Grand Field Group Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 115)

ANNUAL REPORT 2017

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Ma Xuemian *(Chairman)*
Mr. Kwok Siu Bun
Ms. Chow Kwai Wa Anne
Ms. Kwok Siu Wa Alison

NON-EXECUTIVE DIRECTOR

Ms. Tsang Tsz Tung Debbie

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hui Pui Wai Kimber
Mr. Liu Chaodong
Ms. Chui Wai Hung

COMPANY SECRETARY

Ms. Lam Yuen Ling Eva

AUDIT COMMITTEE

Ms. Chui Wai Hung *(Chairman)*
Mr. Hui Pui Wai Kimber
Mr. Liu Chaodong

REMUNERATION COMMITTEE

Mr. Hui Pui Wai Kimber *(Chairman)*
Mr. Liu Chaodong
Mr. Ma Xuemian
Ms. Chui Wai Hung

NOMINATION COMMITTEE

Mr. Liu Chaodong *(Chairman)*
Mr. Ma Xuemian
Ms. Chui Wai Hung

CORPORATE GOVERNANCE COMMITTEE

Mr. Ma Xuemian *(Chairman)*
Mr. Liu Chaodong
Ms. Chui Wai Hung

AUTHORIZED REPRESENTATIVES

Ms. Chow Kwai Wa Anne
Ms. Kwok Siu Wa Alison

REGISTERED OFFICE IN BERMUDA

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PRINCIPAL BANKER

The Bank of East Asia, Limited

WEBSITE

http://www.gfghl.com

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Grand Field Group Holdings Limited (the "Company"), I am pleased to present the annual report of the Company (the "Annual Report") on the activities for the year ended 31 December, 2017.

2017 was a rewarding year, full of important achievements for the Company from the completion of foundation works in the Company's developing building project in Xihuan Lu, Buji Street, Longgang District, Shenzhen, PRC. (the "Shenzhen Zongke Yunduan Building Project") to the availability of disposal in the property project in Xuzhou, Jiangsu Province, PRC (the "Xuzhou Property Project") after the successful acquisition thereof. The residential units of the Xuzhou Property Project have been sold and the Company plans to keep the commercial tower as offices, shopping arcades and Soho/boutique hotel for renting out. It is expected in the coming year substantial cash flows would be generated from the rentals thereof. Certainly, the financial situation of the Company will be improved significantly.

During the year of 2017, the Company made intensive efforts to expand its existing business and explore other business opportunities, laying a solid foundation for its long-term development. Apart from the above Xuzhou Property Project, the Company has been trying to seek opportunities actively to promote diversified business development.

Turning to the financial results the total revenue for 2017 increased to approximately HK$178,575,000 (approximately HK$6,257,000 for 2016). The Company is confident that, with the above measures and the efforts of all staff, it will be able to drive its overall business growth steadily.

On behalf of the Board, I would like to thank our shareholders and customers for their enormous support, as well as the Board and all our dedicated staff members for their continued loyalty, diligence, professionalism and contributions to the Company.

Ma Xuemian
Chairman

Hong Kong, 27 March 2018

Management Discussion and Analysis

FINANCIAL RESULTS

For the year ended 31 December 2017, the revenue of the Company and its subsidiaries (the "Group") increased significantly from approximately HK$6,257,000 for the last year to approximately HK$178,575,000. The increase was mainly attributed to sales of properties held for sale from Xuzhou project.

During the year ended 31 December 2017, the Group reported a net profit of approximately HK$231,962,000, increased by approximately HK$160,790,000 from that of approximately HK$71,172,000 for the last year. It was mainly attributed to substantial fair value gains from certain investment properties during the year ended 31 December 2017.

Due to the aforesaid reason, the net profit attributable to owners of the Company was increased from approximately HK$19,166,000 in 2016 to approximately HK$127,979,000 in 2017.

BUSINESS REVIEW AND PROSPECT

Shenzhen's property market continued to gain momentum in 2017 with average prices for new and second-hand homes hitting historical high. For the Group, this means further opportunities in presales with a potential of higher sales volume. The Shenzhen Zongke Yunduan Building Project has obtained all the required development licenses in April, 2016 and the construction work thereof is now in full swing, of which most of the excavation works and all of the foundation works have been completed, with the project itself expected to be officially introduced to the market in less than two years. As more new residential projects are expected to be launched in the near future, we are hoping this will push up market sentiment and bring a positive effect to the housing market by increasing the number of transactions. With home prices still expected to soar in most Chinese cities, the completion of the Shenzhen ZongKe Yunduan Building Project will greatly enhance the Group's cash flow and profitability.

While part of our projects is planned to be sold for some quick cash turnover, we also plan to build and hold on some commercial space for long-term leasing income and also as an investment to our own work, and therefore bringing value to our shareholders. At present, since our land reserve is limited to the Shenzhen ZongKe Yunduan Building Project, the Group is actively seeking to expand the business to different provinces and other second-tier cities in China for better bargains on land and other real estate assets.

In 2017, the Group successfully acquired the Xuzhou Property Project which has completed and obtained the certificate of completion and therefore it is ready for sale or rent. Two towers of the Xuzhou Property Project have been sold out. The Group has retained one commercial tower for renting out for the use of arcade, hotel or other commercial uses. It will greatly enhance the Group's cash flow and profitability.

Management Discussion and Analysis

As aforesaid, we believe an expected growth in 2018.

In addition, the Company has been involved in trading business including milk-related products and, frozen meats since 2016. However this business was put on hold till our further research and development.

Besides, we are continuing our effort to mergers and acquisitions (the "M&A") deals as a way to expand into new markets and gain additional revenue streams apart from the real estate development. At the time when we witness a slowdown in the macro market, successful M&A deals offer the Group the opportunities for sustainable growth. By bringing in additional product lines and expanding into new markets, these possible deals would allow the Group to grow without having to build out the entire new portion of the business on our own. Business integration is a top of priority for us in the years to come.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group's cash and cash equivalents were approximately HK$5,902,000 (31 December 2016: approximately HK$13,439,000) of which most were denominated in Hong Kong Dollar ("HK$") and Renminbi ("RMB").

As at 31 December 2017, the Group had total current assets of approximately HK$250,541,000 (31 December 2016: approximately HK$174,372,000), and total current liabilities of approximately HK$324,130,000 (31 December 2016: approximately HK$67,420,000). The Group recorded total assets of approximately HK$2,609,262,000 (31 December 2016: approximately HK$1,680,830,000). At 31 December 2017, the Group's total interest-bearing borrowings amounted to approximately HK$48,420,000 (31 December 2016: approximately HK$10,913,000), of which approximately HK$48,420,000 was repayable within 1 year (31 December 2016: approximately HK$10,913,000).

As at 31 December 2017, all interest-bearing borrowings of the Group are denominated in RMB with principal amount of approximately RMB40,387,000 (equivalent to approximately HK$48,420,000) (31 December 2016: approximately HK$10,913,000) and such borrowings carried interest at fixed rates of from 1.5% to 2.5% per month and 10% per annum (2016: 1.5% to 2.5% per month and 10% per annum).

The gearing ratio as at 31 December 2017, which was defined to be current liabilities over shareholders' equity, was approximately 32% (31 December 2016: approximately 10%).

Management Discussion and Analysis

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's major operations are located in the People's Republic of China ("PRC") and the main operational currencies are HK$ and RMB. There has been no significant change in the Group's policy in terms of exchange rate exposure. The Group is exposed to foreign currency risk due to the exchange rate fluctuation of RMB against HK$. Moderate fluctuation of RMB against HK$ was expected. The Group considered the foreign currency risk exposure is acceptable. However, management of the Group will monitor foreign exposure closely and consider the use of hedging instruments when necessary.

As at 31 December 2017, the Group has no material liability denominated in other foreign currencies other than RMB. There was also no hedging transaction contracted for by the Group during the year ended 31 December 2017.

CAPITAL STRUCTURE

As at 31 December 2017, the Company's issued share capital is approximately HK$151,905,000 and the total number of its issued ordinary shares is 1,519,046,088 shares of HK$0.10 each in issue.

Details of the movements in share capital of the Company are set out in note 35 to the consolidated financial statement.

