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ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

The board of directors (the “**Board**”) of Eternity Investment Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2017 together with the comparative figures for 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Continuing operations			
Revenue	5	53,989	161,042
Cost of sales		(57,537)	(93,432)
Gross (loss)/profit		(3,548)	67,610
Investment and other income	6	1,273	1,684
Other gains and losses	7	(74,634)	(177,691)
Selling and distribution expenses		(3,842)	(5,826)
Administrative expenses		(100,573)	(87,019)
Share of results of associates		282	—
Loss from operations		(181,042)	(201,242)
Finance costs	8	(23,627)	(9,529)
Loss before taxation		(204,669)	(210,771)
Income tax credit	9	9,052	2,903
Loss for the year from continuing operations	10	(195,617)	(207,868)
Discontinued operation			
Loss for the year from discontinued operation		(3)	(36)
Loss for the year		(195,620)	(207,904)

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
Loss for the year attributable to:			
Owners of the Company		(195,545)	(207,902)
Non-controlling interests		(75)	(2)
		<u>(195,620)</u>	<u>(207,904)</u>
Loss per share			
	<i>11</i>		
From continuing and discontinued operations			
Basic		<u>HK(5.41) cents</u>	<u>HK(6.61) cents</u>
Diluted		<u>HK(5.41) cents</u>	<u>HK(6.61) cents</u>
From continuing operations			
Basic		<u>HK(5.41) cents</u>	<u>HK(6.61) cents</u>
Diluted		<u>HK(5.41) cents</u>	<u>HK(6.61) cents</u>
From discontinued operation			
Basic		<u>HK — cent</u>	<u>HK — cent</u>
Diluted		<u>HK — cent</u>	<u>HK — cent</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss for the year	(195,620)	(207,904)
Other comprehensive income for the year, net of income tax		
<i>Item that will not be reclassified to profit or loss:</i>		
Share of other comprehensive expense of an associate	<u>(910)</u>	<u>—</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translating foreign operations	112,251	(103,999)
Net gain arising on revaluation of available-for-sale financial assets	—	109,000
Reclassification adjustments relating to available-for-sale financial assets disposed of	—	(22,500)
Reclassification adjustments relating to impairment loss recognised in respect of available-for-sale financial assets	<u>—</u>	<u>57,750</u>
	<u>112,251</u>	<u>40,251</u>
Other comprehensive income for the year, net of income tax	<u>111,341</u>	<u>40,251</u>
Total comprehensive expense for the year	<u>(84,279)</u>	<u>(167,653)</u>
Total comprehensive expense for the year attributable to:		
Owners of the Company	(84,201)	(167,651)
Non-controlling interests	<u>(78)</u>	<u>(2)</u>
	<u>(84,279)</u>	<u>(167,653)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		664,795	432,976
Investment properties		810,019	561,089
Intangible assets		931,421	890,185
Goodwill		353,599	332,189
Interests in associates		38,393	600
Available-for-sale financial assets		—	365,172
Deferred tax assets		6,280	4,738
Prepayments		20,957	1,561
Loans receivables	12	574,503	138,500
		<u>3,399,967</u>	<u>2,727,010</u>
Current assets			
Inventories		38,453	45,636
Loans receivables	12	626,127	312,663
Trade receivables	13	41,107	63,160
Deposits, prepayments and other receivables		228,495	101,261
Amount due from an associate		1,480	1,697
Financial assets at fair value through profit or loss		662,943	544,442
Tax recoverable		323	6,694
Cash and cash equivalents		225,010	438,975
		<u>1,823,938</u>	<u>1,514,528</u>
Total assets		<u>5,223,905</u>	<u>4,241,538</u>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		38,196	32,160
Reserves		3,228,193	3,216,985
Equity attributable to owners of the Company		<u>3,266,389</u>	<u>3,249,145</u>
Non-controlling interests		<u>(84)</u>	<u>(6)</u>
Total equity		<u>3,266,305</u>	<u>3,249,139</u>

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
LIABILITIES			
Current liabilities			
Trade payables	<i>14</i>	8,452	36,532
Deposits received, accruals and other payables		383,528	173,497
Receipts in advance		43,467	36,512
Promissory note		—	30,000
Tax payables		87,659	85,318
Amount due to an associate		—	991
Other borrowings		300,000	—
Bank borrowings		166,261	27,203
		<u>989,367</u>	<u>390,053</u>
Non-current liabilities			
Other payables		91,834	85,670
Receipts in advance		37,800	59,400
Bank borrowings		185,193	117,878
Secured notes		299,398	—
Deferred tax liabilities		354,008	339,398
		<u>968,233</u>	<u>602,346</u>
Total liabilities		<u>1,957,600</u>	<u>992,399</u>
Total equity and liabilities		<u>5,223,905</u>	<u>4,241,538</u>
Net current assets		<u>834,571</u>	<u>1,124,475</u>
Total assets less current liabilities		<u>4,234,538</u>	<u>3,851,485</u>

Notes:

1. Basis of preparation

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”). 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 and by the disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at fair value at the end of each reporting period. The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies.

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

The consolidated financial statements are presented in thousands of units of Hong Kong Dollars (“HK\$’000”), which is the same as the functional currency of the Company.

2. Application of new and revised HKFRSs

The Group has applied the following new and revised HKFRSs issued by the HKICPA for the first time in the current year:

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle relating to amendments to HKFRS 12 <i>Disclosure of Interests in Other Entities</i>

HKAS 7 (Amendments) *Disclosure Initiative*

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

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

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

Except as disclosed above, the application of the new and revised 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.

Early adoption of HKFRS 9 *Financial Instruments*

During the year ended 31 December 2017, the Group has early applied HKFRS 9 that is effective for annual periods beginning on or after 1 January 2018. The Group has chosen 1 January 2017 as its date of initial application.

Accounting policies applied from 1 January 2017

HKFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities, and introduces new rules for hedge accounting and new impairment model for financial assets. The final version of HKFRS 9 was issued in September 2014. It replaces the guidance in HKAS 39 *Financial Instruments: Recognition and Measurement* that is related to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (“FVTOCI”) and fair value through profit or loss (“FVTPL”). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments (that are not held-for-trading) are measured at fair values with an irrevocable election at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at FVTPL. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the “hedged ratio” to be the same as the one management actually uses for risk management purposes.

In accordance with HKFRS 9, the Group did not restate prior periods and the cumulative effect of initially applying the standard as an adjustment was recognised in either retained profits or an appropriate equity reserve as of the opening balance as at 1 January 2017.

The following summarises the classification and measurement changes for the Group's financial assets and financial liabilities on 1 January 2017, the Group's date of initial application of HKFRS 9:

	Originally stated				HKFRS 9		
	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Loans and receivables	Remeasurement upon application of HKFRS 9	FVTPL	FVTOCI	Amortised cost
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets							
Trade receivables	—	—	63,160	—	—	—	63,160
Loans receivables	—	—	451,163	—	—	—	451,163
Other receivables	—	—	89,621	—	—	—	89,621
Amount due from an associate	—	—	1,697	—	—	—	1,697
Cash and cash equivalents	—	—	438,975	—	—	—	438,975
Financial assets at fair value through profit or loss							
— Listed equity securities	—	544,442	—	—	544,442	—	—
Available-for-sale financial assets							
— Listed equity securities	(i) 365,000	—	—	—	365,000	—	—
— Unlisted debt security	(ii) 172	—	—	—	172	—	—
	<u>365,172</u>	<u>544,442</u>	<u>1,044,616</u>	<u>—</u>	<u>909,614</u>	<u>—</u>	<u>1,044,616</u>

	Originally stated	Remeasurement upon application of HKFRS 9	HKFRS 9
	Amortised cost	application of HKFRS 9	Amortised cost
	HK\$'000	HK\$'000	HK\$'000
Financial liabilities			
Trade payables	36,532	—	36,532
Deposits received, accruals and other payables	259,167	—	259,167
Promissory note	30,000	—	30,000
Amount due to an associate	991	—	991
Bank borrowings	145,081	—	145,081
	<u>471,771</u>	<u>—</u>	<u>471,771</u>

The impact on the Group's reserves due to reclassification and remeasurement of financial instruments as at 1 January 2017 is as follows:

	<i>Note</i>	Available- for-sale financial assets revaluation reserve HK\$'000	Retained profits HK\$'000
At 1 January 2017 (originally stated)		144,250	1,052,286
Reclassification upon initial application of HKFRS 9	<i>(i)</i>	<u>(144,250)</u>	<u>144,250</u>
At 1 January 2017 (restated)		<u><u>—</u></u>	<u><u>1,196,536</u></u>

Notes:

- (i) Listed equity securities previously classified as available-for-sale (“AFS”) financial assets

Based on the business model for managing its financial assets, the Group elected to present in profit or loss subsequent changes in the fair value of all its listed equity securities previously classified as AFS financial assets. As a result, the listed equity securities with carrying amounts of HK\$365,000,000 were reclassified from AFS financial assets to financial assets at FVTPL.

Cumulative gains arising on revaluation of AFS financial assets recognised in other comprehensive income of HK\$144,250,000 were transferred from AFS financial assets revaluation reserve to retained profits.

- (ii) Unlisted debt security of club debenture previously classified as AFS financial assets

Based on the business model for managing its financial assets, the Group elected to present in profit or loss subsequent changes in the fair value of its club debenture previously classified as AFS financial asset. As a result, the club debenture with a carrying amount of HK\$172,000 was reclassified from AFS financial asset to financial asset at FVTPL. Subsequent to the reclassification, the club debenture was disposed of on 17 February 2017 through the disposal of Riche Video Limited (“**Riche Video**”), an indirect wholly owned subsidiary of the Company.

Apart from stated above, the Group has not early applied other new and revised HKFRSs that have been issued by the HKICPA but are not yet effective.

3. 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:

HKAS 28 (Amendments)	Long-term interests in Associates and Joint Ventures ²
HKAS 40 (Amendments)	Transfers of investment property ¹
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle except HKFRS 12 (Amendments) ¹
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle ²
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions ¹
HKFRS 4 (Amendments)	Applying HKFRS 9 <i>Financial Instruments</i> with HKFRS 4 <i>Insurance Contracts</i> ¹
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation ²
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ³
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

⁴ Effective for annual periods beginning on or after a date to be determined.

4. Operating segments

The Group's operating segments have been determined based on the information reported to the Chairman of the board of directors, being the chief operating decision maker, that are used for performance assessment and to make strategic decisions. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments. The Group currently has four operating segments:

(a) Property investment	Leasing of rental properties
(b) Sale of financial assets	Sale of financial assets
(c) Money lending	Money lending
(d) Sale of jewelry products and precious stones	Design and sale of jewelry products, and sale of precious stones

An operating segment regarding the distribution of films and sub-licensing of film rights was discontinued on 17 February 2017 upon the disposal of Riche Video.

The sale of precious stones business has been suspended since the first quarter of 2017.

