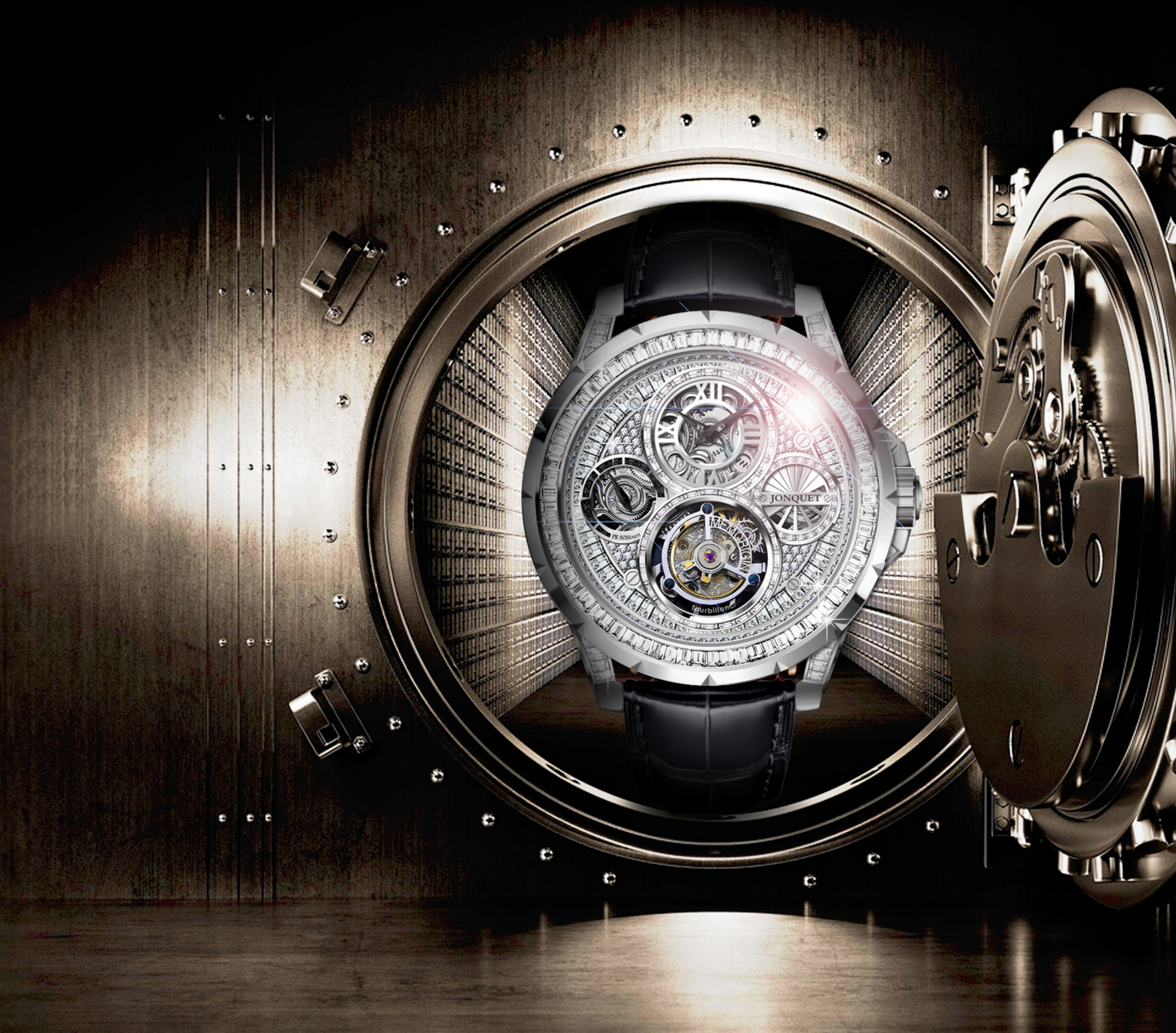
Time2U International Holding Limited
時間由你國際控股有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock code: 1327)

ANNUAL REPORT 2017



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. See Ching Chuen
Mr. Yang Xi
Mr. Zou Weikang

Independent Non-Executive Directors
Mr. Yu Chon Man
Ms. Duan Baili (Appointed on 16 August 2017)
Mr. Zhong Weili (Appointed on 5 September 2017)
Mr. Chang Wei (Retired on 7 June 2017)
Mr. Nie Xing (Retired on 7 June 2017)

COMPANY SECRETARY

Mr. Lai Nga Ming Edmund

COMMITTEES OF THE BOARD

Audit Committee
Mr. Yu Chon Man *(Chairman)*
Ms. Duan Baili
Mr. Zhong Weili

Remuneration Committee
Mr. Yu Chon Man *(Chairman)*
Mr. Yang Xi
Ms. Duan Baili
Mr. Zhong Weili

Nomination Committee
Mr. Yu Chon Man *(Chairman)*
Mr. See Ching Chuen
Ms. Duan Baili
Mr. Zhong Weili

AUTHORISED REPRESENTATIVES

Mr. See Ching Chuen
Mr. Lai Nga Ming Edmund

STOCK CODE

1327

COMPANY WEBSITE

www.time2u.com

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

PRINCIPLE PLACE OF BUSINESS IN HONG KONG

Room 17, 7/F, Block 1
Enterprise Square
9 Sheung Yuet Road
Kowloon Bay
Hong Kong

AUDITORS

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Industrial and Commercial Bank Limited
China Construction Bank (Asia)
Corporation Limited

RESULTS

	For the year ended 31 December				
	2017 RMB'000	2016 RMB'000 (Restated)	2015 RMB'000	2014 RMB'000	2013 RMB'000
Continuing operations					
Revenue	**115,805**	89,627	691,349	722,722	580,446
Cost of sales	**(75,151)**	(51,246)	(490,614)	(482,077)	(391,697)
Gross profit	**40,654**	38,381	200,735	240,645	188,749
Other income and gain	**1**	77	4,739	2,064	1,621
Change on fair value of financial assets at fair value through profit or loss	**(52,316)**	(12,226)	52,791	–	–
Realised loss on financial assets at fair value through profit or loss	**(26,209)**	–	–	–	–
Selling and distribution expenses	**(37,248)**	(35,140)	(50,277)	(37,211)	(30,424)
Administrative expenses	**(20,059)**	(14,014)	(76,352)	(36,970)	(30,584)
Share of loss on an associate	**–**	–	(250)	(1,003)	(1,020)
Finance costs	**(1,806)**	(5)	(2,213)	(6,536)	(12,727)
(Loss)/profit before taxation	**(96,983)**	(22,927)	129,173	160,989	115,615
Taxation	**7,086**	1,997	(40,344)	(43,207)	(30,870)
(Loss)/profit for the year from continuing operations	**(89,897)**	(20,930)	88,829	117,782	84,745
Discontinued operation					
Loss for the year from discontinued operation	**(27,178)**	(318,271)	–	–	–
(Loss)/profit for the year	**(117,075)**	(339,201)	88,829	117,782	84,745
(Loss)/profit for the year attributable to:					
Owners of the Company	**(113,184)**	(322,514)	85,901	115,165	85,227
Non-controlling interests	**(3,891)**	(16,687)	2,928	2,617	(482)
	(117,075)	(339,201)	88,829	117,782	84,745

ASSETS AND LIABILITIES

	As at 31 December				
	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Total assets	**597,097**	787,948	850,292	532,620	545,293
Total liabilities	**(43,606)**	(90,209)	(134,671)	(107,571)	(253,989)
Total equity	**553,491**	697,739	715,621	425,049	291,304

DIRECTOR'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Time2U International Holding Limited (the "Company"), I am delighted to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 ("FY 2017").

BUSINESS REVIEW

The Group is a domestic watch brand-owner of economical quartz analogue watches and an OEM manufacturer of quartz analogue watches in the PRC. The Group has three principal lines of business operations, namely the design, production and assembly of watches for our OEM customers, the design, manufacture and sale of watches under the brand namely Time2U, Jonquet and sub-brand namely Color and the design and sales of new branded watches namely Extreme and prestige and high-end watches in Hong Kong.

In the past, the Group had put in much effort and spent ample amount of resources on the promotion and marketing of economical watches. However, the sales order of the economical watches received remains unsatisfactory. The Directors consider that Speedy Glory Limited and its subsidiaries (the "Disposal Group") have already experienced continual loss and incurred significant operating costs. It is apparent that, due to the keen competition on the economical watches sector, sales orders of the economical watches were not sufficient to cover the cost used for the manufacturing of economical watches including but not limited to the cost of maintaining the factory complexes and plant and machineries, direct labour cost and manufacturing overheads. As such, the Group has disposed the Disposal Group during the year (the "Disposal").

The Directors consider that the Disposal and the leaseback arrangement represent an opportunity for the Company (i) to re-allocate the resources to design, research and development of the mid to high-end watches; (ii) to realise cash for improving its liquidity and strengthening the overall financial positions; (iii) to unlock the value in its investment in property, plant and equipment at fair value; and (iv) to lighten the factory overhead cost.

The Company decided to conduct the Disposal and at the same time enter into the leaseback arrangement to lease back one production facility of the Target Group after considering all of the aforementioned benefits while maintaining appropriate rights over the leased-back production facilities to ensure a level of production capacity which the Directors expect to still be able to satisfy the demand of production for OEM watches and economical watches for the foreseeable future.

Having taken into account of the below principal factors and reasons, primarily being:

(i) the Directors believe the business of the Group will not be significantly impacted as a result of the Disposal and the leaseback arrangement, as the contribution in revenue from economical watches business has been declining in recent years and the Group would maintain the appropriate rights over the leased-back production facilities after the Disposal and the leaseback arrangement;

(ii) the Directors are optimistic about the future business of the Group, however the Directors are of the view the significant recurring fixed overhead costs of the Disposal Group's factory complex has been dragging down the financial results of the Group;

(iii) the Directors consider the existing production facilities of the Disposal Group are incapable of producing the components required for premium quality products as the compound components and ornaments for mid to high-end watch and watch movements, such as solid white gold and ironic-plated stainless steel watch case, crocodile leather strap, steel, ironic-plated stainless steel bracelet, sapphire glass, small diamonds, zircon and Swarovski stones require more advanced machineries for production; and

(iv) the Directors are in particular of the view that the factory complexes would continue to lose its value and the selling price of the Disposal Group would be lower if the Disposal and the leaseback arrangement happen later. Thus, the Directors consider realising a desirable proceeds at this moment from the Disposal and the leaseback arrangement is beneficial to the Group.

OUTLOOK AND FUTURE PROSPECTS

Going forward, the Group aimed to offer premium quality products to customers and will continue to strengthen our core competitiveness by improving our watch design and development capabilities by upholding the design and artistic knowledge of the design team and recruitment of additional talents. The Group will closely monitor the market response and remix the product portfolio to suit the market needs.

In view of the growing middle-class indicate that growth opportunities still abound in the PRC, especially prestige and high-end watches. The increase of disposable income, in particular among Chinese women, and the rising women's job market participation rate, is the strong force behind the consumption of prestige and high-end watches. Moreover, the Group expects the strengthened design team can offer more fashionable and affordable watches suitable for wearing in workplace to attract different level customers.

The Group also intends to expand the OEM watches business in the overseas market by procuring sales order from international brand owners. The Directors consider the OEM business is experiencing stable development in the global watches market.

APPRECIATION

I would like to take this opportunity to express my gratitude to the Board for its brilliant leadership, to the Company's shareholders for their strong support, and to the community for their enthusiastic help, and last but not least, to our staff for their dedicated efforts.

Yang Xi
Executive Director

Hong Kong, 28 March 2018

OVERVIEW

For the year ended 31 December 2017, the Group's net loss was amounted to approximately RMB117.1 million, as compared with loss of approximately RMB339.2 million for the corresponding year ended 31 December 2016. The loss was primarily resulted from the net loss of approximately RMB78.5 million arising from fair value change of financial assets at fair value through profit or loss for the year ended 31 December 2017.

In the past, the Group had put in much effort and spent ample amount of resources on the promotion and marketing of economical watches. However, the sales order of the economical watches received remains unsatisfactory. The directors consider that Speedy Glory Limited and its subsidiaries (the "Disposal Group") has already experienced continual loss and incurred significant operating costs. It is apparent that, due to the keen competition on the economical watches sector, sales orders of the economical watches were not sufficient to cover the cost used for the manufacturing of economical watches including but not limited to the cost of maintaining the factory complexes and plant and machineries, direct labour cost and manufacturing overheads.

The directors consider that the disposal and the leaseback arrangement represent an opportunity for the Company (i) to re-allocate the resources to design, research and development of the mid to high-end watches; (ii) to realise cash for improving its liquidity and strengthening the overall financial positions; (iii) to unlock the value in its investment in property, plant and equipment at fair value; and (iv) to lighten the factory overhead cost.

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately RMB26.2 million or approximately 29.2% from approximately RMB89.6 million (restated) for the year ended 31 December 2016 to approximately RMB115.8 million for the year ended 31 December 2017. The increase in revenue was mainly attributable to increase of sales demand of OEM watches and third party watches during the year.

Cost of sales

Our cost of sales was consistent with the revenue increased by approximately RMB24.0 million or approximately 46.9% from approximately RMB51.2 million (restated) for the year ended 31 December 2016 to approximately RMB75.2 million for the year ended 31 December 2017.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB2.3 million or approximately 6.0% from approximately RMB38.4 million (restated) for the year ended 31 December 2016 to approximately RMB40.7 million for the year ended 31 December 2017 which was in line with the increase in the Company's revenue. Our overall gross profit margin decreased from approximately 42.8% (restated) for the year ended 31 December 2016 to approximately 35.1% for the year ended 31 December 2017. The decrease was mainly attributable to the increase in sales of OEM watches and third party watches which has lower gross profit margin when comparing with prestige and high-ended watches during the year ended 31 December 2017.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately RMB2.1 million or approximately 6.0% from approximately RMB35.1 million (restated) for the year ended 31 December 2016 to approximately RMB37.2 million for the year ended 31 December 2017. The increase was in line with the increase of revenue.

Administrative expenses

Our administrative expenses increased by approximately RMB6.1 million or approximately 43.6% from approximately RMB14.0 million (restated) for the year ended 31 December 2016 to approximately RMB20.1 million for the year ended 31 December 2017. The increase was mainly due to the recognition of share-based payment of approximately RMB5.5 million in relation to the share options granted during the year.

Loss before taxation

As a result of the foregoing, we recorded a loss before taxation of approximately RMB97.0 million for the year ended 31 December 2017 as against a loss before taxation of approximately RMB22.9 million (restated) for the year ended 31 December 2016. The increase was mainly attributable to the increase of realised and unrealised loss of fair value of financial assets at fair value through profit or loss.

Taxation

Our income tax credit was RMB2.0 million (restated) for the year ended 31 December 2016 to tax credit of approximately RMB7.1 million for the year ended 31 December 2017. The change was primarily attributable to the reversal of deferred taxation.