CAPITAL COMMITMENT

The Group had the following material commitments as at 31 December 2017:

	2017 **HK$'000**	2016 HK$'000
Contracted but not provided for:		
Investment properties under development	**647,853**	683,608
Capital contribution to PRC companies	**194,344**	180,144
	842,197	863,752

Management Discussion and Analysis

CHARGE ON GROUP ASSETS

As at 31 December 2017, the Group has pledged certain properties held for sale with the carrying amounts of approximately HK$4,677,000 (31 December 2016: approximately HK$4,335,000) of its wholly-owned subsidiary for certain interest-bearing borrowings with principal amount of approximately RMB4,238,000 (equivalent to approximately HK$4,896,000 (31 December 2016: approximately HK$4,634,000)) from an independent third party.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT AND FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as disclosed in the section "Major and Connected Transaction", the Company did not have any other material acquisitions, disposal and significant investment of subsidiaries and affiliated companies during the year ended 31 December 2017.

In 2018, the Company will continue to make intensive efforts to expand its existing business and explore other business opportunities and try to seek opportunities actively to promote diversified business development. The Company will be continuing its effort in mergers and acquisitions deals as a way to expand into new markets and gain additional revenue streams apart from the real estate development. Bearing any further unforeseen material adverse external developments, the Company will continue to adhere to these principles in 2018 and is cautiously optimistic about the Group's further prospects.

Management Discussion and Analysis

USE OF PROCEEDS FROM THE SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

During the year ended 31 December 2017, the Company totally issued 276,196,991 new shares under general mandate, the details are as follows:

Nature	No. of shares
Remuneration shares (Note 1)	27,546,296
Subscription shares (Note 2)	248,650,695
Total:	276,196,991

Notes:

1. On 19 January 2017 and 9 May 2017, 12,962,963 shares and 14,583,333 shares of the Company were allotted and issued to Mr. Wong Vai Nang, sole proprietor of Simon Ho & Co., Solicitors, at an issue price of HK$0.270 and HK$0.240 per share for settlement of the fee for the legal advisory services provided by Simon Ho & Co., Solicitors.

   Details were set out in the announcements dated 19 January 2017 and 9 May 2017.

2. On 19 January 2017, 65,513,322 shares and 24,955,555 shares of the Company were allotted and issued to Mr. Xin Zailian ("Mr. Xin") and Mr. Chen Guoqin ("Mr. Chen"), at the subscription price of HK$0.27 per share in accordance with the terms and conditions of the subscription agreement I and subscription agreement II (having same meanings as defined in the announcement dated 13 January 2017), respectively. The aggregate nominal value of the 90,468,877 shares issued to Mr. Xin and Mr. Chen was HK$9,046,887.70. The closing market price per share was HK$0.27 as at 18 January 2017. The net price, after deduction of relevant expenses, was approximately HK$0.269 per share. The net proceeds from the subscriptions of approximately HK$24,376,597 was intended to be applied for general working capital and future development of the Group.

   Details were set out in the announcements dated 13 January 2017 and 19 January 2017.

   On 21 August 2017, 83,181,818 shares and 75,000,000 shares of the Company were allotted and issued to Mr. Xin and Mr. Chan Kee Wai ("Mr. Chan"), at the subscription price of HK$0.22 per share in accordance with the terms and conditions of the subscription agreement I and subscription agreement II (having same meanings as defined in the announcement dated 8 August 2017), respectively. The aggregate nominal value of the 158,181,818 shares issued to Mr. Xin and Mr. Chan was HK$15,818,181.80. The closing market price per share was HK$0.192 as at 18 August 2017. The net price, after deduction of relevant expenses, was approximately HK$0.2194 per share. The net proceeds from the subscriptions of approximately HK$34,700,000 was intended to be applied as to approximately HK$10,410,000 for general working capital for daily operation and approximately HK$24,290,000 for development of the Group's real estate project in Shenzhen.

   Details were set out in the announcements dated 8 August 2017, 9 August 2017 and 21 August 2017.

Management Discussion and Analysis

Up to the date of this Annual Report, the proceeds from these subscriptions were used for payment of the Company's general and administrative expenses and development of the Group's real estate project in Shenzhen with major items detailed below:

Completion date of subscriptions	19 January 2017 Approx. HK$	21 August 2017 Approx. HK$
Net proceeds	24.38 million	34.70 million
Use of net proceeds		
Staff salaries and Directors' fees	1.18 million	1.43 million
Rental and operating expenses	7.18 million	5.02 million
Development of the Group's property project in Shenzhen	16.02 million	24.16 million
Legal and professional fees	–	1.21 million
Unutilized proceeds	–	2.88 million
Total	**24.38 million**	**34.70 million**

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained an appropriate liquidity position throughout the year of 2017. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial condition of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements from time to time.

CONTINGENT LIABILITIES

The Group's contingent liabilities are disclosed in note 40 to the consolidated financial statements.

SEGMENT INFORMATION

The details of the segment information of the Group are set out in note 14 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group employed 61 employees (2016: 45) and had 8 Directors (2016: 8). The total staff costs (including Directors' remuneration) for the year ended 31 December 2017 amounted to approximately HK$7,397,000 (2016: approximately HK$25,825,000). No equity-settled share option arrangement was included in current year's staff cost as comparing to that of approximately HK$19,070,000 in last year. The Group's emolument policies are formulated such that the emoluments are made by reference to the performance of individual employees and will be reviewed every year. Apart from basic salary and statutory provident fund scheme, employees will also be offered bonus based on the results of the Group and their individual performance.

Profile of Directors

Executive Directors

Mr. Ma Xuemian ("Mr. Ma"), aged 53, was elected as an executive Director and the chairman (the "Chairman") of the Company on 2 December 2008 and 19 October 2009 respectively. He is also a member of the remuneration committee of the Company (the "Remuneration Committee"), a member of the nomination committee of the Company (the "Nomination Committee") and the chairman of corporate governance committee of the Company (the "Corporate Governance Committee"). Mr. Ma has joined the Company since 1999 and has been responsible for the Company's property sales and management in PRC since then. Mr. Ma has more than 20 years of management experiences in property management and marketing. From 1988 to 1992, he worked as a supervisor of the construction team in The Guangzhou Construction Company Limited, a subsidiary of the 3rd Guangdong Water and Electricity Bureau. He joined Ka Fong Industrial Company, Limited in 1992, which later became a subsidiary of the Company. Since then, he has served management role in various capacities including applying for government approval for development plan and construction plan, on-site project management, construction completion inspection. From July 1995 to 1996, he served in various management capacities including property completion and delivery management. From 1997 to 2000, he was in charge for managing the title deed application and property management in various projects in China. Since 2001, he is the general manager of the Company's operation in Dongguan, the PRC. Mr. Ma is also a director, legal representative, general manager and chairman of several subsidiaries of the Company. The letter of appointment of Mr. Ma Xuemian, the Chairman and executive Director, entered into a term of three years commencing on 1 April 2016. Mr. Ma is entitled to a Director's fee of HK$53,000 per month as at the date of the publication of this Annual Report.

Mr. Kwok Siu Bun ("Mr. Kwok"), aged 42, was appointed as a non-executive Director on 5 February 2010 and re-designated as an executive Director on 15 August 2011. Mr. Kwok is also the alternate Director to Ms. Tsang Tsz Tung Debbie, a non-executive Director. Mr. Kwok graduated from Leonard Stern School of Business of New York University with a double major in Finance and Information Systems. He had previously worked for Deutsche Bank (New York) where he was a senior systems analyst of the Private Banking Department. In 2003, Mr. Kwok was the project manager of Visionsky Informance Science and Technology Limited, a subsidiary of Bank of China (Guangzhou). Mr. Kwok successfully implemented several data warehouse projects for the Credit Card Centre of Bank of China (Hong Kong). He had also worked in Crushpad Winery in San Francisco. Recently, he has established Tao of Wines, a wine company dedicated to introducing a wide range of wines to the Hong Kong food and beverages market. Mr. Kwok has more than 10 years of professional experience in various industries including banking, information technology and wine business. He was also appointed as a director and legal representative of several subsidiaries of the Company. Mr. Kwok's scope of work includes: developing business and proactively looking for investment projects and focusing on potential projects with stable efficiency and liaising with the

Profile of Directors

project parties on investment cooperation at different aspects; managing investment and researching work, including setting up investment strategy and establishing investment procedures; establishing investment research team and organizing and writing investment strategy report; building good business relationship and financing channel with banks, non-banking financial institutions, securities institutions and investment funds. Mr. Kwok holds the qualifications of the Professional Diploma in the Corporate Governance and Directors by the Hong Kong Institute of Directors.