Segment revenue and results

For the year ended 31 December 2017

	Continuing operations				Discontinued operation		
	Property investment <i>HK\$'000</i>	Sale of financial assets <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Sale of jewelry products and precious stones <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Distribution <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>44,412</u>	<u>(103,657)</u>	<u>70,626</u>	<u>42,608</u>	<u>53,989</u>	<u>—</u>	<u>53,989</u>
Segment profit/(loss)	<u>10,644</u>	<u>(195,659)</u>	<u>68,820</u>	<u>(4,801)</u>	(120,996)	(3)	(120,999)
Interest income on bank deposits					76	—	76
Unallocated corporate income					175	—	175
Unallocated corporate expenses					(60,271)	—	(60,271)
Gain on disposal of a subsidiary					1	—	1
Impairment loss recognised in respect of amount due from an associate					(217)	—	(217)
Loss on disposal of property, plant and equipment					(92)	—	(92)
Finance costs					(23,627)	—	(23,627)
Share of results of associates					282	—	282
Loss before taxation					(204,669)	(3)	(204,672)
Income tax credit					9,052	—	9,052
Loss for the year					<u>(195,617)</u>	<u>(3)</u>	<u>(195,620)</u>

For the year ended 31 December 2016

	Continuing operations					Discontinued operation	Consolidated HK\$'000
	Property investment HK\$'000	Sale of financial assets HK\$'000	Money lending HK\$'000	Sale of jewelry products and precious stones HK\$'000	Sub-total HK\$'000	Distribution HK\$'000	
Segment revenue	<u>45,171</u>	<u>(22,337)</u>	<u>49,154</u>	<u>89,054</u>	<u>161,042</u>	<u>—</u>	<u>161,042</u>
Segment profit/(loss)	<u>6,433</u>	<u>(147,180)</u>	<u>48,177</u>	<u>2,468</u>	<u>(90,102)</u>	<u>(36)</u>	<u>(90,138)</u>
Interest income on bank deposits					329	—	329
Unallocated corporate income					8	—	8
Unallocated corporate expenses					(54,335)	—	(54,335)
Cumulative gain reclassified from equity to profit or loss upon derecognition of available-for-sale financial assets					22,500	—	22,500
Gain on deemed disposal of a subsidiary					8	—	8
Impairment loss recognised in respect of amount due from an associate					(400)	—	(400)
Impairment loss recognised in respect of available-for-sale financial assets reclassified from equity to profit or loss					(57,750)	—	(57,750)
Loss on deemed disposal of an associate					(21,500)	—	(21,500)
Finance costs					(9,529)	—	(9,529)
Share of results of associates					—	—	—
Loss before taxation					(210,771)	(36)	(210,807)
Income tax credit					2,903	—	2,903
Loss for the year					<u>(207,868)</u>	<u>(36)</u>	<u>(207,904)</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

Segment results represent profit earned/(loss incurred) by each segment without allocation of central administrative expenses including directors' emoluments, share of results of associates, certain investment and other income, certain other gains and losses, finance costs and income tax credit. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

At 31 December 2017

	Continuing operations					Discontinued operation	Consolidated HK\$'000
	Property investment HK\$'000	Sale of financial assets HK\$'000	Money lending HK\$'000	Sale of jewelry products and precious stones HK\$'000	Sub-total HK\$'000	Distribution HK\$'000	
Segment assets							
— Hong Kong	242,294	726,458	1,284,413	70,973	2,324,138	—	2,324,138
— The People's Republic of China (the "PRC")	2,668,627	—	—	—	2,668,627	—	2,668,627
	<u>2,910,921</u>	<u>726,458</u>	<u>1,284,413</u>	<u>70,973</u>	<u>4,992,765</u>	<u>—</u>	<u>4,992,765</u>
Unallocated corporate assets							231,140
Consolidated total assets							<u>5,223,905</u>
Segment liabilities							
— Hong Kong	(128,947)	(12,118)	(1,135)	(31,926)	(174,126)	—	(174,126)
— The PRC	(1,163,172)	—	—	—	(1,163,172)	—	(1,163,172)
	<u>(1,292,119)</u>	<u>(12,118)</u>	<u>(1,135)</u>	<u>(31,926)</u>	<u>(1,337,298)</u>	<u>—</u>	<u>(1,337,298)</u>
Unallocated corporate liabilities							(620,302)
Consolidated total liabilities							<u>(1,957,600)</u>

At 31 December 2016

	Continuing operations					Discontinued operation	Consolidated HK\$'000
	Property investment HK\$'000	Sale of financial assets HK\$'000	Money lending HK\$'000	Sale of jewelry products and precious stones HK\$'000	Sub- total HK\$'000	Distribution HK\$'000	
Segment assets							
— Hong Kong	1,064	723,789	616,139	134,711	1,475,703	269	1,475,972
— The PRC	2,364,162	—	—	—	2,364,162	—	2,364,162
	<u>2,365,226</u>	<u>723,789</u>	<u>616,139</u>	<u>134,711</u>	<u>3,839,865</u>	<u>269</u>	3,840,134
Unallocated corporate assets							<u>401,404</u>
Consolidated total assets							<u>4,241,538</u>
Segment liabilities							
— Hong Kong	(1,198)	(12,138)	(1,220)	(39,719)	(54,275)	(1)	(54,276)
— The PRC	(833,443)	—	—	—	(833,443)	—	(833,443)
	<u>(834,641)</u>	<u>(12,138)</u>	<u>(1,220)</u>	<u>(39,719)</u>	<u>(887,718)</u>	<u>(1)</u>	(887,719)
Unallocated corporate liabilities							<u>(104,680)</u>
Consolidated total liabilities							<u>(992,399)</u>

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

- all assets are allocated to operating segments other than interests in associates, amount due from an associate, certain deposits, prepayments, and cash and cash equivalents that are not attributable to individual segments. Assets used jointly by individual segments are allocated on the basis of the revenues earned by individual segments; and
- all liabilities are allocated to operating segments other than amount due to an associate, other borrowings, secured notes, certain accruals, other payables, current tax payables, and receipts in advance that are not attributable to individual segments. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

Other segment information

For the year ended 31 December 2017

	Continuing operations					Discontinued operation		Consolidated HK\$'000
	Property investment HK\$'000	Sale of financial assets HK\$'000	Money lending HK\$'000	Sale of jewelry products and precious stones HK\$'000	Unallocated HK\$'000	Sub-total HK\$'000	Distribution HK\$'000	
Amounts included in the measure of segment profit/ (loss) and segment assets								
Additions to investment properties	190,403	—	—	—	—	190,403	—	190,403
Additions to property, plant and equipment	56,301	—	—	—	161,880	218,181	—	218,181
Amortisation of intangible assets	(20,456)	—	—	—	—	(20,456)	—	(20,456)
Depreciation of property, plant and equipment	(14,083)	—	—	(116)	(1,544)	(15,743)	—	(15,743)
Dividend income	—	1,022	—	—	—	1,022	—	1,022
Gain arising on change in fair value of investment properties	20,013	—	—	—	—	20,013	—	20,013
Impairment loss recognised in respect of goodwill	(1,813)	—	—	—	—	(1,813)	—	(1,813)
Loss arising on change in fair value of financial assets at fair value through profit or loss	—	(92,526)	—	—	—	(92,526)	—	(92,526)

For the year ended 31 December 2016

	Continuing operations					Discontinued operation		Consolidated HK\$'000
	Property investment HK\$'000	Sale of financial assets HK\$'000	Money lending HK\$'000	Sale of jewelry products and precious stones HK\$'000	Unallocated HK\$'000	Sub-total HK\$'000	Distribution HK\$'000	
Amounts included in the measure of segment profit/ (loss) and segment assets								
Additions to property, plant and equipment	53,683	—	—	22	—	53,705	—	53,705
Amortisation of intangible assets	(20,647)	—	—	—	—	(20,647)	—	(20,647)
Depreciation of property, plant and equipment	(14,453)	—	—	(133)	—	(14,586)	—	(14,586)
Dividend income	—	1,347	—	—	—	1,347	—	1,347
Gain arising on change in fair value of financial assets at fair value through profit or loss upon recognition of interests in associates	—	17,367	—	—	—	17,367	—	17,367
Gain arising on change in fair value of investment properties	3,733	—	—	—	—	3,733	—	3,733
Loss arising on change in fair value of financial assets at fair value through profit or loss	—	(141,649)	—	—	—	(141,649)	—	(141,649)

Geographical information

The Group mainly operates in Hong Kong and the PRC. The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Continuing operations Revenue from external customers		Discontinued operation Revenue from external customers		Continuing operations Non-current assets*		Discontinued operation Non-current assets*	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Australia	68	1,979	—	—	—	—	—	—
Europe	10,218	9,557	—	—	—	—	—	—
Hong Kong	(1,493)	80,829	—	—	432,895	910	—	—
The Middle East	705	2,701	—	—	—	—	—	—
The PRC	44,412	45,171	—	—	2,386,289	2,217,690	—	—
The United States of America	79	20,805	—	—	—	—	—	—
	53,989	161,042	—	—	2,819,184	2,218,600	—	—

* Non-current assets excluded available-for-sale financial assets, deferred tax assets, and loans receivables.

Information about major customers

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

	For the year ended	
	31 December	
	2017	2016
	HK\$'000	HK\$'000
Customer 1 ¹	N/A ⁴	31,986
Customer 2 ¹	18,549	N/A ⁴
Customer 3 ¹	13,303	N/A ⁴
Customer 4 ²	20,809	21,000
Customer 5 ²	9,159	N/A ⁴
Customer 6 ³	16,200	N/A ⁴
Customer 7 ³	12,191	N/A ⁴
Customer 8 ³	10,560	N/A ⁴

¹ Revenue from sale of jewelry products and precious stones.

² Revenue from property investment.

³ Revenue from money lending.

⁴ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. Revenue

	For the year ended	
	31 December	
	2017	2016
	HK\$'000	HK\$'000
Continuing operations		
Sale of financial assets at fair value through profit or loss, net	(103,657)	(22,337)
Interest income on loans	70,626	49,154
Rental income	44,412	45,171
Sale of jewelry products and precious stones	42,608	89,054
	53,989	161,042

Revenue from sale of financial assets at fair value through profit or loss is recorded on a net basis, details of which are as follows:

	For the year ended	
	31 December	
	2017	2016
	HK\$'000	HK\$'000
Proceeds from sale of financial assets at fair value through profit or loss	356,032	191,682
Carrying amounts of financial assets at fair value through profit or loss sold plus transaction costs	(459,689)	(214,019)
	<u>(103,657)</u>	<u>(22,337)</u>

6. Investment and other income

	For the year ended	
	31 December	
	2017	2016
	HK\$'000	HK\$'000
Continuing operations		
Dividend income	1,022	1,347
Interest income on bank deposits	76	329
Net foreign exchange gain	63	—
Sundry income	112	8
	<u>1,273</u>	<u>1,684</u>

7. Other gains and losses

	For the year ended	
	31 December	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Cumulative gain reclassified from equity to profit or loss upon derecognition of available-for-sale financial assets	—	22,500
Gain arising on change in fair value of financial assets at fair value through profit or loss upon recognition of interests in associates	—	17,367
Gain arising on change in fair value of investment properties	20,013	3,733
Gain on deemed disposal of a subsidiary	—	8
Gain on disposal of a subsidiary	1	—
Impairment loss recognised in respect of amount due from an associate	(217)	(400)
Impairment loss recognised in respect of available-for-sale financial assets reclassified from equity to profit or loss	—	(57,750)
Impairment loss recognised in respect of goodwill	(1,813)	—
Loss arising on change in fair value of financial assets at fair value through profit or loss	(92,526)	(141,649)
Loss on deemed disposal of an associate	—	(21,500)
Loss on disposal of property, plant and equipment	(92)	—
	<u>(74,634)</u>	<u>(177,691)</u>

8. Finance costs

	For the year ended	
	31 December	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Interest on bank borrowings	9,857	9,529
Interest on other borrowings	5,216	—
Imputed interest on secured notes	8,554	—
	<u>23,627</u>	<u>9,529</u>

9. Income tax credit

	For the year ended	
	31 December	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Hong Kong Profits Tax		
— Current tax	(2,103)	(1,477)
— Over provision in prior years	20	20
	<u>(2,083)</u>	<u>(1,457)</u>
PRC Enterprise Income Tax		
— Current tax	(1,633)	(1,699)
Deferred taxation credit	12,768	6,059
	<u>9,052</u>	<u>2,903</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. The subsidiaries incorporated in the PRC are subject to the PRC Enterprise Income Tax at 25% for both years. The subsidiary incorporated in Dubai Multi Commodities Centre of United Arab Emirates enjoys a 50-year tax holiday for corporate income tax from the date of incorporation.