Loss for the year

As a result of the foregoing, we recorded a loss for the year of approximately RMB89.9 million for the year ended 31 December 2017 as against a loss for the year of approximately RMB20.9 million (restated) for the year ended 31 December 2016.

FINANCIAL POSITION

The Group funded its liquidity and capital requirements primarily through cash inflows from operating activities, placing of shares, rights issue of shares and bank borrowings.

As at 31 December 2017, the Group's total cash and bank balances were approximately RMB16.2 million (31 December 2016: approximately RMB306.9 million), most of which are held in RMB and HKD. The current ratio (defined as current assets divided by current liabilities) of the Group increased from 8.2 times as at 31 December 2016 to 16.5 times as at 31 December 2017. The gearing ratio (defined as total interest-bearing borrowings divided by shareholders' equity) of the Group decreased from approximately 4.5% as at 31 December 2016 to approximately 3.9% as at 31 December 2017.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 2 May 2017, the Group entered into a sale and purchase agreement to dispose 100% equity interest in Speedy Glory Limited, which engaged in trading of watches and jewellery, to an independent third party at a consideration of approximately RMB151,434,000. The total consideration shall be satisfied by cash. The disposal was completed on 30 November 2017.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had a total of 247 (2016: 481) employees. The total remuneration costs incurred by the Group for the financial year 2017 were approximately RMB18.3 million (2016: approximately RMB43.2 million). We review the performance of our employees annually and use the results of such review in our annual salary review and promotion appraisal, in order to attract and retain valuable employees.

DEBTS AND CHARGE ON ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group or borrowings of the Group:

	2017 **RMB'000**	2016 RMB'000
Buildings	–	10,362
Prepaid lease payment	–	12,915
	–	23,277

FOREIGN CURRENCY RISK

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB and United States dollars ("USD"). During the years ended 31 December 2017 and 2016, the Group has not entered into any hedging arrangements. However the management will continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 31 December 2017 and 2016.

GRANT OF SHARE OPTIONS

On 9 November 2017 (the "Date of Grant"), the Company granted 345,600,000 share options under the share option scheme adopted by the Company on 19 December 2014 (the "Share Option Scheme") at an exercise price of HK$0.05 per share, which represents the highest of (i) the closing price of HK$0.05 per Share on the Date of Grant; (ii) the average closing price of HK$0.0422 per share for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of HK$0.01 per share. Details of the above grant of share options were disclosed in the announcement of the Company dated 9 November 2017.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2017 and 2016.

FINAL DIVIDENDS

The Board did not recommend the payment of any final dividend for the year ended 31 December 2017 (2016: Nil).

EVENT AFTER THE END OF THE REPORTING PERIOD

The Group did not have any event after the end of the reporting period.

SIGNIFICANT INVESTMENTS

At 31 December 2017, detail of the significant investments are as follows:

Name of investee	As at 1 January 2017 RMB'000	Loss on disposal RMB'000	Fair value loss RMB'000	As at 31 December 2017 RMB'000	Percentage to the Group's audited total assets as at 31 December 2017 %	Number of shares held by the Group as at 1 January 2017	Percentage of shareholding held by the Group as at 1 January 2017 %	Number of shares held by the Group as at 31 December 2017	Percentage of shareholding held by the Group as at 31 December 2017 %
Significant investments									
Greater China Professional Services Limited ("GreaterChina") (stock code: 8193.HK) (Note (a))	63,092	(20,123)	(35,955)	2,611	0.4%	110,005,000	2.26%	69,675,000	1.19%
Luen Wong Group Holdings Limited ("Luen Wong") (stock code: 8217.HK) (Note (b))	4,015	(3,749)	–	–	0.0%	200,000	0.02%	–	–
China Automotive Interior Decoration Holdings Limited ("China Automotive") (stock code: 48.HK) (Note (c))	14,291	–	(5,319)	8,170	1.4%	81,776,000	4.11%	81,776,000	4.11%
Capital VC Limited ("Capital") (stock code: 2324.HK) (Note (d))	–	–	(6,157)	1,816	0.3%	–	–%	46,400,000	1.68%
Sub-total	81,398	(23,872)	(47,431)	12,597	2.1%				
Other listed securities	13,007	(2,337)	(4,885)	9,466	1.6%				
Total	94,405	(26,209)	(52,316)	22,063	3.7%				

Notes:

(a) GreaterChina is principally engaged in sub-leasing of office, provision of asset appraisal, corporate consultancy services, property agency services, media advertising services, financial credit services, securities broking, placing and underwriting services and trading of securities. Based on GreaterChina's quarterly report for the nine months ended 31 December 2017, revenue and loss of GreaterChina was approximately HK$44,622,000 and HK$123,677,000 respectively.

(b) Luen Wong is principally engaged in provision of civil engineering works and investment holding. Based on Luen Wong's quarterly report for the nine months ended 31 December 2017, revenue and profit of Luen Wong was approximately HK$592,820,000 and HK$11,724,000 respectively.

(c) China Automotive is principally engaged in the manufacture and sale of nonwoven fabric products used in automotive interior decoration parts and other parts, trading of rubber and food products. Based on China Automotive's interim report for the six months ended 30 June 2017, revenue and loss of China Automotive was approximately RMB94,392,000 and RMB231,615,000 respectively.

(d) Capital is principally engaged in investing in listed and unlisted companies mainly in Hong Kong and the People's Republic of China. Based on Capital's annual report for the year ended 30 September 2017, revenue and loss of Capital was approximately HK$516,172,000 and HK$588,018,000 respectively.

The future performance of the listed securities may be influenced by the Hong Kong stock market. In this regard, the Group will continue to maintain a diversified investment portfolio and closely monitor the performance of its investments and the market trends to adjust its investment strategies.

Except the significant investments disclosed above, at 31 December 2017, there was no investment held by the Group the value of which was more than 5% of the total assets of the Group and no investment held by the Group contributed more than 10% of the realised or unrealised loss for the year ended 31 December 2017.

DETAILS OF AUDIT QUALIFICATION AND COMPANY'S RESPONSE

Details of the modification and their actual or potential impact on the Group's financial position

The audit modifications resulted from the inaccessibility of the accounting records and the management of Speedy Glory Limited and its subsidiaries (the "Disposal Group") which disposed on 30 November 2017 (the "Disposal Date"). Other than the management accounts of the Disposal Group as at the Disposal Date and certain breakdown, the management of the Disposal Group was unwilling to serve and provide sufficient times and documents to the Company's auditors to perform audit on the Disposal Group. There was no impact on the Group's financial position as at 31 December 2017 as the financial position of the Group only reflects assets and liabilities of the remaining group business which auditors do not have any modifications.

Management's position and basis on major judgmental areas

The Board and the audit committee consider that (i) the results and cash flows of the Disposal Group for the period from 1 January 2017 to the Disposal Date; (ii) the carrying amounts of the assets and liabilities of the Disposal Group as at the Disposal Date; and (iii) the gain on disposal of the Disposal Group are fairly stated as the management accounts of the Disposal Group as at the Disposal Date provided by Ms. Guo, the purchaser of the Disposal Group, is in line with the projection of the Disposal Group up to the Disposal Date. Besides, the Company can contact with Ms. Guo whenever before or after the completion of the disposal and noted that there is no material changes on the business of the Disposal Group up to the Disposal Date. Nevertheless, as all the accounting records and documents of the Disposal Group belong to Ms. Guo after the disposal and Ms. Guo is unwilling to serve and provide sufficient times and documents to the Company's auditors, the auditors consider that they did not obtain reasonable assurance. Therefore, the Company can only accept the audit qualification.

Audit committee's view towards the qualification

Audit committee has reviewed and agreed with the management's position concerning the audit qualification. The audit committee has also discussed with the Company's auditors including the basis of the qualified opinion, the difficulties on the accessibility of the accounting records and management of the Disposal Group by the auditors, the quantities of accounting records to be accessed by the auditors and the impact of the qualified opinion to the Group.

The Company has made continuous effort to prepare and assist with the auditors to perform their audit work. The Company has continuously asked Ms. Guo, the purchaser of the Disposal Group, to assist the Company's auditors to carry out audit procedures and she agreed orally in several times. Although Ms. Guo provided certain accounting records to the auditors, the auditors consider that the quantities of accounting records and information was not sufficient enough to obtain a reasonable assurance.

Proposed plans to address the qualification

The Board would like to emphasize that the financial position of the Group as at 31 December 2017 only reflect the assets and liabilities of the remaining group business and no audit modifications was made by the auditors. As the Disposal Group is no longer part of our Group since the Disposal Date, the Board consider that Disposal Group will not contribute any impact on our future financial reports. After discussion with the auditors, no audit qualification will be arose in our future financial reports in relation to the Disposal Group. The Company will continuously put effort to assist auditors to perform relevant audit work on the remaining group business.

The Directors are pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in the manufacture and sales of own-branded watches, OEM watches and third-party watches. Details of the principal activities of the principal subsidiaries are set out in Note 39 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2017.

The Group's revenue for the year is principally attributable to manufacturing, trading and retailing of watches. An analysis of the revenue from the principal activities during the year is set out in the section headed "Management Discussion and Analysis" in the annual report and Note 8 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2017 and the state of affairs of the Company and the Group as at that date are set out in the consolidated statement of profit or loss and other comprehensive income on page 41 of this annual report.

BUSINESS REVIEW

During the year of 2017, the Group's net loss was amounted to approximately RMB117.1 million, as against net loss of approximately RMB339.2 million for the corresponding year ended 31 December 2016. Information relating to the Group business is set out in the section headed "Director's Statement" and "Management Discussion and Analysis" of this annual report.

MAJOR RISKS AND UNCERTAINTIES

The Group's business operations are affected by changes in market conditions, the changing industry standards, industry competition and the ever-changing customer demands. It is essential that the Group responds in a timely manner to such changes which may adversely affect the Group's business and financial results. The Group also faces other financial risks in the ordinary course of business, such as liquidity risk, interest rate risk and currency risk. Details of financial risk management are set out in Note 6 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in Note 19 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 31 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 45 to 46 of this annual report and in Note 32 to the consolidated financial statements, respectively. The Company's reserves available for distribution to Shareholders are set out in note 32 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the Directors' best knowledge as at the latest practicable date prior to the issue of this annual report, the Company has maintained the prescribed public float as required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since the date of listing of the Company's shares on 30 January 2015 (the "Listing Date") and up to the date of this report.

PRE-EMPTIVE RIGHTS

There is no provisions for pre-emptive rights under the Company's articles of association although there are no restrictions against such rights under the law in the Cayman Islands.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Company's shareholders by reason of their holdings in the Company's shares.

BORROWINGS

Details of borrowings of the Group as at 31 December 2017 are set out in Note 28 to the consolidated financial statements.

FIVE YEAR SUMMARY

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

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of turnover of the Group attributable to the largest customer and the five largest customers in aggregate are 40% and 9.5% respectively. The percentage of purchases of the Group attributable to the largest supplier and the five largest suppliers in aggregate are 15% and 40% respectively. None of the Directors, their associates or any shareholders (which to the best knowledge of the Directors own more than 5% of the Company's issued share capital) had an interest in the five major customers or suppliers of the Group.

DIRECTORS

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

Executive Directors

Mr. Yang Xi
Mr. Zou Weikang
Mr. See Ching Chuen

Independent Non-Executive Directors

Mr. Yu Chon Man
Ms. Duan Baili (Appointed on 16 August 2017)
Mr. Zhong Weili (Appointed on 5 September 2017)
Mr. Chang Wei (Retired on 7 June 2017)
Mr. Nie Xing (Retired on 7 June 2017)

In accordance with Articles 84 of the articles of association of the Company, the following Directors, namely, Messrs, Mr. See Ching Chuen and Mr. Yu Chon Man, will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, would offer themselves for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 21 of this annual report.

DIRECTORS' SERVICE CONTRACTS

All executive Directors have not been appointed for any fixed term but shall be subject to retirement by rotation in accordance with the Articles of Association.

Mr. Zhong Weili, one of the independent non-executive Director has signed a letter of appointment with the Company for a term of one year with effect from the date of appointment unless terminated by not less than one month's notice in writing served by either the independent non-executive Director or the Company.

Mr. Yu Chon Man, one of the independent non-executive Director has entered into a service contract with the Company for a term of three year with effect from the Listing Date unless terminated by not less than one month's notice in writing served by either the independent non-executive Director or the Company.

Save for their remuneration, none of the independent non-executive Directors is expected to receive any other emoluments for holding their office as an independent non-executive Director.

Apart from the foregoing, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE OFFICER EMOLUMENTS

The emoluments of the Directors are determined by the Board, with reference to the individual performance, the prevailing market conditions and the Company's operating results.

Details of Directors' emoluments on a named basis are set out in Note 14 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 19 December 2014.

The total number of securities available for issue under the Share Option Scheme as at the date of this report was 381,670,000 shares.

The details of the movements in the number of share options granted during the year were as follows:

	Date of grant	Exercised price	Exercised period	Outstanding at 1 January 2017 '000	Granted during the year '000	Exercised during the year '000	Laps/Forfeited during the year '000	Outstanding at 31 December 2017 '000
Employees and consultants	16 June 2015	HK$0.726	16 December 2015 to 15 June 2025	4,110	–	–	(10)	4,100
	16 June 2015	HK$0.726	16 June 2015 to 15 June 2025	34,210	–	–	(2,240)	31,970
	9 November 2017	HK$0.05	9 November 2017 to 8 November 2018	–	345,600	–	–	345,600
Total				38,320	345,600	–	(2,250)	381,670

During the year ended 31 December 2017, 2,250,000 share options had been forfeited.

Particulars of the Share Option Scheme are set out in Note 34 to the consolidated financial statements.

At no time during the period was the Company or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ADOPTED CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiries with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code since the Listing Date and up to the date of this report.

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

As at 31 December 2017, none of the Directors or chief executive had any interests or short positions 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 of Hong Kong (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which would fall to be disclosed to the Company and the Stock Exchange pursuant to Division 7 and 8 at the Part XV of the SFO; or interest or short positions required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or interests or short positions which fall to be disclosed to the Company and the Stock Exchange pursuant to the Model Code.

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

As at the date of this report, the following persons had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in issued ordinary shares of the Company

	Number of issued ordinary shares/underlying shares of the Company				
Name of Shareholder	Personal interests	Family interests	Corporate interests	Total	Percentage of the issued share capital of the Company
Mr. Lin Zhiqiang ("Mr. Lin")					
– Ordinary shares in issue	–	–	354,367,020 (Note b)	354,367,020	
– Unlisted share options	800,000	800,000 (Note a)	–	1,600,000	
	800,000	800,000	354,367,020	355,967,020	10.30%
Ms. Yan Xiaotong ("Ms. Yan")					
– Ordinary shares in issue	–	–	354,367,020 (Note b)	354,367,020	
– Unlisted share options	800,000	800,000 (Note c)	–	1,600,000	
	800,000	800,000	354,367,020	355,967,020	10.30%

Notes:

a. The family interests of 800,000 share options represent the interest of the wife of Mr. Lin.

b. These shares are hold by Visual Wise Limited ("Visual Wise"), which is owned as to 62% by Mr. Lin, an executive Director, chief executive officer, chairman in the last 24 months of the Company, and 38% by Ms. Yan, an executive Director in the last 24 months of the Company. Ms. Yan is the spouse of Mr. Lin and they are deemed to have interest in the Shares in which his/her spouse is interested in.

c. The family interests of 800,000 share options represent the interest of the husband of Ms. Yan.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company or any of its subsidiaries did not have any arrangement in place at any time during the period whereby the Directors or their respective spouse or minor children can obtain benefit by acquiring the Shares of the Company or other body corporate.