Mr. Kwok is the uncle of Mr. Tsang Yee, who is the sole shareholder of Rhenfield Development Corp., a substantial shareholder of the Company. He is also the sibling of Ms. Kwok Siu Wa Alison, an executive Director, and the uncle of Ms. Tsang Tsz Tung Debbie and Ms. Tsang Tsz Nok Aleen, a substantial shareholder of the Company. The letter of appointment of Mr. Kwok Siu Bun, the executive Director, entered into a term of three years commencing on 1 April 2016. Mr. Kwok is entitled to a Director's fee of HK$38,000 per month as at the date of the publication of this Annual Report.

Ms. Chow Kwai Wa Anne ("Ms. Chow"), aged 52, holds a bachelor's degree in Business Administration from Shepherd University, USA. She was the operations manager of Air Global Holdings Limited and the business director of AGE International Limited, the subsidiary of Air Global Holdings Limited. Previously, Ms. Chow set up a branch office for Amkey Inc., USA in Singapore and served as the operations manager of the Singapore branch. Ms. Chow had also worked as the administrative cum sales director for a number of Chinese property projects and was the assistant to several senior executives of Star TV, a subsidiary of News Corporation. Ms. Chow has extensive experience in business management, sales strategic planning and overseas marketing. Ms. Chow joined the Company in November 2009 and was appointed as an executive Director in February 2010. She was the general manager of the sales and administration department of the Company, and is currently responsible for the operation management of the Company. Ms. Chow is also the director, legal representative and chairman of several subsidiaries of the Company. The letter of appointment of Ms. Chow Kwai Wa Anne, the executive Director, entered into a term of three years commencing on 1 April 2016. Ms. Chow is entitled to a Director's fee of HK$38,000 per month as at the date of the publication of this Annual Report.

Profile of Directors

Ms. Kwok Siu Wa Alison ("Ms. Kwok"), aged 43, was appointed as an executive Director of the Company on 5 February 2010. Ms. Kwok holds a bachelor's degree in International Business Management from Oxford Brookes University and a master's degree in Professional Accounting from Hong Kong Polytechnic University. Ms. Kwok joined the Group in 2000 and is responsible for financial management of the Group. She has more than 10 years of experience in accounting and administrative management. Ms. Kwok was the vice president (business development) of the Company and the vice president (finance) of the Company. She is also a director of several subsidiaries and associates of the Company.

Ms. Kwok is the aunt of Mr. Tsang Yee, Ms. Tsang Tsz Tung Debbie and Ms. Tsang Tsz Nok Aleen. She is also the sister of Mr. Kwok Siu Bun. The letter of appointment of Ms. Kwok Siu Wa, the executive Director, entered into a term of three years commencing on 1 April 2016. Ms. Kwok is entitled to a Director's fee of HK$38,000 per month as at the date of the publication of this Annual Report.

Non-executive Director

Ms. Tsang Tsz Tung Debbie ("Ms. Tsang"), aged 28, was appointed as a non-executive Director on 30 April 2014. She holds a Bachelor of Arts in English with minor in Management from The Chinese University of Hong Kong. She previously worked as a communications coordinator in the Asia Pacific Regional Office of Deloitte Touche Tohmatsu Limited, and is currently the business development and marketing director of Aspire Group International Limited. Ms. Tsang is the sister of Mr. Tsang Yee and Ms. Tsang Tsz Nok Aleen. Ms. Tsang is also the niece of Ms. Kwok Siu Wa Alison and Mr. Kwok Siu Bun. The letter of appointment of Ms. Tsang Tsz Tung Debbie, the non-executive Director, has been renewed for a further term of one year commencing on 1 April 2018. Ms. Tsang is entitled to a Director's fee of HK$20,000 per month as at the date of the publication of this Annual Report.

Profile of Directors

Independent Non-executive Directors

Mr. Hui Pui Wai Kimber ("Mr. Hui"), aged 47, was appointed as an independent non-executive Director on 15 April 2014, and is also a member of the audit committee of the Company (the "Audit Committee") and the chairman of the Remuneration Committee. Mr. Hui holds a Bachelor of Arts Degree majoring in Economics and Political Science from The University of New South Wales in Australia. He has over 20 years' experience in the marketing industry. Mr. Hui was the independent non-executive Director from 1999 to 2008. The letter of appointment of Mr. Hui Pui Wai Kimber, the independent non-executive Director, has been renewed for a further term of one year commencing on 1 April 2018. Mr. Hui is entitled to a Director's fee of HK$10,000 per month as at the date of the publication of this Annual Report.

Mr. Liu Chaodong ("Mr. Liu"), aged 49, was appointed as an independent non-executive Director on 25 August 2009, and is also a member of the Audit Committee, Remuneration Committee and Corporate Governance Committee and the chairman of the Nomination Committee. Mr. Liu has practising qualifications of registered accountant, registered tax agent, forensic accounting practitioners and certified public valuer in the PRC. In 1990, Mr. Liu graduated from Anhui Jianghuai Vocational University, the PRC, majoring in financial accounting. In 2006, he graduated from Huazhong University of Science and Technology, the PRC, majoring in legal studies. Mr. Liu served as the chief accountant in Blue Star New Chemical Materials Co., Ltd. from 1991 to 1994 and a department manager in Zhonglei Certified Public Accountants Co., Ltd. from 1994 to 1997 Mr. Liu is currently the deputy general manager of Foshan Branch of Ruihua Certified Public Accountants (LLP). The letter of appointment of Mr. Liu Chaodong, the independent non-executive Director, has been renewed for a further term of one year commencing on 1 April 2018. Mr. Liu is entitled to a Director's fee of HK$10,000 per month as at the date of the publication of this Annual Report.

Ms. Chui Wai Hung ("Ms. Chui"), aged 50, was appointed as an independent non-executive Director on 21 September 2010, and is also a member of the Remuneration Committee, Nomination Committee and Corporate Governance Committee and the chairman of the Audit Committee. Ms. Chui is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. She holds a bachelor's degree in business administration from the Chinese University of Hong Kong. From 1996 to 2002, Ms. Chui joined Wing Lee Holding Limited (a company listed on the Stock Exchange) as group financial controller, and was then promoted to finance director and company secretary. She once worked as a financial controller in a telecommunications equipment company, a company listed on the Stock Exchange. Ms. Chui is the directors of several companies of a private group which is principally engaged in investment holding and providing financial advisory services. Ms. Chui has over 20 years of experience in accounting, auditing and financial management. The letter of appointment of Ms. Chui Wai Hung, the independent non-executive Director, has been renewed for a further term of one year commencing on 1 April 2018. Ms. Chui is entitled to a Director's fee of HK$10,000 per month as at the date of the publication of this Annual Report.

Corporate Governance Report

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. The Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report to the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "CG Code") (the "Listing Rules") during the year ended 31 December 2017 except for the following deviations:

Code Provision A.2.1

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual.

During the year ended 31 December 2017, the role of the Chairman is performed by Mr. Ma Xuemian but the office of the chief executive is vacated. However, the Board will keep reviewing the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry to all Directors, the Company was not aware of any non-compliance with the required standard in the Model Code for dealing in securities of the Company throughout the year ended 31 December 2017.

Corporate Governance Report

BOARD OF DIRECTORS

As at the date of the publication of this Annual Report, the Board comprises a total of eight Directors, of whom four are executive Directors, one is non-executive Director and three are independent non-executive Directors, and at least one of the independent non-executive Directors have appropriate professional qualifications to comply with Rules 3.10(1) and (2) of the Listing Rules. The Board believes that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. All independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

The Board, led by the Chairman, is responsible for approving and monitoring the Group's overall strategies and policies; approval of business plans; evaluating the performance of the Group and oversight of management.