10. Loss for the year from continuing operations

Loss for the year from continuing operations has been arrived at after charging/(crediting):

	For the year ended	
	31 December	
	2017	2016
	HK\$'000	HK\$'000
Continuing operations		
Amortisation of intangible assets (included in administrative expenses)	20,456	20,647
Auditors' remuneration:		
— audit services	1,108	990
— non-audit services	467	636
	1,575	1,626
Cost of inventories sold	38,057	73,542
Depreciation of property, plant and equipment	15,743	14,586
Net foreign exchange (gain)/loss	(63)	131
Operating lease rentals in respect of rental premises	2,873	2,072
Operating lease rentals in respect of operating rights <i>Less: operating lease rentals capitalised</i>	16,471 (10,896)	16,622 (10,996)
	5,575	5,626
Equity-settled share-based payment expenses in respect of consultancy services	702	—
Staff costs (including directors' emoluments):		
— salaries, allowances and benefits in kind	34,425	30,158
— discretionary bonuses	25,215	25,053
— contributions to retirement benefits scheme	434	464
— equity-settled share-based payment expenses	9,821	—
	69,895	55,675
Gross rental income from investment properties and operating rights	(44,412)	(45,171)
<i>Less: direct operating expenses incurred for investment properties and operating rights that generated rental income during the year</i>	19,480	19,890
<i>Less: direct operating expenses incurred for investment properties and operating rights that did not generate rental income during the year</i>	401	194
	(24,531)	(25,087)

11. Loss per share

From continuing and discontinued operations

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

	For the year ended	
	31 December	
	2017	2016
	HK\$'000	HK\$'000
<u>Loss for the purpose of basic and diluted loss per share</u>		
Loss for the year attributable to owners of the Company	<u>(195,545)</u>	<u>(207,902)</u>
	For the year ended	
	31 December	
	2017	2016
	'000	'000
<u>Number of ordinary shares</u>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>3,615,020</u>	<u>3,145,711</u>

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options as they had an anti-dilutive effect to the basic loss per share for the years ended 31 December 2017 and 2016. The basic and diluted loss per share are the same for both years.

From continuing operations

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

	For the year ended	
	31 December	
	2017	2016
	HK\$'000	HK\$'000
<u>Loss for the purpose of basic and diluted loss per share</u>		
Loss for the year from continuing operations	(195,617)	(207,868)
Less: loss for the year from continuing operations attributable to non-controlling interests	<u>75</u>	<u>2</u>
Loss for the year from continuing operations attributable to owners of the Company	<u>(195,542)</u>	<u>(207,866)</u>

The denominators used are same as those detailed above for both basic and diluted loss per share from continuing and discontinued operations.

From discontinued operation

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

	For the year ended	
	31 December	
	2017	2016
	HK\$'000	HK\$'000
<u>Loss for the purpose of basic and diluted loss per share</u>		
Loss for the year from discontinued operation	<u>(3)</u>	<u>(36)</u>

The denominators used are same as those detailed above for both basic and diluted loss per share from continuing and discontinued operations.

12. Loans receivables

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loans to customers	1,187,301	446,355
Accrued interest receivables	<u>13,329</u>	<u>4,808</u>
	1,200,630	451,163
<i>Less: impairment loss recognised</i>	<u>—</u>	<u>—</u>
	<u>1,200,630</u>	<u>451,163</u>

All loans are denominated in Hong Kong dollar. The loans receivables carry effective interest ranging from 8% to 15% per annum (2016: 8% to 20% per annum). A maturity profile of the loans receivables (net of impairment loss recognised, if any) at 31 December 2017 and 2016, based on the maturity date is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current assets		
Within one year	626,127	312,663
Non-current assets		
Over than one year but not exceeding two years	<u>574,503</u>	<u>138,500</u>
	<u>1,200,630</u>	<u>451,163</u>

At 31 December 2017, certain loans in the aggregate principal amount of HK\$180,000,000 (2016: HK\$53,500,000) are secured by personal and corporate guarantees, and pledge of customers' properties.

In determining the recoverability of the loans receivables, the directors of the Company consider any change in the credit quality of the loans receivables during the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

13. Trade receivables

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	41,107	63,160
Less: allowance for doubtful debts	—	—
	<u>41,107</u>	<u>63,160</u>

The following is an aging analysis of trade receivables (net of allowance for doubtful debts, if any) at the end of the reporting period presented based on the invoice dates:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0-30 days	5,333	9,534
31-60 days	11,503	8,055
61-90 days	6,139	3,299
91-120 days	3,195	3,026
121-180 days	11,469	7,081
Over 180 days	3,468	32,165
	<u>41,107</u>	<u>63,160</u>

The Group allows credit period ranging from 0 to 180 days to its customers. The directors of the Company assess the credit status and impose credit limits for customers in accordance with the Group's credit policy. The credit limits are closely monitored and subject to periodic reviews.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$10,051,000 (2016: HK\$35,956,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The directors of the Company believe that there has not been a significant change in credit risk and the balances are still considered fully recoverable as these customers have good track records with the Group. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Less than 30 days past due	1,275	12,997
30 to 90 days past due	1,595	1,962
Over 90 days past due	7,181	20,997
	<u>10,051</u>	<u>35,956</u>

Movement in the allowance for doubtful debts during the year is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At 1 January	—	—
Amounts written off as uncollectible	—	—
	<u>—</u>	<u>—</u>
At 31 December	<u>—</u>	<u>—</u>

14. Trade payables

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	<u>8,452</u>	<u>36,532</u>

The following is an aging analysis of trade payables at the end of the reporting period presented based on the invoice dates:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 – 30 days	819	3,255
31 – 60 days	219	3,681
61 – 90 days	1,660	9,385
91 – 120 days	544	6,525
Over 120 days	<u>5,210</u>	<u>13,686</u>
	<u>8,452</u>	<u>36,532</u>

The average credit period on purchase of goods and services is 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

FINAL DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Given that the Group had not been able to secure quality films at reasonable price for distribution, the Group ceased its film distribution business by disposing of the entire issued share capital of Riche Video Limited (“**Riche Video**”), a wholly owned subsidiary of the Company and the principal activities of which are distribution of video products and holding of film rights, on 17 February 2017 in order to concentrate its resources on existing businesses. Accordingly, the results of Riche Video were presented separately as discontinued operation for financial reporting purposes.

Loss attributable to owners of the Company for the year ended 31 December 2017 amounted to HK\$195,545,000, a 5.94% decrease from HK\$207,902,000 for the previous year.

Results of continuing operations

During the year ended 31 December 2017, the Group recorded revenue of HK\$53,989,000, a 66.48% decrease from HK\$161,042,000 for the previous year. This decrease was mainly attributable to (i) an HK\$81,320,000 increase in loss on sale of financial assets, and (ii) a HK\$46,446,000 decrease in sale of jewelry products and precious stones, which were partly offset by a HK\$21,472,000 increase in interest income on loans. Of the total revenue, HK\$70,626,000 was generated from money lending, HK\$44,412,000 was generated from property investment, HK\$42,608,000 was generated from sale of jewelry products and precious stones, and a loss of HK\$103,657,000 was generated from sale of financial assets.

Loss for the year from continuing operations amounted to HK\$195,617,000, a 5.89% decrease from HK\$207,868,000 for the previous year.

Gross profit for sale of jewelry products and precious stones decreased by 70.66% from HK\$15,512,000 in the year ended 31 December 2016 to HK\$4,551,000 in the year ended 31 December 2017 and gross profit margin for sale of jewelry products and precious stones decreased from 17.42% in the year ended 31 December 2016 to 10.68% in the year ended 31 December 2017. These decreases were mainly due to the sluggish market conditions, the suspension of the Group’s sale of precious stones business, and the recording of a HK\$7,381,000 sale returns from customers as discussed in the sub-section headed “Operations Review” below.

Gross profit for property investment decreased by 1.38% from HK\$25,281,000 in the year ended 31 December 2016 to HK\$24,931,000 in the year ended 31 December 2017. Gross profit margin for property investment increased from 55.97% in the year ended 31 December 2016 to 56.14% in the year ended 31 December 2017.

Other gains and losses represent items of income and expenses, which are material and/or extraordinary in nature. Net loss of other gains and losses decreased by 58.00% from HK\$177,691,000 in the year ended 31 December 2016 to HK\$74,634,000 in the year ended 31 December 2017. Major items of other gains and losses recorded by the Group during the year are as follows:

- (a) At the end of the reporting period, the Group measured its investment properties in Mainland China and Hong Kong at fair value and recognised a gain of HK\$20,013,000 arising on change in fair value of investment properties.
- (b) At the end of the reporting period, the directors performed an impairment test for the goodwill arising from the acquisition of the entire issued shares in and the shareholder's loan due by Smart Title Limited with reference to two valuation reports prepared by an independent valuer and recognised an impairment loss in respect of goodwill of HK\$1,813,000.
- (c) At the end of the reporting period, the Group measured its Hong Kong listed equities at fair value and recognised a loss of HK\$92,526,000 arising on change in fair value of financial assets at fair value through profit or loss.

Selling and distribution expenses mainly represent staff costs of sales team, overseas travelling expenses, freight charges and commission incurred by the Group's sale of jewelry products and precious stones business. Selling and distribution expenses decreased by 34.05% from HK\$5,826,000 in the year ended 31 December 2016 to HK\$3,842,000 in the year ended 31 December 2017. This decrease was attributable to (i) the restructuring of the Group's sales team in response to the sluggish market conditions and the suspension of its sale of precious stones business, and (ii) the reduction in overseas travelling activities.

Administrative expenses amounted to HK\$100,573,000 for the year ended 31 December 2017, a 15.58% increase from HK\$87,019,000 for the previous year. This increase was mainly attributable to (i) the recognition of equity-settled share-based payment expenses of HK\$10,523,000 arisen from the grant of share options, (ii) a HK\$4,766,000 increase in staff costs (excluding equity-settled share-based payment expenses), (iii) a HK\$2,659,000 increase in bank charges resulted from the payment of fees for refinancing the Group's existing Renminbi bank loan, (iv) a HK\$1,544,000 increase in depreciation expense resulted from the acquisition of the Company's head office at Shun Tak Centre, West Tower, Hong Kong in September 2017, and (v) the increase in business activities of the Group's Beijing operations, which were partly offset by the reversal of the provision for Mainland China Business Tax of HK\$9,777,000.

Share of results of associates amounted to HK\$282,000 for the year ended 31 December 2017, which represents the share of profit of HK\$285,000 from Elite Prosperous Investment Limited (“**Elite Prosperous**”), a 49% owned associate of the Company, and the share of loss of HK\$3,000 from China Hong Kong Money Limited, a 30% owned associate of the Company.

Finance costs increased by 147.95% from HK\$9,529,000 in the year ended 31 December 2016 to HK\$23,627,000 in the year ended 31 December 2017. Such increase was due to the increase in the Group’s borrowings as discussed in the paragraph headed “*Liquidity and financial resources*” below.

Income tax credit increased from HK\$2,903,000 in the year ended 31 December 2016 to HK\$9,052,000 in the year ended 31 December 2017. Such increase was mainly attributable to a HK\$5,896,000 increase in deferred taxation credit arising from the loss on change in fair value of the Group’s investment property located at No. 33 Nonglinxia Road, Yuexiu District, Guangzhou, Guangdong Province, Mainland China (the “**Guangzhou Property**”), which was partly offset by a HK\$560,000 increase in current tax expense.

Results of discontinued operation

Loss for the year from discontinued operation amounted to HK\$3,000, which represents the results of Riche Video for the period from 1 January 2017 to 17 February 2017, being the date on which Riche Video ceased to be a subsidiary of the Company.