PERMITTED INDEMNITY PROVISION

Pursuant to Article 164 of the Company's Articles of Association, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which the Directors or any of them, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty in their respective offices or otherwise in relation thereto provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said persons.

Permitted indemnity provision to all Directors is in force at the time when the Directors approved the Directors' report.

RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group for the year ended 31 December 2017 are disclosed in Note 37 to the consolidated financial statements.

CONTINUING CONNECTED TRANSACTIONS

Pursuant to a tenancy agreement (the "Tenancy Agreement") dated 22 July 2014 and entered into between Fujian Hongbang Electronics Co., Ltd. ("Hongbang Electronics") as lessor and our indirect wholly-owned subsidiary, Zhangzhou Hongyuan Watch Industry Co., Ltd. ("Zhangzhou Hongyuan") as lessee, Hongbang Electronics agreed to lease to Zhangzhou Hongyuan warehouses situated at Jinfeng Industrial Zone, Xiangcheng District, Zhangzhou City, Fujian Province, the PRC (the "Premises") with a gross floor area of 5,992.08 sq.m., for a term commencing on 1 July 2014 and terminating on 30 June 2017 at a quarterly rent of RMB107,857.4 (equivalent to a monthly rent of RMB35,952) (exclusive of management fee and other outgoings). During the year ended 31 December 2014, our Group leased from Hongbang Electronics certain premises as part of our production sites and warehouses at Jinfeng Industrial Zone, of which the Premises form part. In July 2014, we completed the relocation of all our production facilities from the leased premises to the self-owned portion of our factory complex, and the Premises has since been used as warehouses only. We will continue to use the Premises as warehouses.

Hongbang Electronics is a limited liability company established in the PRC and was owned by Mr. Lin as to 69.64% and by Ms. Yan as to 30.36% until 8 August 2014. After certain share transfers Hongbang Electronics is currently owned by Mr. Hu Yijie as to 80% and by an Independent Third Party as to 20%. As Mr. Hu Yijie is an uncle of Mr. Lin, an executive Director and a substantial shareholder of our Company, Hongbang Electronics is a connected person of our Company for the purpose of Chapter 14A of the Listing Rules. Thus, the leasing of premises from Hongbang Electronics will constitute continuing connected transaction for our Company. However, it will be fully exempt from the annual reporting, annual review, announcement, circular and shareholders' approval requirements stipulated under the Listing Rules because the continuing connected transaction is conducted on normal commercial terms and all the percentage ratios (other than the profits ratio) (as defined in the Listing Rules) are less than 0.1%.

Details of the exempted continuing connected transactions are as stated in the Prospectus. For the year ended 31 December 2017, the aggregate annual value of rent payable to Hongbang Electronics is RMBnil.

DIRECTORS' INTERESTS IN CONTRACTS

Save for the letters of appointment entered with respective Directors and disclosed under the section headed "Continuing Connected Transactions" above, none of the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party at any time during the year ended 31 December 2017.

COMPETING INTEREST

None of the Directors had an interest in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the business of the Group throughout the year ended 31 December 2017.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors, namely Mr. Yu Chon Man, Ms Duan Baili and Mr. Zhong Weili has confirmed to the Company their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

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

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities from the Listing Date up to the date of this report.

ENVIRONMENTAL POLICIES

The Group is committed to the long term sustainability of the environment and communities in which it operates. The Group is committed to adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

We strive to minimize our environmental impact by energy saving, recycling of used papers, office supplies and other materials.

ENVIRONMENTAL, SOCIAL AND GOVERNMENT REPORT

The Group endeavors to monitor and minimize impact to the environment. For the purpose of disclosing the information in relation to environmental, social and government ("ESG") in accordance with the ESG Reporting Guide in Appendix 27 to the Listing Rules, an ESG report of the Company will be published within three months after the publication of the annual report of the Company.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2017, as far as the Company is aware, there was no material breach of or noncompliance with the relevant laws and regulations by our Group that have a significant impact on the business and operations of the Group.

RELATIONS WITH KEY STAKEHOLDERS

The Board recognises that our employees are one of the greatest assets contributing to the Group's future success. The Group strives to motivate its employees with competitive remuneration package and opportunities for advancement and improvement of their skills to attract and retain our employees. The Board reviews the remuneration package of our employees annually and makes necessary adjustments to conform to the prevailing market practices. The Group also adopted share options scheme to reward the contribution of the employees as an incentive.

The Board also strives to develop long-standing and good relationships with our customers and suppliers in order to achieve the Group's long-term goals.

During the year, there was no significant dispute between the Group and our business partners.

AUDITORS

HLB Hodgson Impey Cheng Limited retires and, being eligible, offers itself for re-appointment. A resolution for the reappointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
Yang Xi
Executive Director

Hong Kong, 28 March 2018

EXECUTIVE DIRECTORS

Mr. See Ching Chuen（施清泉先生）, aged 56, is an executive Director. He was appointed as an executive Director with effect from March 2015. He has more than 17 years' experience in management and business strategic planning. He was an executive director of a company listed on the Growth Enterprise Market of The Stock Exchange, namely Longlife Group Holdings Limited (currently known as Rui Kang Pharmaceutical Group Investments Limited) (stock code: 8037) from June 2012 to May 2013. Mr. See has been the shareholder and director of Han Telecom Company Limited since 1997.

Mr. Yang Xi（楊淅先生）, aged 28, is an executive Director. He has years of experience in sales and marketing and obtained a Master degree in Computer Engineering from Guizhou University（貴州大學）in 2014. Mr. Yang did not hold any other directorship in any public listed companies during the last three years before the date of this report.

Mr. Zou Weikang（鄒偉康先生）, aged 26, is an executive Director. He has years of experience in investment and finance. Mr. Zou graduated from Shenzhen Polytechnic（深圳職業技術學院）in finance and securities（金融與證券專業）in 2013. Mr. Zou did not hold any other directorship in any public listed companies during the last three years before the date of this report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Chon Man（余俊敏先生）, aged 40, is an independent non-executive Director, who was appointed in December 2014, and responsible for overseeing the management of our Group independently. Mr. Yu has over 14 years of experience in the accounting and finance industry. He has been the financial controller, qualified accountant and company secretary of China Singyes Solar Technologies Holdings Limited（中國興業太陽能技術控股有限公司）(stock code: 750), a company listed on the Stock Exchange specialised in the manufacture and sale of solar power products, since June 2008 and appointed as chief financial officer since October 2016 which responsible for its financial reporting and general investor affairs. He was an independent non-executive Director of the Sky Forever Supply Chain Management Group Limited（宇恒供應鏈集團有限公司）(stock code: 8047) (formerly known as Rising Power Group Holdings Limited（昇力集團控股有限公司）), a company listed on the Stock Exchange specialised in supply chain management, from June 2014 to July 2014. He has been an independent non-executive director of Winto Group (Holdings) Limited (stock code: 8238), a magazine publishing group from January 2015 to May 2016. Mr. Yu received a bachelor's degree in accountancy from the Hong Kong Polytechnic University in November 2001. He has been a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants since December 2004 and July 2005, respectively.

Ms. Duan Baili（段白麗女士）, aged 28, is an independent non-executive director. She has over 7 years experience in marketing and manufacturing in precision component industry. She currently serves as an assistant of general manager of a manufacturing company in the People's Republic of China. She is familiar with the operations of the manufacture and marketing of precision components and has thorough knowledge of precision components and the precision component industry.

Mr. Zhong Weili（鍾維立先生）, aged 45, is an independent non-executive director. He has over 20 years experiences of administration and management in asset appraisal industry, of which 4 years working in state owned assets management bureau of Meizhou city of Guangdong Province. He is currently an office director of an asset appraisal company in The People's Republic of China, which engaged in corporate valuation and assets valuation (including but not limited to property, machinery and intangible assets).

COMPLIANCE WITH CG CODE

The Board has reviewed the Company's corporate governance practices and is satisfied that it has been adopted and complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules throughout the year ended 31 December 2017.

THE BOARD

The Board is responsible for managing the Company on behalf of shareholders. The Board is of the view that it is the Directors' responsibilities to create value for shareholders and safeguard the best interests of the Company and the shareholders by discharging its duties in a dedicated, diligent and prudent manner on the principle of good faith. The management is delegated by the Board to execute these business strategies and directions and is responsible for the daily operations of the Group.

The Board comprises 6 Directors, including 3 executive Directors, and 3 independent non-executive Directors, in compliance with the requirement of Listing Rules which states that every board of Directors of an issuer must include at least 3 independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

Under code provision A.1.3 of the CG Code, notice of at least 14 days should be given of a regular board meeting to all Directors to give all Directors an opportunity to attend. During the year, certain Board meetings were convened with less than 14 days' notice to facilitate the Directors' timely reaction and expeditious decision making process in respect of investment opportunity and internal affairs of the Group. All Board meetings, nevertheless, were duly convened and held in the way prescribed by the Articles of Association of the Company. The Board will use reasonable endeavour to meet the requirement of code provision A.1.3 of the CG Code in future.

There is no relationship, including financial, business, family or other material/relevant relationship(s) between members of the Board.

The primary functions of the Board include:

- deciding on the overall strategies, overseeing operational and financial performance and formulating appropriate policies to manage risk exposure associated with realising the strategies and goals of the Group;
- overseeing the corporate governance functions of the Company and being held accountable for the internal control system of the Company and responsible for reviewing its effectiveness;

- being ultimately responsible for preparing financial accounts and discussing the performance, financial conditions and prospects of the Company in a balanced, clear and comprehensible manner. These responsibilities are applicable to interim and annual reports of the Company, other inside information announcements published according to the Listing Rules and disclosure of other financial information, reports submitted to regulatory bodies and information discloseable under statutory requirements;
- whilst executive Directors/chief executives, who oversee the overall business of the Company, are responsible for the daily operations of the Company, the Board is responsible for affairs involving the overall policies, finance and shareholders of the Company, namely financial statements, dividend policy, significant changes to accounting policies, annual operating budgets, material contracts, major financing arrangements, principal investment and risk management strategy;
- the management is well informed of its power with clear guidelines and instructions, in particular regarding situations under which reporting to the Board is necessary and matters that require the approval of the Board before any decisions or commitments can be made on behalf of the Company; and
- regularly reviewing its own functions and the powers conferred upon executive Directors/chief executives to ensure appropriate arrangements are in place.

COMMITMENTS

The full Board should meet at least four times a year, at approximately quarterly intervals, to review the financial performance, results of each period, material investments and other matters of the Group that require the resolution of the Board. Simultaneous conference call may be used to improve attendance when individual Director cannot attend the meeting in person. Opinions of independent non-executive Directors are actively sought by the Company if they are unable to attend the meeting in person.

EXPERIENCE

Executive Directors possess administrative leadership, diversified expertise and extensive industrial management experience. Independent non-executive Directors possess extensive expertise, experience and judging capability in various fields, in particular the appropriate accounting qualifications possessed by Mr. Yu Chon Man. During its decision-making process, the Board holds in high regard the views of the independent non-executive Directors, who serve as the effective direction in assisting the Group's operations.

BOARD MEETING

During the financial year of 2017 under review, 7 board meetings were held and the attendance of each Director at the Board meetings was as follows:

	Attendance/ Number of meetings
Executive Directors	
Mr. See Ching Chuen	7/7
Mr. Yang Xi	7/7
Mr. Zou Weikang	7/7
Independent Non-Executive Directors	
Mr. Yu Chon Man	6/7
Ms. Duan Baili (Note 1)	4/4
Mr. Zhong Weili (Note 2)	3/3
Mr. Chang Wai (Note 3)	3/3
Mr. Nie Xing (Note 4)	2/3

Notes:

1. Ms. Duan Baili was appointed as an independent non-executive director with effective from 16 August 2017.
2. Mr. Zhong Weili was appointed as an independent non-executive director with effective from 5 September 2017.
3. Mr. Chang Wei was retired as an independent non-executive director with effective from 7 June 2017.
4. Mr. Nie Xing was retired as an independent non-executive director with effective from 7 June 2017.

CODE FOR DEALING IN SECURITIES OF THE COMPANY

The Company has adopted a model code of practice for securities dealings by Directors and relevant employees on terms no less exacting than the required standard of dealings as set out in the Model Code. The Company has confirmed, after making specific enquiries with the Directors in accordance with the code of practice, that all the Directors have complied with the Model Code since the Listing Date.

APPOINTMENT OF DIRECTORS

During their terms of office, all Directors carried out their work in a dedicated, diligent and proactive manner with reasonable prudence. Meanwhile, they carried out the duties of directors imposed by the relevant company laws of the Cayman Islands and Hong Kong, the articles of association of the Company and the Listing Rules, complied with the relevant requirements, strictly implemented resolutions of general meetings, promoted the continuous and healthy development of the Company's operations, oversaw the corporate governance of the Company, pressed for the improvement of the governance standard of the Company and exerted the decision making function of the Board in its full swing. None of the independent non-executive Directors holds any other offices in the Company or any of its subsidiaries. Within the meaning of the laws and regulations issued by relevant securities regulatory authorities, none of the independent non-executive Directors is interested in any shares of the Company. The Company has received from each of the independent non-executive Directors a written confirmation of his independence under Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Names and biography of the Directors are set out on pages 21 of this annual report.

AUDIT COMMITTEE

The Company established an audit committee on 19 December 2014 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Corporate Governance Code.

The duties of the Audit Committee include, without limitation, (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of the Group's financial statements, annual report and accounts and half-year report, and reviewing significant financial reporting judgments contained therein; (c) reviewing the Group's financial control, internal control and risk management systems; and (d) reviewing reports made by the corporate guarantee committee, a committee closely monitoring the Group's activities for the provision of corporate guarantee and to enforce the prohibition on provision of corporate guarantee to any party other than member of the Group. The Group's annual results for the year ended 31 December 2017 have been reviewed by the Audit Committee.

The audit committee consists of Mr. Yu Chon Man, Ms. Duan Baili and Mr. Zhong Weili. Mr. Yu Chon Man is the chairman of the audit committee.