The Board is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs. The Board is also required to approve acquisitions or disposals that require shareholder notification or approval under the Listing Rules. The Board has a fiduciary duty and statutory responsibility towards the Group and is directly accountable to the shareholders of the Company (the "Shareholders").

The Board delegates day-to-day operations of the Group to executive Directors and senior management while reserving certain key matters for the Board's approval. Decisions of the Board are put through to the management by the executive Directors who have attended the Board meetings.

Save as disclosed in the section of "Profile of Directors", there is no financial, business, family or other material/ relevant relationship among the members of the Board.

During the year ended 31 December 2017, the management provided all members of the Board with monthly updates in accordance with the code provision C.1.2 of the CG Code.

Corporate Governance Report

During the year ended 31 December 2017, 6 Board meetings and 2 general meetings were held. The attendance records of each Director at such meetings are set out below:

Directors	Attendance/ Number of General Meetings entitled to attend	Attendance/ Number of Board Meetings entitled to attend
Executive Directors:		
Mr. Ma Xuemian *(Chairman)*	2/2	6/6
Mr. Kwok Siu Bun	2/2	6/6
Ms. Chow Kwai Wa Anne	2/2	6/6
Ms. Kwok Siu Wa Alison	2/2	6/6
Non-executive Director:		
Ms. Tsang Tsz Tung Debbie	1/2	5/6
Independent non-executive Directors:		
Mr. Hui Pui Wai Kimber	1/2	6/6
Mr. Liu Chaodong	0/2	6/6
Ms. Chui Wai Hung	2/2	6/6

Minutes of the meetings of Board/committee members would be maintained, and draft minutes would be circulated to the Board/committee members for comments before being approved by the chairman of the meetings. Minutes of the Board meetings are kept by the company secretary of the Company and shall be open for inspection by Directors. Minutes of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee are kept by the secretary of these four committees. Where Directors have a material or conflict of interests in any transaction the matter would not be dealt with by way of written resolutions and a Board meeting would be held. The Directors concerned could express views but would not be counted as part of the quorum and shall abstain from voting on the relevant resolutions.

Corporate Governance Report

CONTINUING PROFESSIONAL DEVELOPMENT

According to the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company would arrange and/or introduce some Director's training courses for the Directors to develop and explore their knowledge and skills.

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on the Directors' training. During the year ended 31 December 2017, all the Directors have participated in continuous professional development by attending seminars or reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company.

Directors	**Topics on training covered** *(Note)*
Executive Directors:	
Mr. Ma Xuemian *(Chairman)*	a
Mr. Kwok Siu Bun	c
Ms. Chow Kwai Wa Anne	a, b
Ms. Kwok Siu Wa Alison	a, b
Non-executive Director:	
Ms. Tsang Tsz Tung Debbie	a,c
Independent non-executive Directors:	
Mr. Hui Pui Wai Kimber	a
Mr. Liu Chaodong	c
Ms. Chui Wai Hung	a,b,c

Note:

(a) corporate governance

(b) regulatory

(c) finance

Corporate Governance Report

CHAIRMAN AND THE CHIEF EXECUTIVE

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive of the Company should be separate and should not be performed by the same individual.

During the year ended 31 December 2017, the role of the Chairman was performed by Mr. Ma Xuemian but the office of the CEO was vacated upon the resignation of Mr. Chen Mudong as the CEO on 15 April 2011. The Board will keep reviewing the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

Under the code provision A.4.1 of the CG Code, the non-executive directors should be appointed for a specific term.

The non-executive Director, namely Ms. Tsang Tsz Tung Debbie and each of independent non-executive Directors, namely Mr. Hui Pui Wai Kimber, Mr. Liu Chaodong and Ms. Chui Wai Hung, have entered into an appointment letter with the Company for a term from 1 April 2018 to 31 March 2019.

According to the code provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. The Company complied the code provision A.2.7 of the CG Code that the Chairman met the non-executive Director and the independent non-executive Directors without the present of the executive Directors.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established on 26 September 2005 with the latest written terms of reference adopted on 28 March 2012 in compliance with the requirement stipulated in the CG Code. The full terms of reference of the Remuneration Committee is available on the Stock Exchange's and the Company's websites.

Corporate Governance Report

As at 31 December 2017, the Remuneration Committee comprised one executive Director, namely Mr. Ma Xuemian and three independent non-executive Directors, namely Mr. Hui Pui Wai Kimber (chairman of the Remuneration Committee), Mr. Liu Chaodong and Ms. Chui Wai Hung.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy; reviewing the specific remuneration packages of all Directors and senior management by reference to corporate goals and objective resolved by the Board from time to time; ensuring no Director or any of his/her associates is involved in deciding his/her own remuneration.

The roles and functions of the Remuneration Committee include to make recommendation to the Board on the remuneration packages of individual executive Directors, which include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors.

The Remuneration Committee held one meeting during the year ended 31 December 2017 to review the remuneration of the Directors and senior management. The attendance record of the Remuneration Committee meeting is as follows:

Members	Attendance
REMUNERATION COMMITTEE	
Mr. Hui Pui Wai Kimber *(Chairman)*	1/1
Mr. Liu Chaodong	1/1
Mr. Ma Xuemian	1/1
Ms. Chui Wai Hung	1/1

AUDIT COMMITTEE

The Audit Committee was established on 4 August 1999 with written terms of reference with the requirement stipulated in the CG Code. The latest terms of reference of the Audit Committee were adopted on 31 December 2015 and are available on the Stock Exchange's and the Company's websites.

Corporate Governance Report

As at 31 December 2017, the Audit Committee comprised three independent non-executive Directors, namely Ms. Chui Wai Hung (chairman of the Audit Committee), Mr. Hui Pui Wai Kimber and Mr. Liu Chaodong.

Its primary duties are to monitor integrity of the annual report and accounts and half-year report of the Company and to review significant reporting judgements contained in such reports; to review the Group's financial and accounting policies and practices; to review the Group's financial control, the internal audit function, internal control and risk management system of the Group with particular regard to their effectiveness; to make recommendations to the Board where the monitoring activities of the Audit Committee reveal cause for concern or scope for improvement and to make recommendation to the Board on the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors;

The Audit Committee held two meetings during the year ended 31 December 2017 to consider the audited consolidated financial statements for the year ended 31 December 2016 and the unaudited consolidated financial statements for the six months ended 30 June 2017, to review with the management of the Company, the accounting principles and practices adopted by the Group, to review the effectiveness of the internal audit function, internal control and risk management system of the Company. The attendance records of the Audit Committee meetings are as follow:

Members	Attendance
AUDIT COMMITTEE	
Ms. Chui Wai Hung *(Chairman)*	2/2
Mr. Hui Pui Wai Kimber	2/2
Mr. Liu Chaodong	2/2

The Audit Committee has reviewed with the management of the Group the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters including the review of the audited consolidated financial statements for the year ended 31 December 2017, with external auditor. There were no disagreements from the auditor of the Company or the Audit Committee in respect of the accounting policies adopted by the Company.

NOMINATION OF DIRECTORS

In accordance with the bye-laws of the Company (the "Bye-laws"), the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director. Apart from that, nomination of Directors is determined by the Board with approvals by the Shareholders in general meeting. In addition, a resolution was passed by the then sole Shareholder on 20 May 1999, which resolved to set the maximum number of Directors at 15.

Corporate Governance Report

Notwithstanding the above, in the High Court judgment (the "Judgment") handed down on 12 August 2009, paragraph 39 states that Bye-law 113 of the Bye-laws empowers the Company in general meeting to increase the number of Directors beyond the 1999 maximum simply by voting on specified candidates as additional Directors. Paragraph 41 of the Judgment further states that in contrast the Board's ability to vote on additional Directors is explicitly limited by any prevailing maximum which the Company in general meeting has expressly or impliedly determined.

NOMINATION COMMITTEE

The Nomination Committee was established on 28 March 2012 with written terms of reference in compliance with the requirement stipulated in the CG Code. The full terms of reference of the Nomination Committee was revised on 1 September 2013 and is available on the Stock Exchange's and the Company's websites.