Liquidity and financial resources

During the year, the Group funded its operations through a combination of cash generated from operations, equity attributable to owners of the Company, issue of new shares, and borrowings. Equity attributable to owners of the Company increased from HK\$3,249,145,000 at 31 December 2016 to HK\$3,266,389,000 at 31 December 2017.

At 31 December 2017, the cash and cash equivalents of the Group amounted to HK\$225,010,000 (2016: HK\$438,975,000).

At 31 December 2017, the Group had outstanding borrowings of HK\$950,852,000 (2016: HK\$175,081,000) representing:

- (a) the carrying amount of HK\$299,398,000 of the HK\$300,000,000 8% secured notes due 2020 issued by the Company (the “**Secured Notes**”), which are interest bearing at 8.00% per annum, secured by a share charge over 100% issued shares in China Jiu hao Health Industry Group Limited, a wholly owned subsidiary of the Company and the principal assets of which are (i) the rights to construct and operate the club facilities of a membership golf club and resort (the “**Club**”) in Beijing, Mainland China, and (ii) the rights to develop and operate a piece of 580 Chinese acre land (the “**Subject Land**”) adjacent to the Club and the rights to manage the properties erected on the Subject Land, and maturing on 25 August 2020;

- (b) a bank loan of RMB166,201,000 (equivalent to HK\$198,826,000) granted by Industrial and Commercial Bank of China Limited, which is interest bearing at the benchmark interest rate of The People's Bank of China upward by 20.00% per annum, secured by a mortgage on the Guangzhou Property, guaranteed by a wholly owned subsidiary of the Company, and maturing on 28 August 2032;
- (c) the banking facilities in the aggregate amount of HK\$152,628,000 granted by DBS Bank (Hong Kong) Limited, comprising (i) an instalment loan of HK\$127,425,000, which is interest bearing at 1.00% per annum over one-month HIBOR or 3.00% per annum below the prime rate quoted by DBS Bank (Hong Kong) Limited, whichever is lower, secured by a first legal charge over the Group's properties located at Unit Nos. 1201, 1202, 1203, 1209, 1210, 1211 & 1212 and the corridor on 12th Floor, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong (the "**Shun Tak Property**"), guaranteed by the Company and two wholly owned subsidiaries of the Company, and maturing on 18 September 2037; (ii) an advance of HK\$20,000,000 under a revolving term loan, which is interest bearing at HIBOR plus 2.00% per annum, secured by a first legal charge over the Shun Tak Property, guaranteed by the Company and a wholly owned subsidiary of the Company, and maturing on 2 April 2018; and (iii) various advances in the aggregate amount of HK\$5,203,000 under the account payable financing facilities, which is interest bearing at 2.00% per annum over HIBOR, secured by a first legal charge over the Shun Tak Property, guaranteed by the Company and a wholly owned subsidiary of the Company, and maturing in March, April and May 2018;
- (d) a loan of HK\$200,000,000 granted by Kingston Finance Limited, which is interest bearing at 8.00% per annum, secured by a personal guarantee given by Mr. Lei Hong Wai, the Chairman of the Board and an executive director of the Company, and maturing on 27 April 2018; and
- (e) a loan of HK\$100,000,000 granted by Kingston Finance Limited, which is interest bearing at 8.00% per annum, secured by a personal guarantee given by Mr. Lei Hong Wai, and maturing on 1 June 2018.

The increase in outstanding borrowings was attributable to (i) the issue of the Secured Notes of HK\$300,000,000 for financing the development of the Subject Land in August 2017, (ii) the obtaining of the instalment loan of HK\$128,800,000 from DBS Bank (Hong Kong) Limited for financing the acquisition of the Shun Tak Property in September 2017, and (iii) the obtaining of two short-term loans from Kingston Finance Limited in the aggregate principal amount of HK\$300,000,000 for financing the Group's short-term funding needs in October and December 2017.

Gearing ratio

At 31 December 2017, the gearing ratio calculated as a percentage of total borrowings over equity attributable to owners of the Company was 29.11% (2016: 5.39%).

Net current assets and current ratio

At 31 December 2017, the Group's net current assets and current ratio were HK\$834,571,000 (2016: HK\$1,124,475,000) and 1.84 (2016: 3.88) respectively.

Capital structure

On 16 May 2017, the Company allotted and issued 643,200,000 new ordinary shares at a price of HK\$0.160 per share to five individual investors, who are independent third parties, and five corporate investors, whose ultimate beneficial owners are independent third parties, by way of placing of new shares under general mandate raising HK\$99,226,000 (net of expenses) for financing the acquisition of the Shun Tak Property. The closing price of the Company's ordinary shares was HK\$0.199 per share as quoted on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 26 April 2017, being the date of the placing agreement. The net price to the Company of each new ordinary share was HK\$0.154. The directors considered that the placing presented an opportunity for the Company to raise additional funds for the acquisition of the Shun Tak Property while broadening the shareholder base of the Company.

In October and November 2017, the Company repurchased a total of 39,600,000 ordinary shares of the Company at an aggregate price of HK\$8,263,000 on the Stock Exchange. The 39,600,000 repurchased shares were cancelled upon repurchase.

Use of proceeds from a fund raising activity

The net proceeds of HK\$99,226,000 from the placing of 643,200,000 new ordinary shares under general mandate were applied for the acquisition of the Shun Tak Property in September 2017.

Material acquisition

During the year ended 31 December 2017, the Group acquired the Shun Tak Property at a consideration of HK\$322,000,000. The acquisition constitutes a major transaction of the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and was approved by the shareholders at the Company's special general meeting held on 18 July 2017. The acquisition was completed on 18 September 2017.

Material disposal

During the year ended 31 December 2017, the Group disposed of an aggregate of 13,500,000 shares in SkyNet Group Limited (stock code: 8176, now known as SuperRobotics Limited) at an average price of HK\$7.25 per share pursuant to the 12-month disposal mandate granted to the directors by the shareholders at the Company's special general meeting held on 12 May 2016. The 12-month disposal mandate constitutes a very substantial disposal of the Company under the Listing Rules and was approved by the shareholders at the Company's special general meeting held on 12 May 2016.

Pledge of assets

At 31 December 2017, the following Group's assets were pledged:

- (a) the Shun Tak Property with the carrying amounts of HK\$160,330,000 classified under property, plant and equipment (2016: Nil), and HK\$234,000,000 classified under investment properties (2016: Nil) for securing the banking facilities granted to the Group;
- (b) the Guangzhou Property with a carrying amount of HK\$576,019,000 classified under investment properties (2016: HK\$561,089,000) for securing a bank loan granted to the Group; and
- (c) the 100% issued shares in China Jiu hao Health Industry Group Limited with an unaudited combined net assets of HK\$1,338,524,000 after adjusting for purchase price allocation (2016: Nil) for securing the Secured Notes.

Material commitments

At 31 December 2017, the Group had commitments of HK\$45,071,000 (2016: HK\$58,190,000) relating to:

- (a) the development costs of RMB33,689,000 (equivalent to HK\$40,292,000) for the Subject Land, which were contracted but not provided for; and
- (b) the renovation costs of HK\$4,779,000 for the Shun Tak Property, which were contracted but not provided for.

Exchange risk and hedging

The majority of the Group's transactions, assets and liabilities are denominated in Hong Kong dollars and Renminbi. The Group is exposed to exchange risk with respect mainly to Renminbi which may affect its performance. The directors closely monitor statement of financial position and cash flow exchange risk exposures and where considered appropriate use financial instruments, such as forward exchange contracts, foreign currency options and forward rate agreements, to hedge this exchange risk. During the year, no financial instruments for hedging purposes were used by the Group.

Contingent liabilities

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

Employees and remuneration policy

At 31 December 2017, the headcount of the Group was 87 (2016: 42). Staff costs (including directors' emoluments) for the year ended 31 December 2017 amounted to HK\$69,895,000 (2016: HK\$55,675,000). The increase in staff costs was mainly attributable to the recognition of equity-settled share-based payment expenses of HK\$9,821,000 arising from the grant of share options to executive directors and employees of the Group. In addition to basic salaries, contributions to retirement benefits scheme and discretionary bonus, staff benefits include medical scheme and share options.

Key performance indicators

The Company has defined the following key performance indicators (“KPIs”) which are closely aligned with the performance of the Group.

		For the year ended 31 December	
	<i>Notes</i>	2017	2016
Revenue		HK\$53,989,000	HK\$161,042,000
Loss for the year attributable to owners of the Company		HK\$195,545,000	HK\$207,902,000
Equity attributable to owners of the Company		HK\$3,266,389,000	HK\$3,249,145,000
Return on financial assets at fair value through profit or loss	<i>1</i>	(16.07)%	(14.28)%
Return on loans receivables	<i>2</i>	8.93%	9.08%
Return on capital employed in sale of jewelry products and precious stones	<i>3</i>	(7.39)%	3.18%
Return on investment properties	<i>4</i>	5.28%	3.04%

Notes:

1. Return on financial assets at fair value through profit or loss includes gains and losses arising on change in fair value, gains and losses on disposal and dividend income. It is measured as a percentage against opening fair value of financial assets at fair value through profit or loss and total investments made at cost.
2. Return on loans receivables includes interest income and impairment loss recognised. It is measured as a percentage against average loans receivables (excluding accrued interest receivables).
3. Return on capital employed in sale of jewelry products and precious stones represents segment profit or loss from sale of jewelry products and precious stones business divided by average capital employed and is measured as a percentage.
4. Return on investment properties includes gains and losses arising on change in fair value, rental income and gains and losses on disposal less amortisation of intangible assets in respect of the Club, depreciation expenses of the property, plant and equipment of the Club and operating lease rentals in respect of the Club. It is measured as a percentage against opening fair value of investment properties, opening carrying amounts of intangible assets in respect of the Club and opening carrying amounts of property, plant and equipment of the Club.

Commentary on the performance of the Group against each of the KPIs is set out in this sub-section above and the sub-section headed “Operations Review” below.

These KPIs are reviewed regularly and amended occasionally to correspond with the changing mix of the Group’s principal activities.

Operations Review

Given that the Group has not been able to secure quality films at reasonable price for distribution, the Group ceased its film distribution business by disposing of the entire issued share capital of Riche Video at the consideration of HK\$173,000 on 17 February 2017 in order to concentrate its resources on existing businesses. A gain on disposal of a subsidiary of HK\$1,000 was recognised.

During the year, the Group’s sale of financial assets business reported a segment loss (before taxation) of HK\$195,659,000, which mainly included (i) a loss of HK\$103,657,000 from trading of Hong Kong listed equities, (ii) a loss of HK\$92,526,000 arising on change in fair value of financial assets at fair value through profit or loss, and (iii) the dividend income from Hong Kong listed equities held by the Group of HK\$1,022,000. The reporting of the segment loss was due to the poor market sentiment on small-cap stocks and the full impairment of a Hong Kong listed equity. Return on financial assets at fair value through profit or loss deteriorated from (14.28)% for the year ended 31 December 2016 to (16.07)% for the year ended 31 December 2017.

During the year ended 31 December 2017, the Group acquired nine Hong Kong listed equities with the aggregate acquisition costs of HK\$304,722,000 and made a trading loss of HK\$103,657,000 from disposing of six Hong Kong listed equities with the aggregate carrying amounts plus transactions costs of HK\$459,689,000 at the aggregate sale proceeds of HK\$356,032,000.

