative Zone Industrial District No. 4 Changan Town Dougguan City Guangdong Province The PRC	100%	Industrial
Avenue of Stars No. 168 Chaoyang Street Shenhe District Shenyang City Liaoning Province The PRC	80%	Commercial
(c) Taiwan		
Unit 1 on Level 24 and portion of Basement Level 2 No. 303 Zhongming Road South West District, Tu Fu Section, Taichung City Taiwan	100%	Commercial

2 INVESTMENT PROPERTIES PRESENTED AS NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Location	Group's interest	Type
Hong Kong		
16th, 21st, 23rd, 26th, 31st, 33rd, and 36th floor The Centrium No. 60 Wyndham Street Central Hong Kong	100%	Commercial

3 PROPERTIES UNDER DEVELOPMENT

Location	Marketable floor area/land area	Group's interest	Type
Mainland China			
Southern Lot No. 19 Jinqiao Road Dadong District Shenyang City Liaoning Province The PRC	140,000 sq.m.	100%	Commercial and residential
East side of Guihua Road South Side of Dadong Road Siandian Town Wuqing district Tianjin City The PRC	88,000 sq.m.	100%	Commercial and residential