During the financial year of 2017 under review, 2 audit committee meetings were held and the attendance of members at the meetings was as follows:

	Attendance/ Number of meetings
Mr. Yu Chon Man	2/2
Ms. Duan Baili (appointed on 16 August 2017)	1/1
Mr. Zhong Weili (appointed on 5 September 2017)	0/0
Mr. Chang Wei (retired on 7 June 2017)	1/1
Mr. Nie Xing (retired on 7 June 2017)	1/1

During the committee meetings held in the financial year of 2017, the summary of work of Audit Committee as below:

- Reviewing the financial reports and results announcement for the year ended 31 December 2016 and for the six months ended 30 June 2017
- Reviewing the Group's financial and accounting policies and practices

REMUNERATION COMMITTEE

The Company established a remuneration committee on 19 December 2014 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

The duties of the remuneration committee, under the principle that no Director should be involved in deciding his own remuneration, include, without limitation, (a) making recommendations to the Board on the Company's policy and structure for the remuneration of all of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (b) making recommendations to the Board on the remuneration packages of the executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments, and making recommendations to the Board of the remuneration of the non-executive Directors; and (c) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives.

The remuneration committee consists of Mr. Yu Chon Man, Mr. Yang Xi, Ms. Duan Baili and Mr. Zhong Weili. Mr. Yu Chon Man is the chairman of the remuneration committee.

During the financial year of 2017 under review, 3 remuneration committee meetings were held and the attendance of members at the meetings was as follows:

	Attendance/ Number of meetings
Mr. Yu Chon Man	3/3
Mr. Yang Xi	3/3
Ms. Duan Baili (appointed on 16 August 2017)	1/1
Mr. Zhong Weili (appointed on 5 September 2017)	0/0
Mr. Nie Xing (retired on 7 June 2017)	1/1
Mr. Chang Wei (retired on 7 June 2017)	1/1

During the committee meetings held in the financial year of 2017, the summary of work of Remuneration Committee as below:

– Reviewing and making recommendations to the Board in respect of the remuneration packages and overall benefits for the Directors and senior management of the Company

– To ensure that none of the Directors or any of their associates should determine their own remuneration

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The main aims of the Company's remuneration policy are:

- to ensure that none of the Directors or any of their associates should determine their own remuneration;
- the remuneration should be broadly aligned with companies with which the Company competes for human resources;
- the Group should aim to attract and retain executives and to motivate them to pursue appropriate growth strategies whilst take into account individual performance and should avoid paying more than necessary for such purpose;
- the remuneration should reflect the performance, complexity of duties and responsibility of the individual; and
- to review the effectiveness of diversity on the Board.

NOMINATION COMMITTEE

The Company established a nomination committee on 19 December 2014 with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

The duties of the nomination committee include, without limitation, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Group's corporate strategy; (b) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (c) assessing the independence of the independent non-executive Directors; and (d) making recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for the Directors, in particular the chairman and the chief executive.

The nomination committee consists of Mr. Yu Chon Man, Mr. See Ching Chuen, Ms. Duan Baili and Mr. Zhong Weili. Mr. Yu Chon Man is the chairman of the nomination committee.

During the financial year of 2017 under review, 3 nomination committee meetings were held and the attendance of members at the meetings was as follows:

	Attendance/ Number of meetings
Mr. Yu Chon Man	3/3
Mr. See Ching Chuen	3/3
Ms. Duan Baili (appointed on 16 August 2017)	1/1
Mr. Zhong Weili (appointed on 5 September 2017)	0/0
Mr. Nie Xing (retired on 7 June 2017)	1/1
Mr. Chang Wei (retired on 7 June 2017)	1/1

During the committee meetings held in the financial year of 2017, the summary of work of Nomination Committee as below:

– Making recommendations to the Board on the appointment or reappointment of Directors

– Reviewing the structure, size and composition of the Board

CORPORATE GUARANTEE COMMITTEE

The Company established a corporate guarantee committee (the "Corporate Guarantee Committee") in July 2014, the members of which comprise the independent non-executive Director, Mr. Zhong Weili, and two finance managers of our Group, currently Mr. Zheng Yuetong and Ms. Chen Junyan to closely monitor the Group's activities for the provision of corporate guarantees and to enforce the prohibition on provision of corporate guarantees to any non-group member. The Corporate Guarantee Committee is to report to the Audit Committee on a half-yearly basis on its work and information relating to the provision of corporate guarantees in such period (if any). The Corporate Guarantee Committee is to review monthly reports from our finance department on the corporate guarantees provided for the preceding month and from the chief executive officer's office on the use of company stamps to the Corporate Guarantee Committee. If it is discovered that a corporate guarantee was provided to a non-group member, the Corporate Guarantee Committee should immediately report the fact to the Board and the Audit Committee and take appropriate remedial actions. Up to the date of this report, no provision of corporate guarantees to any non-group member was noted by the Corporate Guarantee Committee.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge that it is the responsibility of the Directors for the preparation of accounts for each financial period by the management. Subsequent to each reporting period, interim or annual financial highlights and business review are published as soon as possible (or in accordance with the Listing Rules, as the case may be) to disclose all information that are necessary for shareholders to assess the performance, financial conditions and prospects of the Company. The Directors are not aware of any material uncertainties relating to events or conditions that may cast doubt upon the Group's ability to continue as a going concern.

The Board has the responsibility to regularly review the internal control and risk management systems of the Company to ensure their effectiveness and efficiency. With the support of the internal audit team, the practices, processes, expenses and internal control of the Company and its subsidiaries are reviewed on a regularly basis. Matters of importance reported by the internal audit team are monitored regularly by the management to ensure remedial measures are implemented as appropriate. The Board and senior management may also require the internal audit team to conduct auditing procedures on special scopes of importance and report significant findings to the Board and the audit committee.

For the year under review, the remuneration payable for audit and non-audit services provided by the auditors is approximately RMB1.1 million and RMB0.1 million respectively.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The internal control system includes safeguarding of the interest of shareholders and the Group's assets. It has been an important duty of the Board to conduct a review of internal control system to ensure the effectiveness and adequacy of the system of the Group annually or at any time necessary. The review covers all material controls, including financial, operational and compliance controls, as well as risk management functions.

The Group has engaged an independent internal control review advisor (the "Internal Control Advisor") to conduct the annual review on the effectiveness of the internal control system. Review of the Group's internal controls covered major operational, financial and compliance controls, as well as risk management functions of different systems has been performed on a systematic rotational basis on the risk assessments of the operations and controls. During the risk assessment process, the Internal Control Advisor interviewed the relevant personnel and identified the business objectives and significant risks of the Group. A risk management report prepared by the Internal Control Advisor which sets out the risks, issues and recommended action plan was presented to the Board for review and endorsement. The Board considered that significant risks of the Group were managed within the acceptable level and the management will continue to monitor the residual risks and report to the Board on ongoing basis.

For the year ended 31 December 2017, the Board has reviewed the effectiveness of the internal control system and they consider them effective and adequate.

CORPORATE GOVERNANCE FUNCTIONS

The Board has adopted the terms of reference on corporate governance functions. The terms of reference of the Board in respect of corporate governance function are summarised as follows:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices to ensure compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the Code Provisions and its disclosure requirements in the Corporate Governance Report.

The work performed by the Board on corporate governance functions since the Listing Date up to the date of this report included developing and reviewing the Company's policies on corporate governance and review the Company's compliance with the Code Provisions.

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy which aims to set out the approach to achieve diversity on the Board. The Company aims to build and maintain a Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender appropriate for the requirements of the business development of the Group.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. Information of the Company is disseminated to the shareholders in the following manner:

- delivery of the interim and annual results and reports to all shareholders;
- publication of announcements on the interim and annual results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- the general meeting of the Company is also an effective communication channel between the Board and shareholders.

The Board has maintained an on-going dialogue with Shareholders and investors, and will regularly review this policy to ensure its effectiveness. Information will be communicated to Shareholders and investors mainly through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the information submitted by the Company to the website of the Stock Exchange and its corporate communications on the Company's website. Shareholders can direct their questions about their shareholdings to the Company's branch share registrar in Hong Kong. Shareholders and investors may at any time make a request for the Company's information to the extent such information is publicly available.

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

The Directors are committed to complying with code provision A.6.5 of the CG Code on Directors' training effective from 1 April 2012. All Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

Up to the date of this report, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills during the year.

COMPANY SECRETARY

Mr. Lai Nga Ming Edmund ("Mr. Lai") was the company secretary of the Company. He is responsible to the Board for ensuring the board procedures are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is briefed on relevant legislative, regulatory and corporate governance developments. Mr. Lai has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge during the year ended 31 December 2017.

SHAREHOLDERS' RIGHTS

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Requisitionist(s)") shall at all times have the right, by written requisition (the "Requisition") to the Board or the company secretary of the Company, to require an extraordinary general meeting (the "EGM") to be called by the Board for the transaction of any business specified in such requisition. The Requisition shall be made in writing to the Board or the company secretary of the Company at the following:

Principal place of business of the Company in Hong Kong

Address: Room 17, 7/F, Block 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong

Email: team@time2uhk.com

Attention: Board of Directors/Company Secretary

The Requisition must state clearly the name of the Requisitionist(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda of the EGM including the details of the business(es) proposed to be transacted at the EGM, signed by the Requisitionist(s) concerned.

The Company will check the Requisition and the identity and the shareholding of the Requisitionist(s) will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Board will convene the EGM within two months and/or include the proposal or the resolution proposed by the Requisitionist(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Requisitionist(s) concerned will be advised of this outcome and accordingly, the Board will not convene an EGM and/or include the proposal or the resolution proposed by the Requisitionist(s) at the EGM.

If within 21 days of such deposit, the Board has not advised the Requisitionist(s) of any outcome to the contrary and fails to proceed to convene the EGM, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company to the principal place of business of the Company in Hong Kong.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

CONSTITUTIONAL DOCUMENTS

There is no significant change in the Company's constitutional documents during the year ended 31 December 2017.

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

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

TO THE SHAREHOLDERS OF
TIME2U INTERNATIONAL HOLDING LIMITED
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Time2U International Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 112, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by 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 QUALIFIED OPINION

As disclosed in note 12 to the consolidated financial statements, the Group had disposed of the entire issued share capital of Speedy Glory Limited (the "Disposal") and the Group ceased its control of Speedy Glory Limited and its subsidiaries (the "Disposal Group") upon completion of the Disposal on 30 November 2017 (the "Disposal Date"). The results of the Disposal Group up to the Disposal Date, details of which are set out in note 12 to the consolidated financial statements, and the gain on disposal of the Disposal Group of approximately RMB69,870,000 are presented as loss from discontinued operation in the Group's consolidated statement of profit or loss and other comprehensive income.

Despite the continuous effort made by the management of the Group, we were not allowed access to the management, accounting records and auditors of the Disposal Group, including the Disposal Group's auditors' audit documentation. As a result, we were unable to carry out audit procedures that we considered necessary to satisfy ourselves as to the nature, completeness, accuracy, existence and valuation of the results, cash flows and other transactions undertaken by the Disposal Group during the period from 1 January 2017 to the Disposal Date as well as the assets and liabilities of the Disposal Group as at the Disposal Date. Consequently, we were unable to determine whether any adjustments were necessary in respect of (i) the results and cash flows of the Disposal Group for the period from 1 January 2017 to the Disposal Date which were included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2017; (ii) the carrying amounts of the assets and liabilities of the Disposal Group as at the Disposal Date as disclosed in note 12 to the consolidated financial statements and (iii) the gain on disposal of the Disposal Group which was calculated based on the carrying amounts of the assets and liabilities of the Disposal Group as at the Disposal Date.

Any adjustments that might have been found to be necessary in respect of the above may have consequential significant effects on the loss and cash flows of the Group for the year ended 31 December 2017 and the related disclosures in the consolidated financial statements, as well as the disclosures in the consolidated financial statements concerning the Disposal and the nature and amounts of significant transactions and events of the Disposal Group up to the Disposal Date, including transactions with related parties.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of the goodwill	
Refer to note 18 to the consolidated financial statements and the accounting policies in note 4 to the consolidated financial statements.	
Goodwill impairment testing of cash generating units ("CGUs") relies on estimates of value-in-use based on estimated future cash flows. The Group is required to annually test the amount of goodwill of RMB11,917,000 for impairment. We focused on this area due to the level of the subjectivity associated with the assumptions used in estimating the value-in-use of the CGUs, including the 5-year period cash flow forecasts, the growth rates used to extrapolate the cash flows and discount rates applied.	Our procedures in relation to management's impairment assessment included: • Evaluating the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumption based on our knowledge of the relevant industry and using our valuation experts; • Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and • Checking, on a sampling basis, the accuracy and relevance of the input data used. We found that the assumptions were supported by the available evidence.

Key audit matter	How our audit addressed the key audit matter

Impairment assessment of property, plant and equipment

Refer to note 22 and note 23 to the consolidated financial statements and the accounting policies in note 4 to the consolidated financial statements.

As of 31 December 2017, the Group has trade and other receivables of approximately RMB98,031,000 and RMB95,269,000. Management judgement is required in assessing and determining the recoverability of trade and other receivables and adequacy of allowance made.

The judgement mainly includes estimating and evaluating expect future receipts from customers based on past payment trend, age of the debtors, knowledge of the customers' business and financial condition.

Our procedures in relation to management's impairment assessment included:

- Discussing the Group's procedures on credit limits and credit periods given to customers with the management;
- Evaluating the management's impairment assessment of trade and other receivables;
- Assessing, validating and discussing with the management and evaluating their assessment on the recoverability of the outstanding debts and the adequacy of allowance made based on the trade and other receivables ageing analysis, collections subsequent to the end of the reporting period, past collection history and trend analysis and knowledge of the businesses, with focus on long outstanding debts and debts which are past due but not impaired; and
- Checking on a sample basis, the accuracy and relevance of information included in the impairment assessment of trade and other receivables.

We found that the assumptions were supported by the available evidence.

Key audit matter	How our audit addressed the key audit matter

Carrying value of inventories

Refer to note 21 to the consolidated financial statements and the accounting policies in note 4 to the consolidated financial statements.

As at 31 December 2017, the Group had inventories of approximately RMB120,684,000. Because of the deterioration of quality of the Group's raw material, significant judgement and estimation by management are involved in identifying inventories with net realisable value that are lower than their cost, and obsolescence with reference to the estimated subsequent selling price.	Our procedures in relation to management's assessment on carrying value of inventories included: • Obtaining an understanding of how the management estimated the net realisable value of inventories and evaluating the historical accuracy of the allowance estimation by management; • We evaluated management's assessment of provision of inventories with reference to their aging, the condition of inventories during our observation of physical inventory count; and • Selecting sample of inventories and reviewing their net realisable values with reference to their selling prices subsequent to the end of the reporting period. We found the carrying values of the inventories was supported by the available evidence.