Movements in the Hong Kong listed equities held by the Group during the years ended 31 December 2017 and 2016 are as follows:

	2017 <i>HK\$’000</i>	2016 <i>HK\$’000</i>
Carrying amount at 1 January	544,442	597,658
<i>Add:</i> Re-classification from available-for-sale financial assets	365,000	—
Acquisitions	304,722	419,668
Gain arising on change in fair value upon recognition of interests in associates	—	17,367
<i>Less:</i> Disposals	(458,695)	(213,602)
Transfer to interests in associates	—	(135,000)
Loss arising on change in fair value	(92,526)	(141,649)
Carrying amount at 31 December	<u>662,943</u>	<u>544,442</u>

Details of the Hong Kong listed equities held by the Group at 31 December 2017 are as follows:

Name of Hong Kong listed equities	<i>Notes</i>	Number of shares held at 31 December 2017	Fair value at 31 December 2017 <i>HK\$'000</i>	Fair value as compared to the consolidated total assets of the Group at 31 December 2017	Gain/(loss) arising on change in fair value recognised in the year ended 31 December 2017 <i>HK\$'000</i>
Affluent Partners Holdings Ltd. (stock code: 1466)	<i>1</i>	11,500,000	70,840	1.36%	24,675
Brockman Mining Ltd. (stock code: 159)	<i>2</i>	40,220,000	4,545	0.09%	(287)
CBK Holdings Ltd. (stock code: 8428)	<i>3</i>	21,720,000	2,954	0.06%	(1,934)
China Healthcare Enterprise Group Ltd. (stock code: 1143)	<i>4</i>	30,000,000	8,700	0.17%	5,340
China Healthwise Holdings Ltd. (stock code: 348)	<i>5</i>	800,000,000	57,600	1.10%	(107,610)
Frontier Services Group Ltd. (stock code: 500)	<i>6</i>	4,800,000	7,872	0.15%	2,880
Global Mastermind Holdings Ltd. (stock code: 8063)	<i>7</i>	212,700,000	28,927	0.55%	(10,717)
Hsin Chong Group Holdings Ltd. (stock code: 404)	<i>8</i>	90,000,000	—	—	(31,950)
Huayi Tencent Entertainment Company Ltd. (stock code: 419)	<i>9</i>	200,000,000	71,000	1.36%	(3,259)
Kingston Financial Group Ltd. (stock code: 1031)	<i>10</i>	33,028,000	247,710	4.74%	137,066
KuangChi Science Ltd. (stock code: 439)	<i>11</i>	23,000,000	57,040	1.09%	(7,641)
Lajin Entertainment Network Group Ltd. (stock code: 8172)	<i>12</i>	53,500,000	19,795	0.38%	(14,980)
Sincere Watch (Hong Kong) Ltd. (stock code: 444)	<i>13</i>	55,000,000	6,490	0.12%	(4,510)
Town Health International Medical Group Ltd. (stock code: 3886)	<i>14</i>	70,000,000	9,100	0.17%	(78,400)
Yunfeng Financial Group Ltd. (stock code: 376)	<i>15</i>	12,912,000	70,370	1.35%	(1,199)
			<u>662,943</u>		<u>(92,526)</u>

Notes:

1. Affluent Partners Holdings Ltd. (“**Affluent Partners**”) and its subsidiaries are principally engaged in (i) purchasing, processing, designing, production and wholesale distribution of pearls and jewellery products, (ii) financial assets investment, (iii) money lending, and (iv) investment in an associate.

Based on its published financial information, the group had net assets of HK\$290,085,000 and HK\$353,607,000 at 31 March 2017 and 30 September 2017 respectively. The group recorded a loss attributable to owners of Affluent Partners of HK\$23,886,000 and HK\$13,171,000 for the year ended 31 March 2017 and the six months ended 30 September 2017 respectively.

As disclosed in its latest interim and annual reports, Affluent Partners has expanded into strategic investment and financial services business in order to capture new business and development opportunities and acquired a 33% equity interest in a Korean beverage company, namely Dellos Group Limited, in the year ended 31 March 2017. Dellos Group Limited will actively expand its distribution and seek the listing of its shares on a stock exchange in the medium term. In addition, Affluent Partners will actively diversify the customer base of its pearls and jewellery business.

2. Brockman Mining Ltd. (“**Brockman Mining**”) and its subsidiaries are principally engaged in the acquisition, exploration and towards future development of iron ore project in Australia; and in the exploitation, processing and sales of mineral resources, including copper ore concentrates and other mineral ore products in Mainland China.

Based on its published financial information, the group had net assets of HK\$463,963,000 and HK\$448,851,000 at 30 June 2017 and 31 December 2017 respectively. The group recorded a loss attributable to owners of Brockman Mining of HK\$38,308,000 and HK\$16,953,000 for the year ended 30 June 2017 and the six months ended 31 December 2017 respectively.

According to its latest interim report, Brockman Mining executed a term sheet with BBI Group Pty. Limited, a subsidiary of a New Zealand company, relating to the proposed farm in arrangement and establishment of a joint venture for the development of its flagship iron ore mining project (the “**Marillana Project**”) in Pilbara region in Western Australia in November 2017. The entering into of the definitive agreements relating to the proposed transactions is subject to the satisfaction or waiver of the conditions precedent set out in the term sheet. Brockman Mining believes that the proposed transactions offer a possible logistics solution for unlocking the value of its iron ore assets. The execution of the term sheet refocus Brockman Mining’s effort in fund raising activities for the coming years while waiting for the definitive feasibility study in respect of the construction and development of the Marillana Project being prepared by BBI Group Pty. Limited.

3. CBK Holdings Ltd. (“**CBK Holdings**”) and its subsidiaries are principally engaged in provision of catering services in Hong Kong.

Based on its published financial information, the group had net assets of HK\$90,754,000 and HK\$83,422,000 at 31 March 2017 and 30 September 2017 respectively. The group recorded a loss attributable to owners of CBK Holdings of HK\$8,256,000 and HK\$7,332,000 for the year ended 31 March 2017 and the six months ended 30 September 2017 respectively.

As disclosed in CBK Holdings' latest annual report, the food and beverage industry in Hong Kong is still full of challenges. In bracing itself for the challenges, CBK Holdings will implement proactive marketing strategies, invest more resources for product development and reinforce cost control measures. CBK Holdings intends to execute its development plan as set out in its prospectus dated 27 January 2017 for facilitating its long-term growth.

4. China Healthcare Enterprise Group Ltd. ("**China Healthcare**") and its subsidiaries are principally engaged in (i) electronic manufacturing services, (ii) marketing and distribution of communications products, (iii) trading and selling of medical equipment, and (iv) securities and other assets investments.

Based on its published financial information, the group had net assets of HK\$463,637,000 and HK\$392,428,000 at 31 December 2016 and 30 June 2017 respectively. The group recorded a loss attributable to owners of China Healthcare of HK\$82,646,000 and HK\$88,228,000 for the year ended 31 December 2016 and the six months ended 30 June 2017 respectively.

As disclosed in China Healthcare's latest interim and annual reports, the reforms and policies recently implemented by Mainland China government, including the Two-invoice system and Zero-markup policy, promote a positive development of the medical and healthcare industry in the long run. China Healthcare believes that there will be a period of remarkable development in the medical and healthcare industry in Mainland China. In its electronic manufacturing services, and marketing and distribution of communications products businesses, apart from addressing the needs of existing renowned consumer electronic brand clients, China Healthcare will actively pursue opportunities to step up expansion by strengthening its marketing team and dedicating more efforts to reach more potential new customers. China Healthcare believes that the recent proposed acquisition of a 51% of the entire issued share capital of Anhui Huayuan Guoyi Medical Investment Management Limited represents a good opportunity for it to expand into the medical and healthcare industry in Mainland China and to broaden its income base.

5. China Healthwise Holdings Ltd. ("**China Healthwise**") and its subsidiaries are principally engaged in development, engineering, manufacturing and sale of toys, commercial kitchen and consumer electronic products, sales of Chinese health products and money lending.

Based on its published financial information, the group had net assets of HK\$290,641,000 and HK\$403,303,000 at 31 March 2017 and 30 September 2017 respectively. The group recorded a loss attributable to owners of China Healthwise of HK\$241,937,000 and HK\$40,500,000 for the year ended 31 March 2017 and the six months ended 30 September 2017 respectively.

As disclosed in its latest interim and annual reports, China Healthwise has shifted from a single brand baby appliance producer into a multi-brand and multi-product childcare product and service provider. China Healthwise believes that it is well prepared to capture the growing demand for childcare product and service triggered by Mainland China's Two-Child Policy. Demand for toy products is expected to improve slightly. To maintain competitiveness of its Toy OEM business, additional costs are expected to invest for upgrading China Healthwise's production facilities in Indonesia in order to comply with customers' quality requirements and revised standards. To diversify its income streams, China Healthwise has expanded into money lending and retail sale of Chinese health products businesses and expects these two new businesses will have a positive impact on its performance.

6. Frontier Services Group Ltd. (“**Frontier Services**”) and its subsidiaries are principally engaged in the provision of logistics, security and insurance services, as well as the provision of online financial market information.

Based on its published financial information, the group had net assets of HK\$387,941,000 at 31 December 2017. The group recorded a loss attributable to owners of Frontier Services of HK\$223,760,000 for the year ended for the year 31 December 2017.

According to its final results announcement for the year ended 31 December 2017, Frontier Services completed major progress on the buildout of its four regions, including expanding its office footprint into key markets, establishing security licenses and partnerships, new facilities and expanding its team of international professionals across its service offerings, in 2017. Frontier Services combines its security, logistics, and insurance services into an integrated solution for its clients. In addition to its main focus on major infrastructure, resources and oil & gas projects along the Belt and Road, Frontier Services also focuses on special projects, which are often public private partnerships in national infrastructure, resources, energy, fisheries, and security. Frontier Services believes that these special projects allow it to leverage its deep relationships, subsidiary companies, and service offerings in major concession agreements, where it serves as both an equity partner and a service provider. With these new capabilities, Frontier Services enters 2018 with a full pipeline of programs and projects and looks forward to its strongest prospects for growth since its inception. In 2018, Frontier Services will be able to demonstrate its unique capabilities in overcoming the challenges of frontier markets.

7. Global Mastermind Holdings Ltd. (“**Global Mastermind**”) and its subsidiaries are principally engaged in provision and operation of travel business, money lending business and provision of securities and asset management services.

Based on its published financial information, the group had net assets of HK\$668,056,000 at 31 December 2017. The group recorded a loss attributable to owners of Global Mastermind of HK\$28,449,000 for the year ended 31 December 2017.

According to its annual results announcement for the year ended 31 December 2017, Global Mastermind expects its travel business is facing pressure from rising operating costs and keen competition. The management team of Global Mastermind will cautiously monitor market conditions and take appropriate actions accordingly. For treasury management business, Global Mastermind will cautiously monitor Hong Kong equity market, change its equity portfolio mix from time to time, and realise the equities held by it into cash as and when appropriate. Despite an expected growth for its money lending business in 2018, Global Mastermind will put more efforts to further expand this business segment. A more cautious approach has been adopted by the management team in assessing and approving new loans in order to mitigate its credit risk. Global Mastermind will exert more marketing efforts in promoting its financial services business in order to broaden its income stream.

8. Hsin Chong Group Holdings Ltd. (“**Hsin Chong**”) and its subsidiaries are principally engaged in building construction, civil engineering, electrical and mechanical installation, property development and investment, and provision of property and facility management services.

Based on its published financial information, the group had net assets of HK\$11,704,986,000 at 31 December 2017. The group recorded a loss attributable to owners of Hsin Chong of HK\$774,382,000 for the year ended 31 December 2017.

According to its annual results announcement for the year ended 31 December 2017, Hsin Chong's financial situation has been restraining its ability to obtain new projects since the beginning of 2017, which resulted in a decrease in turnover of its construction business. This, in turn, causes a reduction in its cashflow and an increase in its financing cost. Hsin Chong has pursued strategic measures, including but not limited to disposal of its assets and refinancing of its current facilities to restore cashflow and liquidity. During such restoration period, Hsin Chong notices and foresees that (i) the operating progress of various projects may be affected, (ii) the short-term financing cost may increase, (iii) new tenders will be restricted until the cashflow and liquidity of Hsin Chong restored, and (iv) key staffs turnover may increase.