As at 31 December 2017, the Nomination Committee comprised one executive Director, namely Mr. Ma Xuemian and two independent non-executive Directors, namely Mr. Liu Chaodong (chairman of the Nomination Committee) and Ms. Chui Wai Hung.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition (including without limitation, gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and making recommendations to the Board regarding any proposed changes; identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of, individuals nominated for directorships; assessing the independence of independent non-executive Directors; making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee formulated the board diversity policy of the Company (the "Board Diversity Policy"). The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

Corporate Governance Report

In designing the Board's composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

(A) at least one-third of the members of the Board shall be independent non-executive directors;

(B) at least one of the members of the Board shall have obtained accounting or other professional qualifications; and

(C) the members of the Board shall comprise professionals from both mainland China and Hong Kong.

The Board has achieved the measurable objectives under Board Diversity Policy for the year ended 31 December 2017.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee also monitors the implementation of the Board Diversity Policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under the Board Diversity Policy.

The Nomination Committee held one meeting during the year ended 31 December 2017 to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and assess the Board Diversity Policy. The attendance record of the Nomination Committee meeting is as follows:

Members	**Attendance**
NOMINATION COMMITTEE	
Mr. Liu Chaodong *(Chairman)*	1/1
Mr. Ma Xuemian	1/1
Ms. Chui Wai Hung	1/1

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee was established on 28 March 2012 with the latest written terms of reference adopted on 28 March 2012 in compliance with the requirement stipulated in the CG Code.

As at 31 December 2017, the Corporate Governance Committee comprised one executive Director, namely Mr. Ma Xuemian (chairman of the Corporate Governance Committee) and two independent non-executive Directors, namely Mr. Liu Chaodong and Ms. Chui Wai Hung.

The principal responsibilities of the Corporate Governance Committee include developing and reviewing the policies and practices on corporate governance of the Group and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of the Directors and senior management; reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and reviewing the Group's compliance with the CG Code and disclosure in the corporate governance report of the Company.

The Corporate Governance Committee held one meeting during the year ended 31 December 2017 to review policies and practices of the Group relating to the CG Code. The attendance record of the Corporate Governance Committee meeting is as follows:

Members	Attendance
CORPORATE GOVERNANCE COMMITTEE	
Mr. Ma Xuemian *(Chairman)*	1/1
Mr. Liu Chaodong	1/1
Ms. Chui Wai Hung	1/1

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has the responsibility to maintain effective risk management and internal control systems in order to safeguard the interests of the Company and the Shareholders as a whole. However, the Group's risk management and internal control systems were formulated to manage instead of eliminating all the risk exposure of the Group, it can only provide reasonable, but not absolute, assurance against material misstatements or losses.

The Group established an Enterprise Risk Management (the "ERM") framework to implement effective risk management. The ERM framework mainly comprises of two parts: (1) risk management structure and (2) risk management process.

Risk Management Structure

Board of Directors

The Board plays an important role in the Group's risk management and internal control systems. The Board is responsible for establishing the ERM framework and risk management policies, which aims at assessing and evaluating the Group's business strategies and defining risk tolerance. The Board, with assistance from the Audit Committee, continuously monitors and reviews the effectiveness of the risk management and internal control systems at least once a year.

Audit Committee

The Audit Committee stands at the highest level of the risk management and internal control systems below the Board, responsible for providing suggestion and support in respect of all risk matters to the Board, including monitoring the implementation of the risk management processes, reviewing the Group's risk register, reviewing and approving the internal control review plans and results.

Corporate Governance Committee

The Corporate Governance Committee assists Audit Committee in discharge of its oversight responsibility over the risk management and internal control systems of the Group. It is accountable to the Audit Committee on all the matters relating to risk management and internal control. Its duties include developing risk management and internal control policies for Audit Committee's review; assisting Audit Committee to review the effectiveness of the Group's risk management and internal control systems regularly; reporting to the Audit Committee the identified risks; evaluating risks and internal control measure to mitigate the risks; reporting to the Audit Committee the significant internal control deficiencies; and providing guidance to the management in setting risk management and internal control objectives and formulating internal control policies and procedures.

Management

The management of the Group (the "Management") is responsible for identifying and continuously monitoring the strategy, operation and finance, reporting and compliance risks in daily operation, and reporting the risks and their changes to the Board and the Audit Committee. The Management also formulates various internal control measures to mitigate the risks and rectify internal control deficiencies they identified in a timely manner.

The Group has in place policies and guidelines which are zealously implemented by the management of the Group so as to ensure that the Group has the ability to:

(i) carry on its business in an orderly and efficient manner;

(ii) safeguard the Group's and the clients' assets;

(iii) maintain proper records and the reliability of financial and other information used within and published by the Group;

(iv) prevent and detect potential fraud; and

(v) comply with all applicable laws and regulatory requirements.

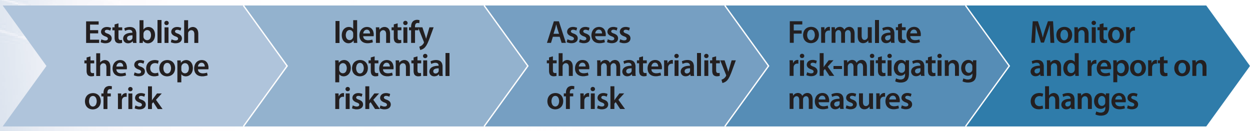
Third-party Professional Internal Control Advisor

To ensure the independence of internal control review, the Group has outsourced the internal audit function to an independent internal control advisor (the "Internal Control Adviser"). The scope of work includes reviewing the Group's risk management procedures and the effectiveness of the Group's internal control system. The Internal Control Advisor formulates the internal control review plan based on risk assessment and approval from the Audit Committee, and will report the review result to the Audit Committee directly.

Corporate Governance Report

Risk Management Process

The ERM framework defines the Group's procedures of identifying, assessing, responding and monitoring the risk and their changes. The Group regularly discuss with each operating functions in order to promote risk management to each department, such that all staff could understand and report risks timely, thus strengthening the Group's capability of risk management.



In the course of risk identification, the management liaises with each operating function to collect significant risk factors, which are material to the Group in various aspects such as strategy, operation and finance, reporting and compliance in a bottom up approach. After identifying all relevant risks for the basis of risk assessment, the management determines the materiality of risk based on its potential impact and possibility, formulates internal control measures for each material risk, and continuously monitors and reports on changes of the risk.

Main Features of the Risk Management and Internal Control Systems

Maintaining an effective internal control system (management level)

- Clear internal control policies and procedures are in place, with definite the responsibility, authority and accountability for each department and function;

- Code of conduct for employees has been established to convey to the employees the Group's requirement on integrity and ethic;

- A whistle-blowing system is available to encourage employees to report suspected events of misconduct or fraud;

- Appropriate access to the information system has been assigned to avoid leaking price-sensitive information; and

- Establish insider information disclosure policy, including reporting channel and responsible person of disclosure, unified response to external enquiries and obtain advice from professional financial advisors or the Stock Exchange, if necessary.

Corporate Governance Report

During the current financial year, the Board reviewed the effectiveness of its internal control policies and processes, including those for financial reporting and in compliance with the requirements of the Listing Rules. During the evaluation of the effectiveness of risk management and internal control systems, the Board considered the adequacy of resources, staff qualifications and experience, training programmes for employees and relevant budget of its accounting, internal audit and financial reporting functions.

Ongoing monitor of risks (risk management level)

Based on the ERM framework and risk management policies set up by the Board, the management liaises with each operating function to collect significant risk factors which is material to the Group in a bottom-up approach and continues to monitor the change in risks. The Group has put in place a risk register to record identified risks and evaluates the potential impact and possibility of each major risk on the Group to set up relevant internal control measures.

During the current financial year, the management has conducted evaluation on the risk management structure and processes and reported on risk assessment results to the Board and the Audit Committee. It enabled the Board and the Audit Committee to monitor the major risks of the Group effectively and understand how the management respond to and mitigate those risks.

Independent review

The Group has appointed the Internal Control Advisor to conduct an internal control review[1] for the year, the scope has covered the period from 1 January 2017 to 31 December 2017. An internal control review report has been provided to Audit Committee.

The Management has established remediation and improvement plan for internal control weakness identified. The Internal Control Advisor has also reported the outcome of the internal control review to the Audit Committee. Nothing has come to the Audit Committee's or the Board's attention to believe that the risk management and internal control systems of the Group are inadequate or ineffective.