OTHER INFORMATION

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

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

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

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors 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 Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

As part of an audit in accordance with HKSAs, we exercise professional judgment 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

Report on Other Matters under sections 407(2) and 407(3) of the Hong Kong Companies Ordinance

In respect alone of the inability to obtain sufficient appropriate audit evidence as described in the Basis for Qualified Opinion section of our report above:

- we were unable to determine whether adequate accounting records had been kept; and
- we have not obtained all the information or explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

The engagement director on the audit resulting in this independent auditors' report is Mr. Hon Koon Fai, Alex.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practicing Certificate Number: P05029

Hong Kong, 28 March 2018

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
Continuing operations			
Revenue	8	**115,805**	89,627
Cost of sales		**(75,151)**	(51,246)
Gross profit		**40,654**	38,381
Other income and gain	9	**1**	77
Change in fair value of financial assets at fair value through profit or loss		**(52,316)**	(12,226)
Realised loss on financial assets at fair value through profit or loss		**(26,209)**	–
Selling and distribution expenses		**(37,248)**	(35,140)
Administrative expenses		**(20,059)**	(14,014)
Finance costs	10	**(1,806)**	(5)
Loss before taxation		**(96,983)**	(22,927)
Taxation	11	**7,086**	1,997
Loss for the year from continuing operations		**(89,897)**	(20,930)
Discontinued operation			
Loss for the year from discontinued operation	12	**(27,178)**	(318,271)
Loss for the year	13	**(117,075)**	(339,201)
Other comprehensive (loss)/income for the year, net of tax			
Reclassification adjustments of exchange reserve relating to foreign operations disposed of		**(887)**	–
Exchange differences on translation of foreign operations		**(24,492)**	9,592
Other comprehensive (loss)/income for the year, net of tax		**(25,379)**	9,592
Total comprehensive loss for the year		**(142,454)**	(329,609)
Loss for the year attributable to:			
Owners of the Company		**(113,184)**	(322,514)
Non-controlling interests		**(3,891)**	(16,687)
		(117,075)	(339,201)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
Loss for the year attributable to owners of the Company arising from:			
Continuing operations		**(89,897)**	(20,930)
Discontinued operation		**(23,287)**	(301,584)
		(113,184)	(322,514)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(138,563)**	(312,922)
Non-controlling interests		**(3,891)**	(16,687)
		(142,454)	(329,609)
Loss per share attributable to owners of the Company			
For continuing and discontinued operations			
Basic and diluted (RMB) (cents)	17	**(3.28)**	(13.03)
For continuing operations			
Basic and diluted (RMB) (cents)		**(2.60)**	(0.85)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	19	**37,587**	85,163
Prepaid lease payments	20	**–**	12,586
Goodwill	18	**11,917**	12,826
		49,504	110,575
Current assets			
Prepaid lease payments	20	**–**	327
Inventories	21	**120,684**	93,232
Trade receivables	22	**98,031**	80,020
Financial asset at fair value through profit or loss	25	**22,063**	94,405
Deposits, prepayments and other receivables	23	**290,611**	102,356
Tax receivables		**–**	116
Cash and bank balances	24	**16,204**	306,917
		547,593	677,373
Liabilities			
Current liabilities			
Trade payables	26	**–**	391
Accruals and other payables	27	**21,653**	51,214
Income tax payables		**168**	–
Bank borrowings	28	**–**	31,000
Obligations under finance leases			
– due within 1 year	29	**11,302**	–
		33,123	82,605
Net current assets		**514,470**	594,768
Total assets less current liabilities		**563,974**	705,343
Non current liabilities			
Deferred taxation	30	**–**	7,604
Obligations under finance leases			
– due after 1 year	29	**10,483**	–
		10,483	7,604
Net assets		**553,491**	697,739

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Equity			
Share capital	31	**29,181**	29,181
Reserves		**524,310**	662,873
Equity attributable to owners of the Company		**553,491**	692,054
Non-controlling interests		**–**	5,685
Total equity		**553,491**	697,739

The consolidated financial statements on pages 51 to 114 were approved and authorised for issue by the Board of Directors on 28 March 2018 and are signed on its behalf by:

Yang Xi
Executive Director

See Ching Chuen
Executive Director

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

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (Note (i))	Foreign currency translation reserve RMB'000 (Note (ii))	Share option reserve RMB'000 (Note (iii))	Capital reserve RMB'000 (Note (iv))	Other reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 31 December 2015 and 1 January 2016	7,667	181,552	22,076	7,463	23,405	11	3,173	447,902	693,249	22,372	715,621
Loss for the year	–	–	–	–	–	–	–	(322,514)	(322,514)	(16,687)	(339,201)
Other comprehensive income for the year	–	–	–	9,592	–	–	–	–	9,592	–	9,592
Total comprehensive income/(loss) for the year	–	–	–	9,592	–	–	–	(322,514)	(312,922)	(16,687)	(329,609)
Issue of shares upon share placement	1,614	35,503	–	–	–	–	–	–	37,117	–	37,117
Transaction costs attributable to issues of shares upon share placement	–	(931)	–	–	–	–	–	–	(931)	–	(931)
Issue of shares upon the rights issue	19,900	258,702	–	–	–	–	–	–	278,602	–	278,602
Transaction costs attributable to issue of shares under rights issue	–	(3,061)	–	–	–	–	–	–	(3,061)	–	(3,061)
Release upon laps of share options	–	–	–	–	(13,630)	–	–	13,630	–	–	–
At 31 December 2016 and 1 January 2017	**29,181**	**471,765**	**22,076**	**17,055**	**9,775**	**11**	**3,173**	**139,018**	**692,054**	**5,685**	**697,739**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(113,184)**	**(113,184)**	**(3,891)**	**(117,075)**
Release upon disposal of subsidiaries	**–**	**–**	**–**	**(887)**	**–**	**–**	**–**	**–**	**(887)**	**–**	**(887)**
Other comprehensive loss for the year	**–**	**–**	**–**	**(29,992)**	**5,500**	**–**	**–**	**–**	**(24,492)**	**–**	**(24,492)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(30,879)**	**5,500**	**–**	**–**	**(113,184)**	**(138,563)**	**(3,891)**	**(142,454)**
Release upon disposal of subsidiaries	**–**	**–**	**(22,076)**	**–**	**–**	**(11)**	**(3,173)**	**25,260**	**–**	**(1,794)**	**(1,794)**
At 31 December 2017	**29,181**	**471,765**	**–**	**(13,824)**	**15,275**	**–**	**–**	**51,094**	**553,491**	**–**	**553,491**

Notes:

(i) As stipulated by the relevant laws and regulations for foreign investment enterprises in the PRC, the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiary in accordance with the relevant laws and regulations applicable to the PRC enterprise. The appropriation may cease to apply if the balance of statutory surplus reserve has reached 50% of the PRC subsidiary registered capital. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

(ii) This reserve comprises all foreign exchange difference arising from the translation of the financial statements of foreign operations.

(iii) This reserve represents the fair value of the actual or estimated number of unexercised share options granted to eligible persons, including any full-time and part-time employee, director or consultant of the Company and its subsidiaries or any associate of the Company, recognised in accordance with accounting policy in note 4.

(iv) On 30 July 2014, Mr. Lin, Ms. Yan and Speedy Glory entered into a sale and purchase agreement, pursuant to which Speedy Glory acquired all the issued shares of Jiulongjiu from Mr. Lin and Ms. Yan at a nominal consideration of HK$2. The acquisition of Jiulongjiu was completed on the same date. The difference between the consideration and the paid up capital of Jiulongjiu was recorded as a capital reserve.

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
Operating activities			
Loss before taxation			
From continuing operations		**(96,983)**	(22,927)
From discontinued operations		**(27,178)**	(316,449)
Adjustments for:			
Interest income		**(1)**	(1,033)
Finance costs		**1,806**	1,343
Impairment of property, plant and equipment	19	**–**	172,983
Written-down of inventories		**–**	80,945
Depreciation of property, plant and equipment	19	**23,734**	47,570
Loss on disposal of property, plant and equipment		**–**	135
Loss on fair value change on financial asset at fair value through profit or loss		**50,223**	12,226
Amortisation of prepaid lease payment		**299**	–
Share-based payment expenses		**5,500**	–
Loss on disposal of financial assets at fair value through profit or loss		**26,209**	–
Gain on disposal of subsidiaries		**(69,870)**	–
Amortisation of prepaid lease payments		**–**	327
Operating cash flow before movements in working capital		**(86,261)**	(24,880)
Increase in inventories		**(27,452)**	(59,618)
(Increase)/decrease in trade receivables		**(28,965)**	57,135
Purchase of financial asset at fair value through profit or loss		**(16,066)**	(39,254)
Proceeds from disposal of financial assets at fair value through profit or loss		**6,331**	–
Increase in deposits, prepayment and other receivables		**(127,842)**	(37,690)
Decrease in trade and bills payables		**711**	(42,353)
(Decrease)/increase in accruals and other payables		**(25,443)**	32,059
Net cash from operations		**(304,987)**	(114,601)
PRC income tax paid		**(234)**	(5,423)
Net cash used in operating activities		**(305,221)**	(120,024)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
Investing activities			
Interest received		**1**	1,033
Decrease/(increase) in pledged bank deposits		**–**	50,000
Purchase of property, plant and equipment		**–**	(29,867)
Proceeds from disposal of property, plant and equipment		**–**	336
Net cash inflow/(outflow) of disposal/(acquisition) of subsidiary	38	**60,712**	(15,601)
Net cash generated from investing activities		**60,713**	5,901
Financing activities			
Interest paid		**–**	(1,343)
Proceeds from borrowings		**(500)**	31,000
Repayment of obligations under finance leases		**(23,565)**	–
Proceeds from placing shares (net of transaction cost)		**–**	36,186
Repayment of borrowings		**–**	(59,585)
Issue of share under rights issue (net of transaction cost)		**–**	275,541
Net cash (used in)/generated from financing activities		**(24,065)**	281,799
Net (decrease)/increase in cash and cash equivalents		**(268,573)**	167,676
Cash and cash equivalents at the beginning of the year		**306,917**	135,075
Effect of exchange rate change		**(22,140)**	4,166
Cash and cash equivalents at the end of the year		**16,204**	306,917

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 3 December 2012 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company has been registered as a non-Hong Kong company under Part 16 of the Hong Kong Companies Ordinance (Cap. 622) since 10 June 2013. Its shares were initially listed on Main Board of The Stock Exchange Hong Kong Limited.

The Company's registered office is located at Cricket Square, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Room 17, 7/F, Block 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Hong Kong.

The Company is an investment company. The Group is principally engaged in the manufacture and sales of own-branded watches, OEM watches and third-party watches.

2. BASIS OF PREPARATION

Statement of compliance

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

2. BASIS OF PREPARATION *(Continued)*

Statement of compliance *(Continued)*

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below.

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

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

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

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

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

Amendments to HKFRSs that are mandatory effective for the current year

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

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

Amendments to HKAS 7 "Disclosure Initiative"

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

The Group's liabilities arising from financing activities consist of bank borrowing and obligation under finance lease.

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

Amendments to HKAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"

The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in way that is consistent with these amendments.

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

Annual Improvement to HKFRSs 2014-2016 Cycle

The Group has applied the amendments to HKFRS 12 included in the Annual (improvements to HKFRSs 2014 – 2016 Cycle for the first time in the current year. The other amendments included in this package arc not yet mandatorily effective and they have not been early adopted by the Group.

HKFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of HKFRS 12 for such interests.

The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

New and revised HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

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

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

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

HKFRS 9 "Financial Instruments"

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

Specifically, pursuant to HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments:

Key requirements of HKFRS 9:

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

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

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

HKFRS 9 "Financial Instruments" *(Continued)*

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

Except for the potential early recognition of credit losses based on the expected credit loss model in relation to the Group's financial assets measured at amortised costs, additional disclosure in respect of loan, trade and other receivables including any significant judgements and estimation made, and enhanced disclosures about the Group's risk management activities, the management of the Group anticipates that the adoption of HKFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2017.

HKFRS 15 " Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance inducting HKAS 18 "Revenue". HKAS11 "Construction Contracts" and the related interpretations when it becomes effective.

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

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

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

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

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group's revenue recognition policies are disclosed in note 4. Management has assessed the effects of applying the new standard on the Group's financial statements and does not expect a significant impact on the recognition of revenue.

HKFRS 16 "Leases"

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the statement of financial position. Instead, all long-term leases must be recognised in the statement of financial position in the form of assets (for the rights of use) and lease liabilities (for the payment obligations). Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations. The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the statement of financial position. In the income statement, rental expenses will be replaced with depreciation and interest expense. The new standard is not expected to be applied by the Group until the financial year ending 31 December 2019. HKFRS 16 will primarily affect the accounting for the Group's operating leases. At 31 December 2017, the Group had no non-cancellable operating lease commitments. Upon adoption of HKFRS 16 the majority of operating lease commitments will be recognised in the consolidated statement of financial position as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortised cost and the right-of-use assets will be depreciated on a straight-line basis during the lease term.

Management is in the process of making an assessment of the impact of other new standards, amendments to standards and interpretations and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

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

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

– the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

– potential voting rights held by the Group, other vote holders or other parties;

– rights arising from other contractual arrangements; and

– any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

Goodwill

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

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

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

(i) Sales of goods

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

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

(ii) Interest income

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Company's or the Group's research and development activities, no development costs satisfy the criteria for the recognition of such costs as an asset. Both research and development costs are therefore recognised as expenses in the period in which they are incurred.

Leasing

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lumpsum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

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

Foreign currencies

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

Exchange differences arising on monetary items are recognised in profit or loss during the financial year in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is nether planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting these consolidated Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

In additional, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposal of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange difference arising are recognised in the foreign currency translation reserve.

Borrowing costs

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Other government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognised as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan on initial recognition.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from the subsidiary in an independent fund managed by the PRC government.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

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

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost, less accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets, other than construction in progress, less their residual values over their useful lives, using the straight-line method.

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

The estimated useful lives for the current and comparative periods are as follows:

Building	20 years
Furniture and office equipment	3-6 years
Leasehold improvement	5 years
Plant and machinery	8-10 years
Motor vehicles	4 years

Depreciation methods, useful lives and residual values are reassessed at the end of each reporting period.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

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

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 25.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, deposits, prepayments and other receivables, pledged bank deposits and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

Other financial liabilities

Other financial liabilities (including trade payables, accruals and other payables and borrowings) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial guarantee contracts

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

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

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties transactions

A party is considered to be related to the Group if:

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

- (a) has control or joint control over the Group;
- (b) has significant influence over the Group; or
- (c) is a member of the key management personnel of the Group or of a parent of the Group.

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

- (a) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);
- (b) one entity is an associate or joint venture of the other entity for an associate or joint venture of a member of a group which the other entity is a member);
- (c) both entities are joint ventures of the same third party;
- (d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employees are also related to the Group;
- (f) the entity is controlled or jointly controlled by a person identified in (i);
- (g) a person identified in (i) (a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (h) the entity, or any member of a group of which is a part, provides key management personal services to the Group or to the parent of the Group.

A transaction is considered to be a related party transaction when there is a transfer of resources, or obligations between the Group and a related party, regardless of whether a price is charged.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, 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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

(a) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for an asset at the end of each reporting period. The asset is tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, an estimation of the value in use of the cash-generating units to which the asset is allocated will be required. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

(b) Impairment of trade and other receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation on the recoverability of trade and other receivables is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the periods in which such estimate has been changed.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(c) Useful lives and residual values of property, plant and equipment

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

(d) Income tax and deferred taxation

Determining income tax provisions involve judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(e) Impairment of inventories

The Group makes provision for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of slow-moving stock and obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories.