At 31 December 2017, the unrestricted cash and cash equivalents of Hsin Chong amounted to HK\$784,000,000. At 23 March 2018, being the date of its annual results announcement for the year ended 31 December 2017, Hsin Chong had overdue borrowings amounted to HK\$1,932,000,000, but Hsin Chong has not been able to obtain extensions for repayment from the lenders. If the lenders do not grant extension, the overdue borrowings will be immediately repayable. In addition, Hsin Chong had borrowings of HK\$3,798,000,000 at 31 December 2017 which did not meet certain financial ratios as set out in the covenants in the relevant borrowing agreements. If such breach becomes events of default under the respective borrowing agreements, including those under the cross-default terms, an aggregate amount of borrowings of up to HK\$6,463,000,000 at 31 December 2017 will be immediately repayable. These conditions indicate the existence of material uncertainties which may cast significant doubt about Hsin Chong's ability to continue as a going concern.

Trading in the shares of Hsin Chong has been suspended since 3 April 2017. The price of Hsin Chong's shares closed at HK\$0.35 per share on 31 March 2017, being the last trading day prior to the suspension of trading of the shares at 9:00 a.m. on 3 April 2017. In view of the existence of material uncertainties which may cast significant doubt about Hsin Chong's ability to continue as a going concern, the entire fair value of the shares in Hsin Chong held by the Group of HK\$31,500,000 at 31 March 2017 was fully impaired for prudence.

9. Huayi Tencent Entertainment Company Ltd. ("**Huayi Tencent**") and its subsidiaries are principally engaged in (i) entertainment and media business, and (ii) provision of offline healthcare and wellness services.

Based on its published financial information, the group had net assets of HK\$875,958,000 at 31 December 2017. The group recorded a loss attributable to owners of Huayi Tencent of HK\$103,669,000 for the year ended 31 December 2017.

According to Huayi Tencent's annual results announcement for the year ended 31 December 2017, more than 5,000 screens were added every year in Mainland China's film market during the past five years. In 2017, the number of new screens hit 9,597, demonstrating the thriving momentum of Mainland China's film and TV entertainment market. In 2017, world-wide box office receipts stood at a record high of US\$39,920,000,000, representing a year-on-year increase of 3%. PwC estimates that the Asia Pacific region will become the driving force for global film products development. Box office receipts in Asia are estimated to reach US\$20,400,000,000 in 2021. Huayi Tencent will actively work to seize opportunities in the thriving film market in Mainland China, seek quality film projects for investment, as well as opportunities to acquire, merge and cooperate with excellent overseas producers, well-known directors and studios, particularly in North America and South Korea, aiming at bringing about more prime international films to the Chinese audience to deliver long term and great returns for it. In addition, Huayi Tencent will seek opportunities to dispose of the assets associated with its non-core business for the purpose of assigning resources to its core business for a faster development. To expand its revenue channels and improve its profitability, Huayi Tencent will keep an eye on investment opportunities in the pan-entertainment industry chain, including game, music and others.

10. Kingston Financial Group Ltd. (“**Kingston Financial**”) and its subsidiaries are principally engaged in the provision of a wide range of financial services which include securities brokerage, underwriting and placements, margin and initial public offering financing, corporate finance advisory services, futures brokerage and asset management services. The group also provides gaming and hospitality services in Macau.

Based on its published financial information, the group had net assets of HK\$19,601,138,000 and HK\$20,105,305,000 at 31 March 2017 and 30 September 2017 respectively. The group recorded a profit attributable to owners of Kingston Financial of HK\$1,484,943,000 and HK\$908,887,000 for the year ended 31 March 2017 and the six months ended 30 September 2017 respectively.

As disclosed in Kingston Financial’s latest interim and annual reports, the Hong Kong financial market has recently been strengthened by Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and the improved regulatory systems. In view of the opportunities provided by the further development of the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Greater Bay Area, Kingston Financial will set its eyes on the global market. Kingston Financial will continue to strengthen its presence in the capital markets and explore more business by expanding its geographical network.

11. KuangChi Science Ltd. (“**KuangChi Science**”) and its subsidiaries are principally engaged in the research and development and manufacture of innovative products for future technology businesses, and the provision of other innovative technology service solutions.

Based on its published financial information, the group had net assets of HK\$2,534,049,000 at 31 December 2017. The group recorded a profit attributable to owners of KuangChi Science of HK\$66,051,000 for the year ended 31 December 2017.

In view of the global trend for building “Smart City” and the national policy for supporting the growth of AI industry, KuangChi Science is committed to developing and integrating its “future space” technology and “future AI” technology in providing a comprehensive range of innovative products, services and solutions for building future smart cities. KuangChi Science has secured contracts of the “Cloud” project with new cities and extended the applications in anti-terrorism and security. For its unmanned aerial vehicle system for air emergency rescue, KuangChi Science is planned to co-operate with a number of urban fire stations in 2018 for commercial expansion. The natural gas pipeline monitoring services of KuangChi Science, namely “SkyX”, have entered into the commercial phase and have been successfully delivered to an energy company in Mexico. KuangChi Science has established a presence in the AI industry by introducing strategic partners in developing smart public security and smart public transportation. KuangChi Science is confident in the prospect of the market and its future growth and development.

12. Lajin Entertainment Network Group Ltd. (“**Lajin Entertainment**”) and its subsidiaries are principally engaged in the business of investment and production of movie and media contents, and the provision of artist management services.

Based on its published financial information, the group had net assets of HK\$899,671,000 at 31 December 2017. The group recorded a loss attributable to owners of Lajin Entertainment of HK\$79,853,000 for the year ended 31 December 2017.

According to its annual results announcement for the year ended 31 December 2017, Lajin Entertainment is committed to develop an integrated and cross-media entertainment platform in Mainland China, and become one of the most renowned players in entertainment industry in the years to come. Lajin Entertainment has developed a business model for producing movies, which involves the linking up of all resources of each business unit. Lajin Entertainment will utilise this business model for its projects in future. Lajin Entertainment believes that this strategy will greatly reduce its cost of production and enhance its profitability. Due to the depth of its investment spectrum, Lajin Entertainment foresees that its continuous expansion requires a heavy capital. Lajin Entertainment will continue to monitor its budget and will carry out fund raising activities when required. Lajin Entertainment believes that increasing cost of production, keen competition, and stringent broadcasting regulations on contents and origins remain its core challenges. In addition, tighter control policy of internet imposes immense burden to Lajin Entertainment to create innovative ideas. Lajin Entertainment must carefully set its strategy right for the market, control its costs and follow the everchanging policies closely.

13. Sincere Watch (Hong Kong) Ltd. (“**Sincere Watch**”) and its subsidiaries are principally engaged in distribution of branded luxury watches, timepieces and accessories in Hong Kong, Macau, Taiwan and Mainland China, dining business and property investment.

Based on its published financial information, the group had net assets of HK\$1,101,691,000 and HK\$1,063,488,000 at 31 March 2017 and 30 September 2017 respectively. The group recorded a loss attributable to owners of Sincere Watch of HK\$158,935,000 and HK\$51,955,000 for the year ended 31 March 2017 and the six months ended 30 September 2017 respectively.

As disclosed in its latest interim and annual reports, Sincere Watch has opened three new boutiques in Mainland China, Macau, and Korea in order to strengthen its retail network as Asia is expected to continue to play the leading role in the global luxury retail industry. Sincere Watch will continue to strengthen and pursue marketing and brand enhancement activities in the territories. In March 2016, Sincere Watch entered into a sale and purchase agreement for acquiring investment properties in Beijing, Mainland China. In May 2017, Sincere Watch entered into a cooperation agreement for investing a film project. Sincere Watch will continue to explore other business and investment opportunities for broadening its income sources.

14. Town Health International Medical Group Ltd. (“**Town Health**”) and its subsidiaries are principally engaged in healthcare business in Hong Kong, which comprises managed care, medical and dental clinics operation and provision of beauty and cosmetic medical services, direct investment in healthcare sector, and investment in securities and properties. The group also provides hospital and clinic management services in Mainland China.

Based on its published financial information, the group had net assets of HK\$4,581,959,000 and HK\$4,344,779,000 at 31 December 2016 and 30 June 2017 respectively. The group recorded a profit attributable to owners of Town Health of HK\$63,497,000 and HK\$43,517,000 for the year ended 31 December 2016 and the six months ended 30 June 2017 respectively.

As disclosed in its latest interim and annual reports, the State Council of Mainland China announced two significant documents with regards to deepening the 13th Five-Year Plan on medical reform and health planning. Stepping into the second year of the 13th Five-Year Plan, Town Health believes that Mainland China’s healthcare market is expected to maintain a rapid growth pace. Town Health has partnered with China Life Insurance (Overseas) Company in setting up its first health management

center in Wan Chai in the first half of 2017. Town Health will strive to collaborate with various divisions of China Life Insurance (Overseas) Company to develop health management centers in various provinces of Mainland China, by replicating the business model of the Wan Chai Center. Town Health will strive to introduce its people-oriented healthcare service concepts, processes, international service standards and community-based healthcare systems to Mainland China market, with an aim to improving the healthcare system and service standard in Mainland China, which in return could render Town Health to become a prominent healthcare services operator in Mainland China.

On 27 November 2017, the Securities and Futures Commission issued a direction under Section 8(1) of the Securities and Futures (Stock Market Listing) Rules to suspend the trading in the shares of Town Health with effect from 9:00 a.m. on that date. Immediate prior to the suspension, the price of Town Health's shares closed at HK\$0.69 per share on 24 November 2017. Based on a valuation report prepared by an independent valuer appointed by the Group, the fair value of the shares in Town Health held by the Group was HK\$9,100,000 at 31 December 2017.

15. Yunfeng Financial Group Ltd. (“**Yunfeng Financial**”) and its subsidiaries are principally engaged in the provision of financial services, including securities brokerage, wealth management and investment, corporate finance consultancy, ESOP (Employee Stock Ownership Plan) administration, and investment research.

Based on its published financial information, the group had net assets of HK\$4,444,123,000 and HK\$4,265,643,000 at 31 December 2016 and 30 June 2017 respectively. The group recorded a loss attributable to owners of Yunfeng Financial of HK\$316,688,000 and HK\$236,554,000 for the year ended 31 December 2016 and the six months ended 30 June 2017 respectively.

As disclosed in its latest interim and annual reports, Yunfeng Financial will push forward on the completion of acquisition of share capital of MassMutual Asia Limited, a well-established insurance company in Hong Kong with strong brand recognition, as announced on 17 August 2017. Yunfeng Financial believes that the acquisition is a milestone for the integration of its existing financial technology services with traditional insurance business as well as its growth into a large financial group. Yunfeng Financial remains focus on improving its overall operating results through effective cost control and increasing its revenue streams with different strategies based on market situations.

The directors believe that the future performance of the Hong Kong listed equities held by the Group is largely affected by economic factors, investor sentiment, demand and supply balance of an investee company's shares and fundamentals of an investee company, such as investee company's news, business fundamentals and development, financial performance and future prospects. Accordingly, the directors closely monitor the above factors, particularly the fundamentals of each individual investee company in the Group's equity portfolio, and proactively adjust the Group's equity portfolio mix in order to improve its performance.

During the year, the Group's money lending business generated interest income on loans of HK\$70,626,000, a 43.68% increase from HK\$49,154,000 for the previous year. This increase was attributable to the increase in the aggregate principal amount of new loans granted by the Group in the year ended 31 December 2017 as compared to the previous year. The average monthly outstanding balance of loans receivables increased from HK\$541,434,000 in the year ended 31 December 2016 to HK\$790,754,000 in the year ended 31 December 2017. During the year, the Group granted new loans in the aggregate principal amount of HK\$1,310,000,000 to ten customers.