1. The internal control review performed by the Internal Control Adviser does not constitute an assurance engagement made in accordance with Hong Kong Standards or Auditing Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT

Management shall provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other matters put before the Board for approval.

The Directors are responsible for overseeing all financial aspects of the Company and for keeping proper accounting records and preparing financial statements of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 December 2017, the Directors have:

– approved the adoption of all applicable Hong Kong Financial Reporting Standards which are issued by the Hong Kong Institute of Certified Public Accountants;

– selected and applied consistently appropriate accounting policies;

– made judgments and estimates that are prudent and reasonable; and

– prepared the accounts on a going concern basis. The Directors, having made appropriate enquiries, consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

The Board is accountable to the Shareholders for a clear and balanced assessment of the Company's financial position and prospects. In this regard, the Directors' responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other inside information announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

All Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2017.

The Directors note that the convertible bonds for HK$137,000,000 issued by the Company for payment of the balance of purchase price pursuant to the agreement and supplemental agreement dated 24th February, 2017 and 24th March, 2017 respectively regarding a major/connected transaction will become mature on 28 October, 2018. Having considered the financial situation and in order to secure the short-term cash flow of the Company, the Directors have negotiated with the vendors thereof and have finally reached a mutual agreement that the vendors undertake and confirm that they will not demand repayment of the said debt or any part thereof on the said maturity date and will in due course negotiate with the Company for the new terms and conditions of repayment subject to the situation of the Company.

Corporate Governance Report

EXTERNAL AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by ZHONGHUI ANDA CPA Limited ("ZHONGHUI").

The auditor's responsibility is to form an independent opinion based on their audit results on the Company's consolidated financial statements and to report their opinion to the Company, as a body, and for no other purposes. The auditor of the Company do not assume responsibilities towards or accept liability to any other person for the contents of the report of auditor.

The auditor's remuneration for the provision of annual audit services of approximately HK$490,000 was charged to the Group's consolidated income statement for the year ended 31 December 2017 (2016: approximately HK$350,000), and the auditor's remuneration for the provision of non-audit services of approximately HK$125,000 was charged to the Group's consolidated income statement for the year ended 31 December 2017 (2016: approximately HK$160,000).

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHT

The Company values communication with the Shareholders and investors. The Company uses two-way communication channels to account to the Shareholders and investors for the performance of the Company. Enquiries and suggestions from the Shareholders or investors are welcomed, and enquiries from the Shareholders may be put to the Board through the following channels to the Company:

1. By mail to the Company's principal place of business at Unit 1004B, 10/F, Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong;

2. By telephone at telephone number (852) 2380 1330;

3. By fax at fax number (852) 2380 1996; or

4. By email at gfgadmin@gf115.net.

Corporate Governance Report

The Company uses a number of formal communication channels to account to the Shareholders and investors for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or special general meeting providing a forum for the Shareholders to raise comments and exchange views with the Board; (iii) updated key information of the Group available on the websites of the Stock Exchange and the Company; (iv) the Company's website offering communication channel between the Company and its Shareholders and investors; and (v) the Company's share registrar in Hong Kong serving the Shareholders in respect of all share registration matters.

The Company aims to provide its Shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear, detailed and on a regular basis information of the Group to the Shareholders through the publication of interim and annual reports and/or dispatching circular, notices, and other announcements.

The Company strives to take into consideration the Shareholders' views and inputs, and address the Shareholders' concerns. The Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice shall be given. The Chairman as well as chairmen of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee, or in their absence, the Directors are available to answer the Shareholders' questions on the Group's businesses at the annual general meeting.

All Shareholders have statutory rights to call for special general meetings and put forward agenda items for consideration by the Shareholders. According to Bye-Law 65 of the Bye-laws and the Companies Act 1981 of Bermuda, the Directors, notwithstanding anything in its Bye-laws shall, on the requisition of members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene a special general meeting of the Company. The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists.

Corporate Governance Report

If a Shareholder wishes to propose a person (the "Candidate") for election as a Director at a general meeting, he/she shall deposit a written notice (the "Notice") at the Company's head office in Hong Kong at Unit 1004B, 10/F, Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Notice (i) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules and his/her contact details; and (ii) must be signed by the Shareholder concerned including the information/documents to verify the identity of the Shareholder and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal data. The period for lodgment of the Notice shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such meeting. In order to ensure the Shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a Director without adjourning the general meeting, the Shareholders are urged to submit and lodge the Notice as soon as practicable, say at least 15 business days prior to the date of the general meeting appointed for such election.

The Board has established a shareholder communication policy on 28 March 2012 and will review it on a regular basis to ensure its effectiveness to comply with the code provision E.1.4 of the CG Code.

In order to promote effective communication, the Company also maintains website (http://www.gfghl.com) which includes the latest information relating to the Group and its businesses.

COMPANY SECRETARY

The company secretary of the Company, Ms. Lam Yuen Ling Eva, is delegated by an external service provider. The external service provider's primary contact person at the Company is Ms. Chow Kwai Wa Anne, the executive Director.

On behalf of the Board

Ma Xuemian
Chairman

Hong Kong, 27 March 2018

Directors' Report

The Directors submit herewith this Annual Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries of the Company are set out in note 22 to the consolidated financial statements. There have been no significant changes in the nature of the Group's principal activities during the year ended 31 December 2017.

The analysis of the principal activities and geographical locations of the operations of the Group during the year ended 31 December 2017 are set out in note 14 to the consolidated financial statements.

Major Risks of the Group and Their Changes

The major risks of the Group and their changes are set out below:

Risk	Description	Internal control measures	Change
Delay in project progress	Failure by the Group to complete any project on schedule may incur extra costs to us and may delay the collection of receivables. It may increase the funding pressure, finance cost and uncertainties in funding of the Group.	Adequate communication with contractors to keep abreast of the progress of relevant projects to identify and address any potential issues as soon as possible. Regular site visits by engineers of the Group to update themselves on the progress of the projects.	No change
Funding	Failure by the Group to obtain required funding on reasonable terms or at all may have adverse effect on the progress or profitability of our projects.	Payment methods with greater flexibility being agreed with suppliers/contractors. Add and to diversify our sources of financing to minimize our cost of funding.	Decreasing

Directors' Report

Risk	Description	Internal control measures	Change
Subcontracting	The Group relies on third party contractors for the provision of quality services. Failure by contractors to proceed projects to their completion on time and on budget may incur extra cost to the Group.	Conduct strict assessment and follow due tender procedures in selecting contractors. Our project manager and legal staff would review the terms of a subcontracting agreement to ensure the duty and responsibility of each party therein are clearly defined and stated. Evaluate and update performance by contractors on regular basis to ensure their service standards meets the Group's requirements.	No change
Natural disasters	Mishandling by the Group in any emergency situations triggered by natural disasters (e.g. fire, electric shock, traffic accident etc.) or epidemic outbreaks may lead to substantial/numerous claims and liabilities against the Group and damage to our reputation, in addition to human casualties and direct losses on assets.	Put in place various contingency plans and strategies and with designated persons-in-charge to deal with specific risks, and conduct of regular disaster drills. Periodic checks on equipment for emergency and regular inspections would be conducted so that any source of severe hazards could be identified as early as possible. Maintain third party liability insurance to diversify our risk exposure and review the scope and amount insured regularly.	No change

Directors' Report

Risk	Description	Internal control measures	Change
Occupational health and safety	Failure by the Group to put in place appropriate emergency equipment, formulate and oversee the implementation of various safety procedures that result in injuries of our employees in work may incur liability to the Group against any compensation, give adverse effect to our reputation and cause an outflow of talents.	Put in place various work safety procedures, strictly observe and implement precautionary measures for all duties and procedures that are hazardous in nature. Designated persons would be appointed to oversee the implementation of such measures. Provide training on safety and raise the awareness of our employees (and on-site workers of contractors) on occupational safety. Conduct regular inspection on safety equipment to ensure they are in good working conditions.	No change
Relevant politics, policies and regulations on real estate	Changes of relevant politics, policies and regulations on real estate may affect market demand. Meanwhile, in the event of non-compliance of the Group with relevant regulatory and governing requirements, such as those on environmental matters, licensing, etc., the Group may incur losses due to penalty, suspension or interruption of operation.	Actively monitor changes of laws and regulations associated with the business of the Group. Consult legal staff or legal advisors to ensure the Group's compliance with policy, regulatory and governing requirements.	No change

MAJOR CUSTOMERS AND SUPPLIERS

Revenue made from the five largest customers of the Group was approximately 4% (2016: approximately 59%) of the Group's turnover, before deducting sales return of properties, for the year ended 31 December 2017.