(f) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value.

The carrying amount of goodwill as at 31 December 2017 was approximately RMB11,917,000. Details of the impairment loss calculation are set out in note 18.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(g) Valuation of share options

As explained in Note 34, share option expense is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behavior, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the profit or loss and share-based payment reserve.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 **RMB'000**	2016 RMB'000
Financial assets		
Financial asset at fair value through profit or loss	**22,063**	94,405
Loans and receivables (including cash and bank balances)		
– Trade receivables	**98,031**	80,020
– Other receivables	**95,269**	5,637
– Cash and bank balances	**16,204**	306,917
Financial liabilities		
Amortised cost		
– Trade payables	**–**	391
– Other payables	**14,149**	43,123
– Bank borrowings	**–**	31,000

(b) Financial risk management objectives and policies

The directors of the Company monitors and manages the financial risks relating to the operations of the Group through internal risks reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest risk), credit risk and liquidity risk.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

The Group's major financial instruments include trade receivables, other receivables, pledged bank deposits, cash and bank balances, financial asset at fair value through profit or loss, trade and bills payables, other payables, and borrowings. Details of these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

It is the risk that a counterparty is unable to pay amount in full when due. It arises primarily from the Group's trade receivables. The Group limits its exposure to credit risk by rigorously selecting counterparties. The Group mitigates its exposure to risk relating to trade receivables by dealing with diversified customers with sound financial standing. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. In addition, all receivables balances are monitored on an ongoing basis and overdue balances are followed up by senior management. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables, if any, estimated by the management based on prior experience and the current economic environment. The Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors believe that the credit risk is significantly reduced.

The Group has a concentration of credit risk in certain individual customers. At the end of each reporting period, the five largest receivable balances accounted for 43.1% as at 31 December 2017 (2016: 53.8%) of the trade receivables and the largest trade receivable was 9.8% (2016: 11.0%) of the Group's total trade receivables.

The Group seeks to minimise its risk by dealing with counterparties which have good credit history. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

In relation to the Group's deposits with bank, the Group limits its exposure to credit risk by placing deposits with financial institutions with high credit rating and no recent history of default. The directors consider that the Group's credit risk on the bank deposits is low. Management continues to monitor the position and will take appropriate action if their ratings should change. As at 31 December 2016 and 2017, the Group has no significant concentration of credit risk in relation to deposits with bank.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Interest rate risk

The Group's exposure to fair value interest rate risk to fixed rate borrowings is minimal because the Group has been keeping borrowings at variable rates.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and borrowings (note 28). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates arising from the Group's RMB denominated borrowings.

Interest rate sensitivity analysis

At 31 December 2017 and 31 December 2016, the Group has no borrowing at variable interest rate and fixed interest rate that expire the Group's cash flow interest rate risk and fair value interest rate risk.

Price Risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities listed in Hong Kong industry sector quoted in The Stock Exchange of Hong Kong Limited. The directors of the Company will monitor the risks and consider hedging the risk exposure should the need arise.

Equity price sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the prices had been 15% higher/lower:

Post-tax loss for the year ended 31 December 2017 would decrease/increase by RMB2,763,000 (2016: increase/decrease by RMB11,824,000) as a result of change in fair value of financial assets at fair value through profit or loss.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Currency risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB and United States dollars ("USD"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The management do not expect the net foreign currency risk from these activities to be significant and hence, the Group do not presently hedge the foreign exchange risks. The Group periodically review liquid assets and liabilities held in currencies other than the functional currencies of the respective subsidiaries to evaluate its foreign exchange risk exposure and will consider hedging significant foreign currency exposure should the need arise. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**39**	4,103	**–**	2,658

The foreign currency sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in USD.

The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in RMB against USD 5% (2016: 5%) is the sensitivity rate used in the current year when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items. It also includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. The Group's sensitivity to foreign currency has changed during the year ended mainly due to the change of the position of foreign currency denominated monetary net liabilities. If RMB strengthen 5% against USD whiles a positive number below indicates an increase in profit, there would be an equal and opposite impact on the profit as those referred to in the table below:

	2017	2016
	RMB'000	RMB'000
Sensitivity rate	**5%**	5%
Profit or loss	**2**	72

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

The Group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds and internally generated cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and mitigate the effect of fluctuations in cash flows. Management monitors the utilisation of borrowings on a regular basis.

The following tables detail the Group's contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The tables include both interest and principal cash flows.

	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2017					
Non-derivative financial liabilities					
Other payables	14,149	–	–	14,149	14,149
Obligations under finance leases	10,375	17,430	–	27,805	21,785
	24,524	17,430	–	41,954	35,934

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2016						
Non-derivative financial liabilities						
Trade payables	–	391	–	–	391	391
Other payables	–	43,123	–	–	43,123	43,123
Bank borrowings – fixed-rate	6.08	32,378	–	–	32,378	31,000
		75,892	–	–	75,892	74,514

(c) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

(i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

(ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

For financial reporting purpose, fair value measurement are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the input to the fair value measurements in its entirety.

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value of financial instruments *(Continued)*

The table below gives the information about how the fair value of these financial assets and financial liabilities that are measured at fair value on a recurring basis are determined (in particular, the valuation technique(s) and inputs used). The different level are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Fair value measurements recognised in the consolidated statement of financial position

	Level 1 RMB'000	**Level 2** RMB'000	**Level 3** RMB'000	**Total** RMB'000
As at 31 December 2017				
Financial assets				
Financial assets at fair value through profit or loss	**22,063**	**–**	**–**	**22,063**
As at 31 December 2016				
Financial assets				
Financial assets at fair value through profit or loss	94,405	–	–	94,405

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value of financial instruments *(Continued)*

The fair value of listed equity securities in Hong Kong is determined based on quoted market bid price on relevant stock exchange.

Financial assets	Fair value as at 31/12/2017	Fair value as at 31/12/2016	Fair value hierarchy	Basis of fair value measurement/ valuation technique(s) and key inputs
Financial assets at fair value through profit or loss	Listed equity securities RMB22,063,000	Listed equity securities RMB94,405,000	Level 1	Quoted bid prices in an active market

There were no transfer between Level 1 and Level 2 in both years.

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

(d) Capital risk management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages the capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital in both years.

The Group monitors capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group overall strategy remains unchanged in both years.

The capital structure of the Group consists of borrowings, cash and bank balances and equity attributable to owners of the Company, comprising issued share capital and reserves.

	2017 RMB'000	2016 RMB'000
Total borrowings (Note (a))	**–**	31,000
Total equity	**553,491**	697,739
Gearing ratio	**N/A**	4%

Note:

(a) Total borrowings represented by bank borrowings.

7. OPERATING SEGMENT

Information reported internally to the chief operating decision makers for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group currently operates in one business segment in manufacturing, trading and retailing business of watches. During the year, the major line of business i.e. sale and manufacturing of economical watches was discontinued upon the disposal of Speedy Glory Limited and its subsidiaries.

The information reported below does not include any amounts for the discontinued operation, which are disclosed more detail in note 12.

A single management team reports to the chief operating decision makers who comprehensively manages the entire business. Accordingly, the Group does not have separate reportable segments.

Revenue from major products

	2017 **RMB'000**	2016 RMB'000 (Restated)
Continuing operations:		
Branded watches:		
Prestige and high-ended watch	**50,572**	67,832
Extreme watch	**–**	216
OEM watches	**38,392**	10,362
Third-party watches	**26,841**	11,217
	115,805	89,627

Geographical information

Detailed below is information about the Group's turnover from external customers analysed by their geographical location: Group's operations are located in HK and the PRC.

	2017 **RMB'000**	2016 RMB'000 (Restated)
Asia (excluding the PRC)	**77,413**	10,362
The PRC	**29,223**	79,265
Europe	**9,169**	–
	115,805	89,627

Information about major customers

No individual customer contributed over 10% of total revenue of the Group during the years ended 31 December 2017 and 2016.

8. REVENUE

	2017 RMB'000	2016 RMB'000 (Restated)
Continuing operations:		
Branded watches	**50,572**	68,048
OEM watches	**38,392**	10,362
Third-party watches	**26,841**	11,217
	115,805	89,627

9. OTHER INCOME AND GAIN

	2017 RMB'000	2016 RMB'000 (Restated)
Continuing operations:		
Bank interest income	**1**	–
Sundry income	**–**	77
	1	77

10. FINANCE COSTS

	2017 RMB'000	2016 RMB'000 (Restated)
Continuing operations:		
Finance charges on obligations under finance lease	**1,806**	–
Interest on borrowings wholly repayable within five years	**–**	5
	1,806	5

11. TAXATION

	2017 RMB'000	2016 RMB'000 (Restated)
Continuing operations:		
Hong Kong profits tax	**273**	20
Deferred taxation credit in Hong Kong	**(7,359)**	(2,017)
	7,086	(1,997)

11. TAXATION *(Continued)*

Hong Kong

Hong Kong profits tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profit for the year ended 31 December 2017.

The PRC

The PRC Enterprise Income Tax ("PRC EIT") is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC.

Under the PRC Enterprise Income Tax Law (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of a PRC subsidiary is 25% from 1 January 2008 onwards.

The taxation (credit)/charge for the year can be reconciled to the loss before taxation per consolidated statements of profit or loss and other comprehensive income as follows:

	2017		2016	
	RMB'000	**%**	RMB'000 (Restated)	%
Loss before taxation	**(96,983)**		(22,927)	
Tax at the application income tax rate	**(24,246)**	**(25.0)**	(5,732)	(25.0)
Effect of different tax rate in other countries	**8,244**	**8.5**	1,949	8.5
Tax effect of expenses not deductible for tax purpose	**8,916**	**9.2**	1,786	7.8
Taxation for the year	**(7,086)**	**(7.3)**	(1,997)	(8.7)

Based on the assessment made by directors of the Company as at the end of reporting period, the Company was uncertain on the arrangement for the distribution of retained earnings of the Company's PRC subsidiaries. Due to such uncertainty, it is impracticable to recognise the deferred tax liabilities in respect of the PRC dividend withholding tax relating to the undistributed profits of the Company's PRC subsidiaries of RMBNil (2016: RMB190,360,000) as at the year ended date.

12. DISCONTINUED OPERATION

On 2 May 2017, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Speedy Glory Limited and its subsidiaries ("Disposal Group"), which engaged in sales and manufacturing of economical watches, to an independent third party (the "Purchaser") for cash consideration of approximately RMB151,434,000, which was completed on 30 November 2017.

The operations of the Disposal Group represented a separate major line of business i.e. manufacturing of economical watches of the Group.

The disposal of the manufacturing of watches business was treated as discontinued operation in these consolidated financial statements in accordance with "HKFRS 5 Non-Current Assets Held for Sale and Discontinued Operations". The comparative consolidated statement of profit or loss and other comprehensive income and related notes have been re-presented as if the operation discontinued during the year had been discontinued at the beginning of the comparative period.

The profit/(loss) for the year from discontinued operation is set out below.

	2017	2016
	RMB'000	RMB'000
Loss for the year from discontinued operation	**(97,048)**	(318,271)
Gain on disposal of Disposal Group during the year	**69,870**	–
	(27,178)	(318,271)

The results of the discontinued operation included in the loss for the year are set out below.

	2017	2016
	RMB'000	RMB'000
Turnover	**42,479**	182,185
Cost of sales	**(34,367)**	(145,486)
Gross profit	**8,112**	36,699
Other income and gain	**407**	4,226
Impairment of property, plant and equipment	**–**	(172,983)
Written-down inventories	**–**	(80,945)
Selling and distribution expenses	**(65,557)**	(54,785)
Administrative expenses	**(39,047)**	(47,323)
Finance costs	**(963)**	(1,338)
Loss before taxation	**(97,048)**	(316,449)
Taxation	**–**	(1,822)
Loss for the year from discontinued operation	**(97,048)**	(318,271)
Loss for the year from discontinued operation attributable to:		
Owner of the Company	**(93,157)**	(301,584)
Non-controlling interests	**(3,891)**	(16,687)
	(97,048)	(318,271)

12. DISCONTINUED OPERATION *(Continued)*

Analysis of asset and liabilities over which control was lost:

	Net assets before netting RMB'000	Netting RMB'000	Non-current assets after netting RMB'000
Net assets			
Property, plant and equipment	65,771	–	65,771
Prepaid lease payments	12,604	–	12,604
Current assets			
Prepaid lease payments	327	–	327
Inventories	85,644	(85,644)	–
Trade receivables	10,954	–	10,954
Deposits, prepayment and other receivables	151,669	(132,842)	18,827
Cash and bank balance	11,482	–	11,482
Current liabilities			
Trade payables	(1,102)	–	(1,102)
Accruals and other payables	(3,761)	–	(3,761)
Amounts due to the Group	(218,843)	218,486	(357)
Bank borrowings	(30,500)	–	(30,500)
Net assets disposal of			84,245

Gain on disposal of subsidiaries

	2017 RMB'000
Cash consideration receivable	**151,434**
Net assets disposal of	**(84,245)**
Release of foreign currency translation reserve	**887**
Non-controlling interests	**1,794**
Gain on disposal	**69,870**

12. DISCONTINUED OPERATION *(Continued)*

Consideration

	2017 RMB'000
Cash	**72,194**
Consideration receivable	**79,240**
Total consideration	**151,434**

Net cash inflow on disposal of subsidiaries

	2017 RMB'000
Consideration received in cash and bank balance	**72,194**
Less: cash and bank balance disposal of	**(11,482)**
	60,712

13. LOSS FOR THE YEAR

	2017 RMB'000	2016 RMB'000
Continuing operations:		
Loss for the year has been arrived at after charging:		
Other staff costs:		
Salaries and other benefits	**14,068**	1,468
Retirement benefit schemes contribution	**4,200**	111
Total employee expenses	**18,268**	1,579
Advertising expenses	**36,470**	12,713
Auditors' remuneration	**1,200**	1,200
Cost of inventories recognised as cost of sales	**75,151**	51,426
Depreciation of property, plant and equipment	**4,350**	–
Share based payment expense	**5,500**	–
Loss on fair value change on financial asset at fair value through profit or loss	**50,223**	12,226

14. DIRECTORS' EMOLUMENTS

Pursuant to the 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 RMB'000	2016 RMB'000
Directors' fees	**781**	1,095
Salaries, allowances and benefit in kind	**–**	220
Share-based payment	**–**	–
Retirement benefit schemes contributions	**10**	11
	791	1,326

Details for the emoluments of each directors of the Company during the year ended are as follows:

	Year ended 31 December 2017					
	Directors' fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Share based payment RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive director:						
Mr. See Ching Chuen	198	–	–	–	10	208
Mr. Yang Xi	208	–	–	–	–	208
Mr. Zou Weikang	104	–	–	–	–	104
Independent non-executive director:						
Mr. Nie Xing (Note e)	61	–	–	–	–	61
Mr. Chang Wei (Note f)	38	–	–	–	–	38
Mr. Yu Chon Man	104	–	–	–	–	104
Mr. Zhong Weili (Note g)	42	–	–	–	–	42
Ms. Duan Baili (Note h)	26	–	–	–	–	26
	781	–	–	–	10	791

14. DIRECTORS' EMOLUMENTS *(Continued)*

	Year ended 31 December 2016					
	Directors' fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Share based payment RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive director:						
Mr. Lin (Note a)	271	220	–	–	3	494
Mr. Zou Weikang (Note c)	20	–	–	–	–	20
Mr. Yang Xi (Note d)	41	–	–	–	–	41
Mr. See Ching Cheun	203	–	–	–	8	211
Mr. Zheng Qingjie (Note b)	237	–	–	–	–	237
Independent non-executive director:						
Mr. Nie Xing (Note e)	136	–	–	–	–	136
Mr. Chang Wei (Note f)	85	–	–	–	–	85
Mr. Yu Chon Man	102	–	–	–	–	102
	1,095	220	–	–	11	1,326

Notes:

a) Mr. Lin was resigned as Executive Director on 20 October 2016.

b) Mr. Zheng Qingie was resigned on 23 November 2016.

c) Mr. Zou Weikang was appointed as Executive Director of the Company on 20 October 2016.

d) Mr. Yang Xi was appointed as Executive Director of the Company on 20 October 2016.

e) Mr. Nie Xing was retired as Independent Non-Executive Director on 7 June 2017.

f) Mr. Chang Wei was refired as Independent Non-Executive Director on 7 June 2017.

g) Mr. Zhong Weili was appointed as Independent Non-Executive Director of the Company on 5 September 2017.

h) Ms. Duan Baili was appointed as Independent Non-Executive Director of Company on 16 August 2017.