The Group's customers made drawings in the aggregate principal amount of HK\$1,267,919,000 from the existing and new loans and repaid HK\$526,973,000 to the Group. At the end of the reporting period, the directors assessed the collectability of the Group's loans receivables. As there was no objective evidence that the Group would not be able to collect its loans receivables, no impairment loss for loans receivables was recognised. At 31 December 2017, the Group's loans receivables together with accrued interest receivables amounted to HK\$1,200,630,000 (2016: HK\$451,163,000). Return on loans receivables for the year ended 31 December 2017 is 8.93%, which is fairly constant with 9.08% in the previous year.

During the year, the Group's sale of jewelry products and precious stones business generated revenue of HK\$42,608,000, a 52.15% decrease from HK\$89,054,000 for the previous year, and reported a segment loss (before taxation) of HK\$4,801,000, whereas a segment profit (before taxation) of HK\$2,468,000 was recorded for the previous year. The decrease in revenue and the deterioration in segment results were attributable to the sluggish market conditions, the suspension of the Group's sale of precious stones business, and the recording of a HK\$7,381,000 sale returns from customers. In response to the sluggish market conditions, the Group restructured its sales team in order to ensure a cost effective operating structure and refined its business strategy by developing, in addition to overseas retail shops market, overseas retail chain stores and wholesale market. As the sale of precious stones business merely provided a single digit gross profit margin and required a longer than expected period for trade debts settlement, the Group has suspended its sale of precious stones business since the first quarter of 2017. A number of customers did not settle their trade debts for a long period of time. Having negotiated with these customers, the Group accepted sale returns from certain of these customers in order to reduce its credit risk and reached settlement schedules for the long outstanding trade debts with others. At the end of the reporting period, these long outstanding trade debts were settled. By refining its business strategy and suspending its sale of precious stones business, the directors believe that the Group's sale of jewelry products business is healthier and sustainable. Return on capital employed in sale of jewelry products and precious stones for the year ended 31 December 2017 is (7.39)% (2016: 3.18%).

At 31 December 2017, the Group's inventories of jewelry products and precious stones, including raw materials, work-in-progress and finished goods, amounted to HK\$33,500,000 (2016: HK\$38,329,000) and the Group's sale of jewelry products and precious stones business had undelivered sale orders amounting to HK\$1,000,000 (2016: HK\$2,000,000).

During the year ended 31 December 2017, the Group's property investment business generated rental income of HK\$44,412,000, a 1.68% decrease from HK\$45,171,000 for the previous year, and recorded a segment profit (before taxation) of HK\$10,644,000, a 65.46% increase from HK\$6,433,000 for the previous year. Such improvement in segment performance was due to the recognition of a gain of HK\$20,013,000 arising on change in fair value of investment properties, which was partly offset by an impairment loss of HK\$1,813,000 in respect of goodwill and the increase in administrative expenses of the Group's Beijing operations. Of the total rental income, HK\$20,809,000 was generated from the assets of the Club and HK\$23,603,000 was generated from the Guangzhou Property. No rental income was generated from the Subject Land as the first phase development of the Subject Land has just been completed.

The development of the Subject Land is divided into three phases, in which the first phase involves erecting nine hotel villas, the second phase involves erecting hotel villas, and the third phase involves erecting a high-end hotel apartment complex with restaurants, multifunction room facilities and hotel apartment units. The first phase development of the Subject Land has been completed. To promptly generate rental income and effectively reduce fixed costs, the Group has changed its leasing strategy for the nine hotel villas of the first phase development by not providing any furniture, appliances and hotel services. Marketing activities for leasing the villas have begun. However, no leasing agreement was concluded as at the date of this results announcement. Although there is a change in the leasing strategy for the nine villas of the first phase development, the second and third phases of development of the Subject Land into hotel villas and a high-end hotel apartment complex remains unchanged.

To enlarge and diversify its investment properties portfolio, the Group entered into a provisional sale and purchase agreement with an independent third party relating to the acquisition of the Shun Tak Property at the consideration of HK\$322,000,000 on 13 April 2017. The acquisition was approved by the shareholders on 18 July 2017 and completed on 18 September 2017. The acquisition was financed by the net proceeds from the placing of 643,200,000 new ordinary shares under general mandate as completed on 16 May 2017, the Group's internal resources, and bank borrowings.

As three units of the Shun Tak Property are used as the head office of the Company and the remaining four units are leased out for generating rental income, the three units used as the head office are recognised as property, plant and equipment and the remaining four units are recognised as investment property for financial reporting purposes. At the end of the reporting period, the Shun Tak Property was under renovation and the renovation is expected to be completed in April 2018. It is expected that the investment property portion of the Shun Tak Property will be available for leasing by the end of second quarter of 2018.

On 10 May 2017, the Group entered into a non-legally binding letter of intent with China Healthwise relating to the possible disposal of the entire issued share capital of Smart Title Limited, a wholly owned subsidiary of the Company holding the Club and the Subject Land through its subsidiaries, by the Group to China Healthwise. However, the non-legally binding letter of intent was terminated on 10 July 2017.

On 27 September 2017, the Group entered into a series of agreements, including two framework co-operation agreements, a joint venture agreement and a supplemental agreement, with 太湖世界文化論壇 (Tai Hu World Cultural Forum, "**Tai Hu**"), a national non-governmental organisation established in Mainland China, relating to (i) the provision of certain buildings to be erected on the Subject Land as the permanent site for certain cultural forum and related cultural activities (the "**Permanent Cultural Site**"), and (ii) the formation of a joint venture company in Mainland China with a registered capital of RMB10,000,000 (equivalent to HK\$11,963,000), which is to be owned as to 70% by the Group and as to 30% by Tai Hu, to invite business for, manage and operate cultural forum and related cultural activities to be carried out on the Permanent Cultural Site. The entering into of the series of agreements is for the purpose of increasing the occupancy rate of the hotel villas

and high-end hotel apartment complex upon completion of the development of the Subject Land. The directors believe that the provision of the Permanent Cultural Site on the Subject Land will enhance the reputation of the Subject Land. The joint venture company has been established and in operation.

The Group is currently carrying out the architectural planning for integrating the Permanent Cultural Site with the second and third phases of development of the Subject Land. Applications have been submitted to the relevant governmental authorities for amending the previously approved development plan of the Subject Land in integrating the Permanent Cultural Site with the buildings to be erected on the Subject Land. It is expected that the second and third phases of development of the Subject Land will be commenced shortly after The Fifth Annual Conference of World Cultural Forum (Taihu, China) to be held in October 2018. Despite certain buildings to be erected being used as the Permanent Cultural Site, the development of the remaining Subject Land into hotel villas and a high-end hotel apartment complex remains unchanged. Without taking into account the Permanent Cultural Site, the total budgeted costs for the second and third phases development of the Subject Land is RMB768,341,000 (equivalent to HK\$919,166,000) at 31 December 2017, which will be financed by the internal resources of the Group, the rental income generated from the assets of the Club and the first phase of the Subject Land, and external borrowings.

On 5 December 2017, the Group entered into a sale and purchase agreement relating to the disposal of the entire issued share capital of Best Volume Investments Limited, a wholly owned subsidiary of the Company, at a consideration of HK\$405,000,000. The principal asset of Best Volume Investments Limited and its subsidiaries is the Guangzhou Property. The proceeds from the disposal are intended to be used for the development of the Subject Land. As the payment of operating expenses, finance costs and bank loan repayment exceed the receipt of rental income generated from the Guangzhou Property, Best Volume Investments Limited and its subsidiaries have been generating a net cash outflow since its acquisition by the Group. The directors consider that the disposal of Best Volume Investments Limited provides an opportunity to the Group to realise the Guangzhou Property into cash and allows the Group to strengthen its financial resources for developing the Subject Land. The disposal was approved by the shareholders on 27 February 2018. On 27 February 2018, the long stop date of the sale and purchase agreement was extended from 28 February 2018 to 30 April 2018. It is expected that the disposal will be completed in April 2018.

At the end of the reporting period, the directors performed impairment tests for the goodwill arising from the acquisition of Smart Title Limited and the intangible assets relating to (i) the rights to construct and operate the club facilities of the Club, and (ii) the rights to develop and operate the Subject Land and the rights to manage the properties erected on the Subject Land with reference to the two valuation reports prepared by the independent valuer. As the carrying amount of the cash generating unit of the Group's property investment operations in Beijing exceeded its recoverable amount, an impairment loss of HK\$1,813,000 in respect of the goodwill was recognised. There was no impairment in respect of the intangible assets was required as the recoverable amounts of intangible assets exceeded their carrying amounts.

At the end of the reporting period, the directors measured the Guangzhou Property at fair value. Based on a property valuation report prepared by an independent valuer, the fair value of the Guangzhou Property decreased from RMB501,900,000 at 31 December 2016 to RMB481,500,000 at 31 December 2017. Accordingly, the Group recognised a loss of HK\$23,584,000 (equivalent to RMB20,400,000) arising on change in fair value of investment properties.

At the end of the reporting period, the directors measured the investment property portion of the Shun Tak Property at fair value. Based on a property valuation report prepared by an independent valuer, the fair value of the investment property portion of the Shun Tak Property increased from HK\$190,403,000 at 18 September 2017 to HK\$234,000,000 at 31 December 2017. Accordingly, a gain of HK\$43,597,000 arising on change in fair value of investment properties was recognised.

At the end of the reporting period, the directors performed an impairment test for the goodwill arising from the acquisition of Best Volume Investments Limited with reference to a valuation report prepared by an independent valuer. As the recoverable amount of the cash generating unit of the Group's property investment operations in Guangzhou exceeded its carrying amount, there was no impairment in respect of the goodwill.

Return on investment properties for the year ended 31 December 2017 is 5.28% (2016: 3.04%). The improvement on return was mainly attributable to the recognition of a gain arising on change in fair value of investment properties.

Spark Concept Group Limited, a 49% owned associate of the Company, and its subsidiaries (the “**Spark Concept Group**”) operated two Japanese noodle shops (麵鮮醬油房周月) in Central and Quarry Bay, and a high-end Japanese restaurant (料理人 上田) in Central. During the year, the Spark Concept Group reported a loss of HK\$195,000, a 91.66% decrease from HK\$2,337,000 for the previous year. As the Group's share of post-acquisition losses equals to its interests in the Spark Concept Group, no further share of losses was recognised for the year. The improvement in performance of the Spark Concept Group was mainly attributable to the two Japanese noodle shops making profit, however such profit was offset by the loss incurred by the high-end Japanese restaurant. No further cash was advanced to the Spark Concept Group by the Group during the year. In view of its net liabilities position, an impairment loss of HK\$217,000 was recognised for the amount due from the Spark Concept Group. At 31 December 2017, the Spark Concept Group owed the Group an amount of HK\$7,393,000 (before impairment of HK\$5,913,000), which is unsecured, non-interest bearing and repayable on demand. As announced by the Michelin Guide in November 2017, the Japanese noodle shops in Central and Quarry Bay are again awarded the Bib Gourmand rating in the Michelin Guide Hong Kong Macau 2018.

In August 2017, the Group invested in Elite Prosperous by subscribing for 49 new shares in Elite Prosperous at a price of US\$1.00 per share, representing 49% of its issued share capital. On 5 September 2017, the Group provided a shareholder's loan of US\$4,900,000 (equivalent to HK\$38,421,000) to Elite Prosperous, being its pro rata share of the interest-free shareholders'

loan in the aggregate principal amount of US\$10,000,000 (equivalent to HK\$78,410,000) to be provided by all the shareholders of Elite Prosperous to meet its operating and investment needs. The shareholder's loan of US\$4,900,000 provided by the Group to Elite Prosperous is non-interest bearing, unsecured and repayable on demand.