Revenue made to the Group's largest customers accounted for approximately 1% (2016: approximately 25%) of the Group's total turnover for the year ended 31 December 2017.

Purchases made from the five largest suppliers of the Group was approximately 15% of the Group's total purchases and purchases from the Group's largest supplier accounted for approximately 10% of the Group's total purchases for the year ended 31 December 2017.

At no time during the year ended 31 December 2017, the Directors, their close associates or any Shareholders (which to the best knowledge of the Directors own more than 5% of the Company's total number of issued shares) had any interest in the five major suppliers and customers.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2017 and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 70 to 151.

TRANSFER TO RESERVES

The profit attributable to the Shareholders of approximately HK$127,979,000 (2016: approximately HK$19,166,000) has been transferred to reserves. Other movements in reserve are set out in the consolidated financial statements on page 74.

DIVIDENDS

The Directors do not recommend the payment of final dividend in respect of the year ended 31 December 2017 (2016: nil). No interim dividend was declared for the six months ended 30 June 2017 (2016: nil).

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at year end date. The revaluation resulted in a profit of approximately HK$330,540,000 (2016: approximately HK$150,371,000), which has been credited directly to the consolidated income statement. The deferred tax arising from the revaluation amounted is approximately HK$81,375,000 in 2017 (2016: approximately HK$37,592,000). Details of the revaluation are set out in note 17 to the consolidated financial statements.

Directors' Report

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in property, plant and equipment and investment properties of the Company and the Group during the year ended 31 December 2017 are set out in notes 16 and 17 to the consolidated financial statements respectively.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2017 are set out in note 35 to the consolidated financial statements.

REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGEMENT

The emolument policy of the employees of the Group is determined on the basis of their merits, qualifications and competence.

The emoluments of the Directors are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance, experience, responsibility, workload and time devoted to the Company and comparable market statistics. Each of the executive Director is entitled to a basic salary which is reviewed annually.

The Company has adopted a share option scheme on 21 June 2016 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Board, at its discretion, to grant options to selected eligible persons to motivate them and to optimise their performance and efficiency for the benefit of the Group.

Directors' Report

DIRECTORS

The Directors during the year ended 31 December 2017 and up to the date of this Annual Report are:

Executive Directors:

Mr. Ma Xuemian *(Chairman)*
Mr. Kwok Siu Bun
Ms. Chow Kwai Wa Anne
Ms. Kwok Siu Wa Alison

Non-executive Director:

Ms. Tsang Tsz Tung Debbie

Independent non-executive Directors:

Mr. Hui Pui Wai Kimber
Mr. Liu Chaodong
Ms. Chui Wai Hung

Pursuant to Bye-law 111(A), Mr. Ma Xuemian, Mr. Kwok Siu Bun and Ms. Kwok Siu Wa Alison will retire at the forthcoming annual general meeting (the "AGM"). The said Directors, being eligible for re-election, will offer themselves for re-election at the AGM.

The Board has received annual confirmations of independence from each of the three independent non-executive Directors, and as at the date of this Annual Report still considers them independent.

Biographical details of the Directors are set out on pages 10 to 13 of this Annual Report.

Directors' Report

DIRECTORS' APPOINTMENT LETTERS

Each of the executive Directors, namely Mr. Ma Xuemian, Mr. Kwok Siu Bun, Ms. Chow Kwai Wa Anne and Ms. Kwok Siu Wa Alison have entered into an appointment letter with the Company for a term of three years from 1 April 2016 to 31 March 2019. The non-executive Director, namely Ms. Tsang Tsz Tung Debbie; and each of the independent non-executive Directors, namely Mr. Hui Pui Wai Kimber, Mr. Liu Chaodong and Ms. Chui Wai Hung, have entered into an appointment letter with the Company for a term from 1 April 2018 to 31 March 2019.

None of the Directors proposed for re-election at the AGM has an appointment letter with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

Share options in the Company

The Company has conditionally adopted the Share Option Scheme on 21 June 2016 under which the eligible persons may be granted options to subscribe for the Company's shares. The purpose of the Share Option Scheme is to advance the interests of the Company and the Shareholders by enabling the Company to grant options to attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group and by enabling such persons' contribution to further advance the interests of the Group.

Eligible persons under the Share Option Scheme include (collectively "Eligible Persons"):

(i) any director (whether executive or non-executive and whether independent or not) and any employee (whether full time or part time) of the Group (collectively "Employees");

(ii) any consultant or adviser (in the areas of legal, technical, financial or corporate managerial) of the Group or any invested entity (whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid); any provider of goods and/or services to the Group or any invested entity; any customer of the Group or any invested entity; or any holder of securities issued by any member of the Group or any invested entity (collectively "Business Associates"); and

Directors' Report

(iii) any other person, who at the sole discretion of the Board, has contributed to the Group (the assessment criteria of which are (1) such person's contribution to the development and performance of the Group; (2) the quality of work performed by such person for the Group; (3) the initiative and commitment of such person in performing his or her duties; (4) the length of service or contribution of such person to the Group; and (5) such other factors as considered to be applicable by the Board).

The principal terms of the Share Option Scheme are summarised as follows:

The Share Option Scheme was adopted for a period of 10 years commencing from 21 June 2016 and remains in force until 20 June 2026. The Company may, by resolution in general meeting or, such date as the Board determined, terminate the Share Option Scheme at any time without prejudice to the exercise of options granted prior to such termination.

The subscription price for the shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall be not less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares on the date of grant.

Upon acceptance of the options, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within 10 business days from the date of grant. The exercise period of any option granted under the Share Option Scheme must not be more than 10 years commencing on the date of grant.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10% of the total number of issued shares of the Company as at the date of approval of the Share Option Scheme. The Board may seek approval by the Shareholders at general meeting to refresh the 10% limit. However, the total number of shares available for issue under exercise of options which may be granted under the Share Option Scheme in these circumstances must not exceed 10% of the total number of issued shares of the Company as at the date of approval of the refreshment of the 10% limit.

Directors' Report

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of the issued shares of the Company from time to time and the maximum number of shares in respect of which options may be granted to each Eligible Person shall not exceed 1% of the total number of issued shares of the Company for the time being in any 12-month period up to and including the date of offer of the grant. The maximum number of shares in respect of which options may be granted to each substantial Shareholder or independent non-executive Director shall not exceed an aggregate value (based on the closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of each grant) of HK$5 million and 0.1% of the total number of issued shares of the Company for the time being in any 12-month period up to and including the date of offer of the grant.

As at the date of this Annual Report, the total number of shares available for issue upon exercise of all outstanding options granted and yet to be exercised under the old share option scheme of the Company and the Share Option Scheme was 188,978,884, representing approximately 12.4% of the total number of issued shares of the Company.

The Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption of the Share Option Scheme from 21 June 2016.