For the years ended 31 December 2017 and 2016, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group on as compensation for loss of office. There were no arrangement under which a director waived on agreed to waive any emoluments during the year ended.

15. EMPLOYEES' EMOLUMENTS

Five highest paid employees

Of the five individuals with the highest emoluments in the Group for the year, nil (2016: one) were directors of the Company whose emoluments are included in the disclosure in note 14 above. The emoluments of the remaining five (2016: four) individuals were as follows:

	2017 **RMB'000**	2016 RMB'000
Director	**–**	494
Non-director	**1,632**	1,804
	1,632	2,298

Details of the remuneration of the above non-director, highest paid employees during the year are as follows:

	2017 **RMB'000**	2016 RMB'000
Salaries, allowances and benefit in kind	**1,562**	1,743
Retirement benefit schemes contributions	**70**	61
	1,632	1,804

The number of these non-director, highest paid employees whose remuneration fell within the following band is as follows:

	2017	2016
Nil to HK$1,000,000	**5**	4

Senior management of the Group

The number of the senior management of the Group are within the following band:

	2017	2016
Nil to HK$1,000,000	**5**	4

During the year, no emoluments were paid by the Group to the non-director, highest paid employees or senior management as an inducement to join or upon joining the Group or as compensation for loss of office. None of the non-director, highest paid employees and senior management waived or agreed to waive any emoluments during the year.

16. DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

17. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

For continuing and discontinued operations

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

	2017	2016
	RMB'000	RMB'000
Loss		
Loss for the purposes of basic and diluted loss per share, loss for the year attributable to the owners of the Company	**(113,184)**	(322,514)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**3,456,000**	2,475,683

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB113,184,000 (2016: RMB322,514,000) and the weighted average number of 3,456,000,000 ordinary shares (2016: 2,475,683,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

Diluted loss per share for the years ended 31 December 2017 and 2016 were the same as basic loss per share as it is assumed that there is no potential dilutive ordinary shares in existence since the exercise of share options was anti-dilutive.

17. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY *(Continued)*

For discontinued operations

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

	2017 RMB'000	2016 RMB'000
Loss		
Loss for the purpose of basic and diluted loss per share, loss for the year attributable to owner of the Company	**(23,287)**	(301,584)

	'000	'000
Number of shares		
Weight average number of ordinary shares for the purpose of basic and diluted loss per share	**3,456,000**	2,475,683

	2017 RMB cents	2016 RMB cents
Basic and diluted loss per share from discontinued operation	**(0.67)**	(12.18)

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB23,287,000 (2016: RMB301,584,000) and the weighted average number of 3,456,000,000 ordinary shares (2016: 2,475,683,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

Diluted loss per share for the years ended 31 December 2017 and 2016 were the same as basic loss per share as it is assumed that there is no potential dilutive ordinary shares in existence since the exercise of share options was anti-dilutive.

18. GOODWILL

	2017 RMB'000	2016 RMB'000
Cost:		
At 1 January	**12,826**	–
Acquisition of a subsidiary (note 38)	**–**	12,415
Exchange alignment	**(909)**	411
Carrying amounts	**11,917**	12,826
Accumulated impairment losses:		
At 1 January and 31 December	**–**	–
	–	–
Carrying amount:		
At 31 December	**11,917**	12,826

Particular of impairment testing on goodwill are disclosed below:

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

Trading watch business

Before recognition of impairment losses, the carrying amount of goodwill was allocated to cash-generating units as follows:

	2017 RMB'000	2016 RMB'000
Trading watch business	**11,917**	12,826

For the year ended 31 December 2017, the recoverable amount of this cash generating units has been determined based on a value in use calculation which uses cash flow projection based on financial budgets approved by the directors and valued by the professional valuer covering a five-year period, and pre-tax discount rate of 19.22% per annum (2016: 19.81%). Cash flows beyond that five-year period have been extrapolated using a steady 3.0% growth rate (2016: 3.2%). This growth rate does not exceed the long-term average growth rate for the market.

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

Budgeted market share	Average market share in the period immediately before the budget period. The values assigned to the assumption reflect post experience
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period which reflects the past experience

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement RMB'000	Buildings RMB'000	Furniture, and office equipment RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost						
As at 1 January 2016	340	61,662	5,249	388,520	2,158	457,929
Additions	–	–	5,115	24,752	–	29,867
Disposals	–	–	(2,402)	(7,037)	–	(9,439)
Exchange realignment	23	–	6	–	–	29
As at 31 December 2016 and 1 January 2017	363	61,662	7,968	406,235	2,158	478,386
Additions	–	–	–	43,544	–	43,544
Disposals of subsidiaries	(338)	(61,662)	(7,961)	(406,235)	(2,158)	(478,354)
Exchange alignment	(25)	–	(7)	(1,824)	–	(1,856)
As at 31 December 2017	**–**	**–**	**–**	**41,720**	**–**	**41,720**
Accumulated depreciation and impairment losses						
As at 1 January 2016	64	25,526	3,711	150,880	1,435	181,616
Charge for the year	129	2,929	630	43,693	189	47,570
Impairment losses	115	–	4,542	167,916	410	172,983
Disposals	–	–	(2,281)	(6,687)	–	(8,968)
Exchange realignment	20	–	2	–	–	22
As at 31 December 2016 and 1 January 2017	328	28,455	6,604	355,802	2,034	393,223
Charge for the year	119	2,685	577	20,180	173	23,734
Disposals of subsidiaries	(426)	(31,140)	(7,178)	(371,632)	(2,207)	(412,583)
Exchange alignment	(21)	–	(3)	(217)	–	(241)
As at 31 December 2017	**–**	**–**	**–**	**4,133**	**–**	**4,133**
Net book values						
As at 31 December 2017	**–**	**–**	**–**	**37,587**	**–**	**37,587**
As at 31 December 2016	35	33,207	1,364	50,433	124	85,163

As at 31 December 2017, the carrying amount of the Groups plant and machinery of approximately RMB37,587,000 of asset held under finance lease.

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

(i) Impairment loss recognised during the year ended 31 December 2016

During the year, the continuing decline of the financial performance of the Group's branded watch and OEM watch and processed products segment (Cash Generating Units the "CGUs") was mainly due decrease in revenue was mainly attributable to (i) continual weakening of the market demand on the branded watches and OEM watches of the Group effected by overall economic slowdown in the People's Republic of China; (ii) continual decrease in the average selling price of the branded watches and OEM watches of the Group; and (iii) the sale return of approximately RMB33,113,000 from customer of branded watches and OEM customers. As the poor result of the Group's manufacturing and trading of watches in the People's Republic of China during the year ended 31 December 2016, the Group considered it was an indication that the property, plant and equipment of the manufacturing and trading of watches may be impaired. The Group carried out an impairment testing on the property, plant and equipment. The recoverable amount of the property, plant and equipment has been determined based on a value-in-use calculation. The value-in-use of property, plant and equipment were estimated based on their respective discounting future cash flows to be generated from the continuing use of these assets. The value-in-use calculation using cash flow projections according to financial budgets covering a five-year period approved by the management and review was performed by an independent qualified valuer as at 31 December 2016 and with pre-tax discount rates of 14.09%. Cash flows beyond five-year period have been extrapolated using a steady 3.2% growth rate.

The other key assumptions used in the estimation of value-in-use of the property, plant and equipment are as follows:

- For the CGU to continue as a going concern, the Business Enterprise will successfully carry out all necessary activities for the development of its business;
- The availability of finance will not be a constraint on the forecast growth of the CGU in accordance with the projections;
- Market trends and conditions where the Business Enterprise operates will not deviate significantly from the economic forecasts in general;
- The unaudited financial statements relating to the CGU as supplied to us have been prepared in a manner which truly and accurately reflect the financial position relating to the CGU as at the respective balance sheet dates;
- Key management, competent personnel and technical staff will all be retained to support the ongoing operations of the CGU;
- There will be no material changes in the business strategy of the CGU and its operating structure;
- Interest rates and exchange rates in the localities for the operation of the CGU will not differ materially from those presently prevailing;

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

(i) Impairment loss recognised during the year ended 31 December 2016 *(Continued)*

- All relevant approvals, business certificates, licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the CGU operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and
- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Business Enterprise operates or intends to operate, which would adversely affect the revenues and profits attributable to the CGU.

During the year, the impairment loss recognised on property, plant and equipment of approximately RMB172,983,000 which are located in PRC. The impairment losses have been included in the consolidated statement of profit or loss and other comprehensive income.

(ii) Details of property, plant and equipment pledged are set out in note 35.

20. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2017 **RMB'000**	2016 RMB'000
Analysis for reporting purposes as:		
Current assets	–	327
Non-current assets	–	12,586
	–	12,913

As at 31 December 2016, the prepaid lease payments are land use rights located in the PRC which are under medium lease.

As at 31 December 2016, the Group's prepaid lease payments amounts the payments for land use right situated in the PRC. The leasehold lands have lease term of 50 years and the Group has processed the land use rights of the leasehold during the lease term.

21. INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials	**10,053**	22,052
Work in progress	**31**	7
Finished goods	**110,600**	71,173
	120,684	93,232

22. TRADE RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**98,031**	80,020

The Group generally allows credit period of 0 to 60 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	2017 RMB'000	2016 RMB'000
0 to 30 days	**32,244**	27,190
31 to 60 days	**36,188**	48,173
61 to 90 days	**6,908**	2,645
91 to 180 days	**256**	1,302
Over 180 days	**22,435**	710
	98,031	80,020

Past due but not impaired

Included in the Group's trade receivables balances are debts with carrying amounts of approximately RMB29,599,000 as at 31 December 2017 (2016: RMB38,962,000) which were past due at the end of the reporting date for which the Group had not provided as there had not been a significant change in credit quality and the amounts were still considered recoverable. The Group does not hold any collateral over these balances.

Aged analysis of receivables that are past due but not impaired

	2017 RMB'000	2016 RMB'000
Overdue by:		
0 to 30 days	**6,908**	34,390
Over 30 days	**22,691**	4,572
	29,599	38,962

22. TRADE RECEIVABLES *(Continued)*

Past due but not impaired *(Continued)*

Impaired trade receivables

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Accordingly, the directors believe that there is no further credit provision required in excess of the impairment of trade receivables.

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgement and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. The management closely reviews the trade receivable balance and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balances.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. The management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit risk and the balances are still considered fully recoverable. The Group does not hold any collateral over those balances.

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2017 **RMB'000**	2016 RMB'000
Deposits and prepayments (Note i)	**195,342**	87,399
Value-added tax receivable	**–**	9,320
Other receivables (Note ii)	**95,269**	5,637
	290,611	102,356

Note: (i) Included in deposits and prepayments, (a) approximately RMB195,342,000 (2016: RMB50,148,000) represented the deposit and prepayments for purchase of inventories to independent third parties; (b) approximately RMB27,432,000 (2016: RMB20,799,000) represented the prepayment for advertising; (ii) included in other receivable approximately RMB72,194,000 represented the consideration receivable of disposal of subsidiaries during the year 2017.

24. CASH AND BANK BALANCES

	2017 **RMB'000**	2016 RMB'000
Cash at bank and on hand	**215**	305,799
Cash at other financial institutions	**16,829**	1,118
Cash and bank balances	**16,204**	306,917

As at 31 December 2017, cash and bank balances carry interest at prevailing market saving rates from 0.01% to 0.02% (2016: 0.01% to 0.02%) per annum. Included in the pledged bank deposit and cash and bank balances were amounts in RMB of approximately RMBnil (2016: RMB80,684,000) which were not freely convertible into other currencies.

25. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 **RMB'000**	2016 RMB'000
Listed equity securities in Hong Kong	**22,063**	94,405

The fair value of listed securities in Hong Kong is determined based on quoted market bid price available on the relevant stock exchange.

26. TRADE PAYABLES

	2017 **RMB'000**	2016 RMB'000
Trade payables	**–**	391

The average credit period on purchase of goods is 0 to 60 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2017 **RMB'000**	2016 RMB'000
0-30 days	**–**	326
31-60 days	**–**	53
61-90 days	**–**	–
91-180 days	**–**	3
Over 180 days	**–**	9
	–	391

27. ACCRUALS AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Accruals	**3,248**	4,061
Value-added tax payables	**–**	292
Receipt in advance	**4,256**	3,738
Other payables	**14,149**	43,123
	21,653	51,214

28. BANK BORROWINGS

	2017 RMB'000	2016 RMB'000
Secured bank borrowings		
– fixed rate (Note a,b)	**–**	31,000
	–	31,000
Carrying amounts repayable (Note c)		
– within one year	**–**	31,000
– over than 1 year	**–**	–
	–	31,000
Less: Amounts classified as current liabilities secured term loan due within 1 year or contain a repayment on demand clause	**–**	(31,000)
Amounts classified as non-current liabilities	**–**	–

Notes:

a) The fixed-rate bank borrowings of the Group as at 31 December 2016 were secured by:

(i) personal guarantee provided by the Directors of the Company, Mr. Lin who was resigned on 20 October 2016;

(ii) pledge of the Group's leasehold land with carrying amount of approximately RMB12,915,000;

(iii) pledge of the Group's building with carrying amount of approximately RMB10,362,000;

b) At 31 December 2016, the secured fixed-rate bank borrowings of the Group with financial institutions amounted to approximately RMB31,000,000, carried interest ranging from 4.79% to 6.53% per annums.

c) The amounts due are based on the scheduled repayment dates.

29. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payment		Present value of minimum lease payment	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance leases:				
Within one year	**10,375**	–	11,302	–
More than one year and not more than five years	**17,430**	–	10,483	–
In the fifth year	**–**	–	–	–
	27,805	–	21,785	–
Less: Future finance charges	**(6,020)**	–	–	–
Present value of lease obligations	**21,785**	–	21,785	–
Less: Amount due within one year shown under current liabilities			(11,302)	–
Amount due after one year			10,483	–

	2017	2016
	RMB'000	RMB'000
Analysis for reporting purpose as:		
Current liabilities	**11,302**	–
Non-current liabilities	**10,483**	–
	21,785	–

The Group leased certain plant and equipment under finance lease. As at 31 December 2017, the lease terms ranged from 3-4 years. (31 December 2016: N/A).

The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

Finance leases obligations are denominated in Hong Kong dollars.

30. DEFERRED TAXATION

The following is the major deferred tax liabilities recognised and movements thereon during the current year and prior years.

	Financial assets at the fair value through profit or loss RMB'000
As at 1 January 2016	(9,096)
Charged to consolidated statement of profit or loss and other comprehensive income (Note 11)	2,017
Exchange alignment	(525)
As at 31 December 2016 and 1 January 2017	(7,604)
Credited to consolidated statement of profit or loss and other comprehensive income (Note 11)	7,359
Exchange alignment	245
As at 31 December 2017	–

No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

The following is the analysis of the deferred tax balances for financial reporting purpose:

	2017 **RMB'000**	2016 RMB'000
Deferred tax assets	**–**	–
Deferred tax liabilities	**–**	(7,604)

At 31 December 2017, the Group has unused tax losses of approximately RMB12,681,000 (2016: RMB11,322,000) available for offset against the assessable profit for each particular year.

Deferred tax assets have not been recognised in respect of the losses because it's considered probable taxable profits will be available against which the tax losses can be utilised.

31. SHARE CAPITAL

	Number of Shares '000	Nominal value HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
As at 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	13,000,000	130,000

	Number of shares	Nominal Value of ordinary share	
	'000	HK$'000	RMB'000
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
As at 1 January 2016	960,000	9,600	7,667
Issue of shares upon share placement (note a)	192,000	1,920	1,614
Issue of shares under the right issues (note b)	2,304,000	23,040	19,900
As at 31 December 2016, 1 January 2017 and 31 December 2017	**3,456,000**	**34,560**	**29,181**

Note:

a) On 4 January 2016, the Company entered into the placing agreement with the placing agent, whereby the Company has conditionally agreed to place, through the placing agents, on a best effort basis, a maximum of 192,000,000 placing shares to not less than 6 independent Placees at a price of not less than HK$0.23 per placing shares. All conditions of the placing have been fulfilled and the completion of the placing took place on 18 January 2016.

b) Pursuant to the rights issue on the basis of two rights share of HK$0.14 each for every one share held on the record date, 2,304,000,000 new shares were issued in 18 July 2016 at HK$0.14 per share. The net proceeds of approximately HK$319,016,000 (equivalent to RMB278,702,000) was intended to apply to further development of money lending business and any future acquisition of investments.

32. DETAILS OF THE COMPANY

(a) Statement of Financial Position of the Company:

	Notes	2017 RMB'000	2016 RMB'000
Assets			
Current assets			
Deposit, prepayment and other receivables		**64,697**	57,152
Amount due from subsidiaries		**314,424**	320,991
Cash and bank balance		**13,344**	118,053
		392,465	496,196
Liabilities			
Current liabilities			
Accruals		**2,748**	1,718
		2,748	1,718
Net current assets		**389,717**	494,478
Total assets less current liabilities		**389,717**	494,478
Net assets		**389,717**	494,478
Equity			
Share capital	31	**29,181**	29,181
Reserves	32(b)	**360,536**	465,297
Total equity		**389,717**	494,478

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2018 and are signed on its behalf by:

Yang Xi
Executive Director

See Ching Chuen
Executive Director

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

32. DETAILS OF THE COMPANY *(Continued)*

(b) The reserves of the Company

	Share premium RMB'000	Share option reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
As at 1 January 2016	181,552	23,405	8,517	(32,463)	181,011
Loss for the year	–	–	–	(10,432)	(10,432)
Other comprehensive income for the year	–	–	18,135	–	18,135
Total comprehensive income/(loss) for the year	–	–	18,135	(10,432)	7,703
Issue of shares upon share placement	35,503	–	–	–	35,503
Transaction cost attributable to issues of shares upon share placement	(931)	–	–	–	(931)
Issue of shares upon the rights issue	258,702	–	–	–	258,702
Transaction cost attributable to issues of shares under rights issue	(3,061)	–	–	–	(3,061)
Release upon lapse of share option	–	(13,630)	–	–	(13,630)
As at 31 December 2016 and 1 January 2017	471,765	9,775	26,652	(42,895)	465,297
Loss for the year	–	–	–	(64,825)	(64,825)
Other comprehensive loss for the year	–	–	(39,936)	–	(39,936)
Total comprehensive loss for the year	–	–	(39,936)	(64,825)	(104,761)
As at 31 December 2017	471,765	9,775	(13,284)	(107,720)	360,536

33. RETIREMENT BENEFIT PLANS

The employees in the PRC are members of state-managed retirement benefit scheme operated by the PRC government. The Company's subsidiary operating in the PRC is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contribution under the scheme.

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme is a registered scheme under the MPF Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employers and their employees are each required to make contributions to the MPF Scheme at a rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees and capped at HK$1,500 per month (HK$1,500 since 1 June 2014). No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to profit or loss represent contributions payable to the funds by the Group at rates specified in the rules of the MPF Scheme.

34. SHARE-BASED PAYMENT SCHEMES

On 30 January 2015, the share option scheme (the"Share Option Scheme") was adopted. The purposes of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors of the Company consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors of the Company and other selected participants for their contributions to the Group.

The maximum number of shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares capital on 30 January 2015 (such 10% limit representing 80,000,000 shares).

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being, unless the approval of the shareholders is obtained.

34. SHARE-BASED PAYMENT SCHEMES *(Continued)*

Any grant of options under the Share Option Scheme to a Director, Chief Executive or substantial shareholder of the Company must be approved by the independent non-executive Directors. Where any granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with value in excess of HK$5,000,000 must be approved by the shareholders of the Company in general meeting.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option. The subscription price per share under the Share Option Scheme shall be determined at the discretion of the Directors of the Company and will not less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

(a) The details of the movements in the number of share options have been grant during the year were as follows:

Share option scheme

	Date of grant	Exercised price HK$	Exercised period	At 1 January 2016 '000	Granted during the period '000	Reclassification during the period '000	Exercised during the period '000	Lapsed during the period '000	At 31 December 2016 '000	Granted during the period '000	Exercised during the period '000	Reclassification during the period '000	Lapsed/ Forfeited during the period '000	At 31 December 2017 '000
Directors	16 June 2015	0.726	16 December 2015 to 15 June 2025	1,600	–	(800)	–	–	800	–	–	–	–	800
Subtotal				1,600	–	(800)	–	–	800	–	–	–	–	800
Other employees and consultants	16 June 2015	0.726	16 December 2015 to 15 June 2025	12,370	–	800	–	(9,060)	4,110	–	–	–	(10)	4,100
	16 June 2015	0.726	16 June 2015 to 15 June 2025	56,600	–	–	–	(22,340)	34,210	–	–	–	(2,240)	31,970
	9 November 2017	0.05	9 November 2017 to 8 November 2018	–	–	–	–	–	–	345,600	–	–	–	345,600
Subtotal				68,970	–	800	–	(31,450)	38,320	345,600	–	–	(2,250)	381,670
Total				70,570	–	–	–	(31,450)	39,120	345,600	–		(2,250)	382,470
Weighted average exercise price				HK$0.726					HK$0.726					HK$0.115

In relation to the options granted to directors of the Company during the period, all of the options will vest six months after the grant date. In relation to the options granted to employees and consultants during the year ended 31 December 2015, 16,430,000 options will vest six months after the grant date, 61,470,000 options do not have vesting period. The fair value of the options determined at the date of grant using the Black-Scholes option pricing model (the "Black-Scholes Model") was approximately RMB27,277,000 (equivalent to approximately HK$34,023,000).

34. SHARE-BASED PAYMENT SCHEMES *(Continued)*

(b) According to the Block-Scholes Options Model, the value and adjusted values of the options granted are as follows:

Date of grant	**16 June 2015**	9 November 2016
Exercise price	**HK$0.726**	HK$0.05
Expected volatility	**79%**	98.8%
Option life	**10 years**	1 year
Risk-free interest rate	**1.271%**	0.96%
Expiration date	**15 June 2025**	9 November 2025

35. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group or borrowings of the Group:

	2017 **RMB'000**	2016 RMB'000
Buildings	**–**	10,362
Prepaid lease payments	**–**	12,915
	–	23,277

36. OPERATING LEASE ARRANGEMENT

The Group as lessee:

The Group entered into commercial leases on certain warehouses. Leases are generally negotiated for a term of three years. Rentals are fixed at the date of signing of lease agreement. At the end of the year ended date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follow:

	2017 **RMB'000**	2016 RMB'000
Within one year	**–**	702
In the second to fifth year inclusive	**–**	81
	–	783

37. RELATED PARTY TRANSACTIONS AND BALANCES

Save as disclosed in notes 14 and 28 in the Financial Information, the Group had also entered into the following related party transactions during the year:

(a) Compensation of key management personnel

The directors and chief executive officer of the Company are identified as key management members of the Group and their compensation for the year ended is set out in Note 14.

(b) Transaction with related parties

	2017 **RMB'000**	2016 RMB'000
Rental expense paid to a related company		
Hongbang Electronic (Note (i))	–	431

Note:

(i) Hongbang Electronics was owned by a close member of the family of Mr. Lin who was the Executive Director of the Company and resigned on 20 October 2016.

38. ACQUISITION OF A SUBSIDIARY

Particulars of the Company's principal subsidiaries are set out below:

On 6 October 2016, the Group entered into a sale and purchase agreement ("S&P") to acquire 100% equity interest in Soho Jewellery Company Limited and its subsidiaries ("Soho") from an independent third party (the "Vendor") at a consideration of HK$18,000,000 (equivalent to approximately RMB15,614,000). The total consideration was satisfied by cash. The acquisition was completed on 6 October 2016.

Summary of the effects of the acquisition is as follows:

	Acquiree's carrying amount and fair value Total RMB'000
Inventories	612
Trade receivables	8
Other receivables	3,406
Tax receivable	118
Cash and bank balances	13
Accruals and other payables	(958)
	3,199
Goodwill (Note 18)	12,415
	15,614

38. ACQUISITION OF A SUBSIDIARY *(Continued)*

Goodwill arising on acquisition

	RMB'000
Consideration transferred	15,614
Fair value of identifiable net asset acquired	(3,199)
	12,415

Goodwill arose in the acquisition of Soho because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Soho. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of goodwill arising on these acquisition is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Soho:

	RMB'000
Consideration paid in cash	15,614
Less: cash and cash equivalent balance acquired	(13)
	15,601

Impact of the acquisition on the results of the Group

Included in the profit for the year was RMB99,000 attributable to the additional business generated by Soho. Revenue for the year includes RMB6,896,000 in respect of Soho.

Had these business combinations been effected at 1 January 2016, the revenue of the Group from continuing operations would have been RMB16,121,000, and the profit for the year from continuing operations would have been RMB455,000. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

39. PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries are set out below:

Name of subsidiary	Place of Incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of Nominal value of issued share capitally paid up capital held by the Company Directly 2017	Directly 2016	Indirectly 2017	Indirectly 2016	Principal activities
Speed Glory (Note ii)	The British Virgin Islands ("BVI")	US$1.00	**–**	100%	**–**	–	Investment holding
Time2U (HK)	Hong Kong	HK$1.00	**–**	–	**100%**	100%	Investment holding
Touch Moment Group Limited	The British Virgin Islands ("BVI")	US$1.00	**100%**	100%	**–**	–	Investment holding
Zhangzhou Hongyuan (Note i and ii)	The PRC	RMB30,000,000	**–**	–	**–**	100%	Manufacturing and trading of watches
Fujian Ouwosi (Note i and ii)	The PRC	RMB25,000,000	**–**	–	**–**	80%	Manufacturing and trading of watches
Soho	Hong Kong	HK$10,000	**–**	–	**100%**	100%	Manufacturing and trading of watches

Notes:

(i) The companies are wholly foreign-owned enterprises established in the PRC.

(ii) The subsidiaries were disposed during the year ended 31 December 2017.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(a) Detail of non-wholly owned subsidiaries that have material non-controlling interests

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests voting right held by non-controlling interest 2017	2016	Loss allocated to non-controlling interest RMB'000 2017	RMB'000 2016	Accumulated non-controlling interest RMB'000 2017	RMB'000 2016
Fujian Ouwosi (Note i)	The PRC	**–**	20%	**–**	(16,687)	**–**	5,685

39. PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

(a) Detail of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

(i) Fujian Ouwosi (Note)

	2017 RMB'000	2016 RMB'000
Current assets	–	66,489
Non-current assets	–	50,529
Current liabilities	–	88,596
Equity attributable to owners of the Company	–	22,737
Non-controlling interests	–	5,685
Revenue	–	114,139
Expenses	–	(197,575)
Loss for the year	–	(83,436)
Loss attributable to		
Owners of the Company	–	(66,749)
Non-controlling interests	–	(16,687)
Total comprehensive expenses attributable to:		
Owners of the Company	–	(66,749)
Non-controlling interests	–	(16,687)
	–	(83,436)
Net cash generated from operating activities	–	24,922
Net cash used in investing activities	–	(14,749)
Net cash used in financing activities	–	(2,170)
Net cash inflow	–	8,003

Note:

Fujian Ouwosi was disposed during the year ended 31 December 2017.

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank Borrowings	Obligations under finance lease	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2017	31,000	–	31,000
Accrued interest	–	1,806	1,806
Disposal of subsidiary	(30,500)	–	(30,500)
Repayment of bank borrowings	(500)	–	(500)
Additions to property, plant and equipments	–	43,544	43,544
Repayment of obligation under finance lease	–	(23,565)	(21,785)
	–	21,785	21,785

41. NON-CASH TRANSACTIONS

(i) During the year ended 31 December 2017, additions to plant and equipment of approximately RMB43,544,000 as made under the finance lease.

(ii) During the year ended 31 December 2017, the Group disposal 100% of Disposal Group for approximately RMB72,194,000 which included into the other receivable.

42. COMPARATIVE FIGURES

As a result of the adjustment of the discontinued operation, certain comparative figures have been restated to confirm to current year's presentation and to provide comparative amounts in respect of items disclosed in 2016.

43. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 March 2018.