On 7 September 2017, Elite Prosperous as lender and an investment holding company (the "**Investment Company**") as borrower entered into an instrument incorporating (i) advance of loan, (ii) capitalisation issue, and (iii) grant of options. The Investment Company is an independent third party and its principle asset is a 49% owned associate engaged in the provision of (i) agency and payment services; and (ii) currency exchange services as at the date of the instrument.

Pursuant to the instrument, (i) Elite Prosperous shall make available to the Investment Company a term loan of US\$10,000,000 (equivalent to HK\$78,410,000) for the purpose of financing part of the consideration for acquiring a Chinese online, mobile and cross-border payment service provider by a wholly owned subsidiary of the Investment Company (the "**Wholly Owned Subsidiary**"); (ii) subject to satisfaction of certain conditions as set out in the instrument, the Investment Company shall allot and issue such number of preferred shares (the "**Preferred Shares**") in its share capital to Elite Prosperous as determined in accordance with the instrument at the subscription price of US\$10,000,000; (iii) the Investment Company shall grant to Elite Prosperous a conversion option to require the Investment Company to allot and issue the Preferred Shares to Elite Prosperous at the subscription price of US\$10,000,000, exercisable at any time between 2 July 2018 and the date falling 24 months after the closing of the acquisition, subject to the terms of the instrument; (iv) the Investment Company shall grant to Elite Prosperous an option to require the Investment Company to sell 645 preferred shares in the share capital of the Wholly Owned Subsidiary at the purchase price of US\$10,000,000, exercisable from the date of releasing and discharge all charges created by the Investment Company relating to two loan facilities granted by a lender and ending on the date falling six months thereafter, subject to the terms of the instrument; and (v) the Investment Company shall grant Elite Prosperous an option to require the Investment Company to allot and issue such number of additional Preferred Shares at the aggregate subscription price of US\$0.01, exercisable where the charge on the shares in the 49% owned associate owned by the Investment Company has enforced following the capitalisation issue or an exercise of the conversion option, at any time after the six months period after the enforcement, subject to the terms of the instrument.

The term loan is non-interest bearing and unsecured. Subject to the capitalisation issue and the exercise of the options, the term loan shall become due and payable by the Investment Company to Elite Prosperous on the tenth anniversary of the date of the instrument. The Preferred Shares shall be automatically converted into ordinary shares of the Investment Company on the date of listing of the ordinary shares on a stock exchange at the conversion rate of one Preferred Share to one ordinary share.

On 8 September 2017, Elite Prosperous provided the term loan of US\$10,000,000 to the Investment Company. On 21 September 2017, the Investment Company increased its equity interest in the 49% owned associate from 49.00% to 61.06%. On 12 December 2017, the acquisition of the Chinese online, mobile and cross-border payment service provider was completed. At 31 December 2017, the Wholly Owned Subsidiary owned 96.77% in the issued share capital of the Chinese online, mobile and cross-border payment service provider. As certain conditions as set out in the instrument have not been satisfied, no capitalisation issue was taken place in the year ended 31 December 2017. Subsequent to 31 December 2017, the lender is in the process to convert one of the two loan facilities granted to the Wholly Owned Subsidiary into 20% shareholding interest in the Wholly Owned Subsidiary. During the year, Elite Prosperous reported a profit of HK\$582,000 and the Group shared a profit of HK\$285,000 from Elite Prosperous.

Future Prospects

The United States Federal Reserve began to reduce its balance sheet to a normal level in October 2017, which creates uncertainty on the global markets. Accordingly, the directors will cautiously monitor Hong Kong equity market and adjust the Group's equity portfolio as and when appropriate in 2018.

Given that the unwind of the United States Federal Reserve's massive quantitative easing program marks a major policy change that could impact interest rates and markets broadly, the Group adopts a more cautious approach in selecting its customers in order to mitigate its credit risk as usual. The directors expect the interest income on loans for 2018 may remain stable.

In the second half of 2017, the Group has refined the business strategy for its sale of jewelry products business and resources have been allocated for developing overseas retail chain stores and wholesale market in order to achieve a stable settlement on its trade debts. As time is needed for developing this market, it is expected that the performance of the Group's sale of jewelry products business will gradually improve.

Upon completion of the disposal of the entire issued share capital of Best Volume Investments Limited, the Group's rental income will decrease substantially as the Guangzhou Property generated 53.15% of the Group's rental income in the year ended 31 December 2017. The acquisition of the Shun Tak Property has been completed and the investment property portion of the Shun Tak Property will be available for leasing by the end of second quarter of 2018. It is expected that the decrease in the Group's rental income will be partly compensated by the investment property portion of the Shun Tak Property. In addition, the first phase development of the Subject Land has been completed and marketing activities for leasing the nine villas have begun. However, no leasing agreement was concluded. If any of the nine villas is leased out, the decrease in the Group's rental income in 2018 will be lowered. As a result of the commencement of the second and third phases of development of the Subject Land, the operating costs of the Group's Beijing operations will gradually increase in the coming years, which adds challenge to the Group's property investment business.

For the coming years, the directors will continue to cautiously monitor the business environment and strengthen the Group's business foundation by focusing the Group's existing businesses. In addition, the directors will continue to cautiously identify suitable investment opportunities for the Group to diversify its businesses and broaden its revenue base.

Events after the Reporting Period

Subsequent to 31 December 2017 and up to the date of this results announcement, the Group had the following material events:

- (a) On 27 February 2018, the sale and purchase agreement dated 5 December 2017 entered into between Golden Stone Management Limited, a wholly owned subsidiary of the Company, as vendor and Mr. Xie Zhaobin as purchaser relating to the sale and purchase of the entire issued share capital of Best Volume Investments Limited was approved by the shareholders.
- (b) On 27 February 2018, Golden Stone Management Limited and Mr. Xie Zhaobin entered into a deed of variation pursuant to which the parties mutually agreed to extend the long stop date of the sale and purchase agreement dated 5 December 2017 from 28 February 2018 to 30 April 2018.
- (c) The fair value of the Group's financial assets at fair value through profit or loss decreased from HK\$662,943,000 at 31 December 2017 to HK\$544,305,000 at the date of this results announcement.

Principal Risks and Uncertainties

A summary of the principal risks and uncertainties which may impact the Group's financial conditions, results of operations or future performance and how the Group to mitigate these risks is set out below.

This summary should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties faced by the Group, but rather those risks which the Group currently believes may have a significant impact on the Group's performance and future prospects.

<i>Principal risks</i>	<i>Description</i>	<i>Mitigating actions</i>
Strategic risk	Strategic risk is the risk that medium and long-term profitability and/or reputation of the Group could be adversely impacted by the failure either to identify or implement the correct strategy, or to react appropriately to changes in the business environment.	<ul style="list-style-type: none"> • Extensive investment management experience of the Board. • Regularly review on strategy and performance of each business unit. • Perform comprehensive due diligence on all potential acquisitions.

<i>Principal risks</i>	<i>Description</i>	<i>Mitigating actions</i>
Economic risk	Economic risk is the risk of any downturn in economic conditions could impact the Group's performance through higher bad debts as a result of customers' inability to repay loans and lower asset values.	<ul style="list-style-type: none"> • Regularly review forward looking indicators to identify economic conditions.
Credit risk	Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.	<ul style="list-style-type: none"> • Fully understand customers and carry out credit quality assessment on customers before granting loans. • Regularly monitor loans receivables and assess for their recoverability. • Limit credit risk exposure by granting loan to any single customer of not more than 8% of the consolidated total assets of the Group. • Make rental contracts with tenants with an appropriate credit history.
Liquidity risk	Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.	<ul style="list-style-type: none"> • Regularly monitor liquidity and statement of financial position. • Maintain appropriate liquidity to cover commitments. • Limit liquidity risk exposure by investing only in securities listed on stock exchanges. • Ensure acceptable and appropriate finance in place, or believed to be available before committing investment projects.
Price risk	Price risk is the risk that changes in equity prices will affect the Group's income and the value of its holdings of equities.	<ul style="list-style-type: none"> • Regularly monitor equity portfolio to address any portfolio issues promptly. • Spread price risk exposure by investing a number of equities.
Exchange risk	Exchange risk is the risk that changes in foreign exchange rates will affect the Group's income and the value of its holdings of assets.	<ul style="list-style-type: none"> • Closely monitor statement of financial position and cashflow exchange risk exposures and where considered appropriate use financial instruments, such as forward exchange contracts, foreign currency options and forward rate agreements, to hedge this exchange risk.

<i>Principal risks</i>	<i>Description</i>	<i>Mitigating actions</i>
People risk	People risk is the risk of loss the services of any directors, senior management and other key personnel which could have a material adverse effect on the Group's businesses.	<ul style="list-style-type: none"> • Provide competitive reward and benefit packages that ensure our ability to attract and retain the employees we need. • Ensure that the staff of the Group has the right working environment to enable them to do the best job possible and maximise their satisfaction at work.
Legal and regulatory risk	Legal and regulatory risk is the risk that a breach of laws and regulations could lead to litigation, investigations or disputes, resulting in additional costs being incurred, civil and/or criminal proceedings and reputational damage.	<ul style="list-style-type: none"> • Monitor changes and developments in the regulatory environment and ensure that sufficient resources being made available to implement any required changes. • Seek legal or other specialist advice as appropriate.

Compliance with Laws and Regulations

The Group recognises the importance of compliance with the relevant laws and regulations that have a significant impact on its principal activities and the risk of non-compliance with such laws and regulations could lead to litigation, investigations or disputes, resulting in additional costs being incurred, civil and/or criminal proceedings and reputational damage.

During the year, the Group has complied with (i) the Money Lenders Ordinance and the Money Lenders Regulations for its money lending business, and (ii) the Urban and Rural Planning Law of the People's Republic of China and the Construction Law of the People's Republic of China for the development of the Subject Land in Mainland China.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2017, except for:

- (a) code provision A.2.1 of the Code requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year, Mr. Lei Hong Wai has taken up the roles of the Chairman of the Board and the Chief Executive Officer of the Company. Mr. Lei possesses essential leadership skills and has extensive experience in corporate management and business development. The Board is of the view that currently vesting the roles of the Chairman and the Chief Executive Officer in the same person provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies; and

- (b) code provision A.4.1 of the Code requires that non-executive directors should be appointed for a specific term, subject to re-election. All non-executive directors of the Company are not appointed for a specific term, but are subject to retirement from office by rotation and re-election in accordance with the provisions of the Company's bye-laws. At each annual general meeting, one-third of the directors for the time being, (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every director shall be subject to retirement by rotation at least once every three years. As such, the Company considers that such provision is sufficient to meet the underlying objective of this code provision.

COMPLIANCE WITH THE MODEL 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 of the Listing Rules for securities transactions by the directors of the Company. Having made specific enquiry by the Company, all directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2017.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2017, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares	Price per share		Aggregate price paid HK\$
		Highest HK\$	Lowest HK\$	
October 2017	20,800,000	0.220	0.176	3,939,000
November 2017	<u>18,800,000</u>	0.235	0.225	<u>4,324,000</u>
	<u><u>39,600,000</u></u>			<u><u>8,263,000</u></u>

The above ordinary shares were cancelled upon repurchase.

The directors considered that the Company's shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

REVIEW OF FINANCIAL INFORMATION

The audit committee has reviewed this annual results announcement and the annual report of the Company for the year ended 31 December 2017.

By Order of the Board
Eternity Investment Limited
Lei Hong Wai
Chairman

Hong Kong, 28 March 2018

As at the date of this announcement, the Board comprises four executive directors, namely, Mr. Lei Hong Wai, Mr. Cheung Kwok Wai Elton, Mr. Chan Kin Wah Billy and Mr. Cheung Kwok Fan; and three independent non-executive directors, namely, Mr. Wan Shing Chi, Mr. Ng Heung Yan and Mr. Wong Tak Chuen.