Details of the share options movements during the year ended 31 December 2017 under both the old share option scheme of the Company and the Share Option Scheme are as follows:

					Number of share options					
Name or category of grantees	**Date of grant of share options**	**Exercise Price** (HK$)	**Exercise Period**	**Vesting period**	**Balance as at 01.01.2017**	**Granted during the Year**	**Exercised during the Year**	**Lapsed during the Year**	**Cancelled during the Year**	**Balance as at 31.12.2017**
Directors										
Ma Xuemian	02/05/2014	0.470	02/05/2014 – 01/05/2017	N/A	4,530,258	–	–	4,530,258	–	0
	06/05/2016	0.363	06/05/2016 – 05/05/2019	N/A	8,805,478	–	–	–	–	8,805,478
	16/11/2016	0.255	16/11/2016 – 15/11/2019	N/A	893,486	–	–	–	–	893,486
Kwok Siu Bun	02/05/2014	0.470	02/05/2014 – 01/05/2017	N/A	3,026,896	–	–	3,026,896	–	0
	06/05/2016	0.363	06/05/2016 – 05/05/2019	N/A	7,415,139	–	–	–	–	7,415,139
	16/11/2016	0.255	16/11/2016 – 15/11/2019	N/A	2,283,825	–	–	–	–	2,283,825
Chow Kwai Wa Anne	02/05/2014	0.470	02/05/2014 – 01/05/2017	N/A	2,726,896	–	–	2,726,896	–	0
	06/05/2016	0.363	06/05/2016 – 05/05/2019	N/A	7,415,139	–	–	–	–	7,415,139
	16/11/2016	0.255	16/11/2016 – 15/11/2019	N/A	2,283,825	–	–	–	–	2,283,825
Kwok Siu Wa Alison	02/05/2014	0.470	02/05/2014 – 01/05/2017	N/A	2,026,896	–	–	2,026,896	–	0
	06/05/2016	0.363	06/05/2016 – 05/05/2019	N/A	7,415,139	–	–	–	–	7,415,139
	16/11/2016	0.255	16/11/2016 – 15/11/2019	N/A	2,283,825	–	–	–	–	2,283,825

Directors' Report

Name or category of grantees	Date of grant of share options	Exercise Price (HK$)	Exercise Period	Vesting period	Number of share options: Balance as at 01.01.2017	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Balance as at 31.12.2017
Tsang Tsz Tung Debbie	02/05/2014	0.470	02/05/2014 – 01/05/2017	N/A	3,523,534	–	–	3,523,534	–	0
	06/05/2016	0.363	06/05/2016 – 05/05/2019	N/A	6,488,247	–	–	–	–	6,488,247
	16/11/2016	0.255	16/11/2016 – 15/11/2019	N/A	3,210,717	–	–	–	–	3,210,717
Hui Pui Wai Kimber	02/05/2014	0.470	02/05/2014 – 01/05/2017	N/A	1,510,086	–	–	1,510,086	–	0
	06/05/2016	0.363	06/05/2016 – 05/05/2019	N/A	2,780,677	–	–	–	–	2,780,677
	16/11/2016	0.255	16/11/2016 – 15/11/2019	N/A	1,000,000	–	–	–	–	1,000,000
Liu Chaodong	02/05/2014	0.470	02/05/2014 – 01/05/2017	N/A	1,510,086	–	–	1,510,086	–	0
	06/05/2016	0.363	06/05/2016 – 05/05/2019	N/A	2,780,677	–	–	–	–	2,780,677
	16/11/2016	0.255	16/11/2016 – 15/11/2019	N/A	1,000,000	–	–	–	–	1,000,000
Chui Wai Hung	02/05/2014	0.470	02/05/2014 – 01/05/2017	N/A	1,510,086	–	–	1,510,086	–	0
	06/05/2016	0.363	06/05/2016 – 05/05/2019	N/A	2,780,677	–	–	–	–	2,780,677
	16/11/2016	0.255	16/11/2016 – 15/11/2019	N/A	1,000,000	–	–	–	–	1,000,000
Subtotal					80,201,589	–	–	20,364,738	–	59,836,851
Beneficial Owner of the Substantial Shareholder										
Tsang Yee	06/05/2016	0.363	06/05/2016 – 05/05/2019	N/A	7,415,139	–	–	–	–	7,415,139
	16/11/2016	0.255	16/11/2016 – 15/11/2019	N/A	2,283,825	–	–	–	–	2,283,825
Other Employees										
In aggregate	02/05/2014	0.470	02/05/2014 – 01/05/2017	N/A	22,147,928	–	–	22,147,928	–	0
	06/05/2016	0.363	06/05/2016 – 05/05/2019	N/A	39,392,927	–	–	500,000	–	38,892,927
	16/11/2016	0.255	16/11/2016 – 15/11/2019	N/A	80,750,142	–	–	200,000	–	80,550,142
Total					232,191,550	–	–	43,212,666	–	188,978,884

Information on the accounting policy and the value of options granted is provided in note 4 and note 39 to the consolidated financial statements respectively.

Directors' Report

DIRECTOR' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Directors	Capacity/Nature of interests	Number of ordinary share(s) held	Number of underlying shares held pursuant to share options	Total	Total interests as percentage of the total number of issued shares
Ma Xuemian	Beneficial Owner	–	9,698,964(L) (Note 1)	9,698,964(L)	0.64%
Kwok Siu Bun	Beneficial Owner	1,000,000(L)	9,698,964(L) (Note 1)	10,698,964(L)	0.70%
Chow Kwai Wa Anne	Beneficial Owner	1,300,000(L)	9,698,964(L) (Note 1)	10,998,964(L)	0.72%
Kwok Siu Wa Alison	Beneficial Owner	2,000,000(L)	9,698,964(L) (Note 1)	11,698,964(L)	0.77%
Tsang Tsz Tung Debbie	Beneficial Owner	–	9,698,964(L) (Note 1)	9,698,964(L)	0.64%
Hui Pui Wai Kimber	Beneficial Owner	–	3,780,677(L) (Note 1)	3,780,677(L)	0.25%
Liu Chaodong	Beneficial Owner	–	3,780,677(L) (Note 1)	3,780,677(L)	0.25%
Chui Wai Hung	Beneficial Owner	–	3,780,677(L) (Note 1)	3,780,677(L)	0.25%

(L): Long position

Note:

1. These shares represent the share options granted by the Company under the old share option scheme of the Company on 6 May 2016 and the Share Option Scheme on 16 November 2016, respectively.

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 12 to the consolidated financial statements, no Director had a significant beneficial interest, either directly or indirectly, in any contracts of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party at any time during the year ended 31 December 2017.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2017, other than the interests disclosed above in respect of certain Directors, so far as is known to the Directors, the following parties (other than the Directors and chief executives of the Company) had interests of 5% or more in the total number of issued shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholders	Capacity/ Nature of interests	Number of ordinary share(s) held	Number of underlying shares held	Total interests as percentage of the total number of issued shares
Rhenfield Development Corp. (Note 1)	Beneficial Owner	165,564,529	–	10.90%
Tsang Yee	Beneficial Owner (Note 2)	–	9,698,964	0.64%
	Interest in Controlled Corporation (Note 1)	165,564,529	–	10.90%
Tsang Tsz Nok Aleen	Beneficial Owner (Note 3)	213,163,534	606,194,690	53.94%
Lui Kin Chung (Note 4)	Interest of spouse	213,163,534	606,194,690	53.94%
Xin Zailian	Beneficial Owner	148,695,140	–	9.79%

Directors' Report

Notes:

1. Rhenfield Development Corp. is wholly-owned by Mr. Tsang Yee who is deemed to be interested in 165,564,529 shares of the Company pursuant to the Part XV of the SFO.

2. 7,415,139 shares and 2,283,825 shares represent the share options granted to Mr. Tsang Yee by the Company under the old share option scheme of the Company on 6 May 2016 and the Share Option Scheme on 16 November 2016 respectively.

3. The 606,194,690 shares that Tsang Tsz Nok Aleen are interested in represent the underlying shares of the Company of the aggregate principal amount of convertible bonds of HK$137,000,000 issued by the Company at the conversion price of HK$0.226 per share on 28 April 2017. Details were set out in the announcements dated 24 February 2017 and 28 April 2017.

4. Mr. Lui Kin Chung is the spouse of Ms. Tsang Tsz Nok Aleen. Under the SFO, Mr. Lui Kin Chung is deemed to be interested in the same number of shares in which Ms. Tsang Tsz Nok Aleen is interested.

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the issued Shares carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial Shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 December 2017 was the Company, or any of its holding companies or any of its subsidiaries a party to any arrangement to enable the Directors and the chief executives of the Company (including their spouses and children under 18 years of age) to hold any interests or short positions in the shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

MANAGEMENT CONTRACTS

The Company and G&H International Holding Limited (the "G&H"), a Hong Kong subsidiary of the Company, entered into a management services agreement on 15 August 2016. The Company provided the management services for or in respect of G&H, including assigning directors to manage the business of G&H, and any mutual agreed management services requested by G&H from time to time. The agreement shall continue for a term of one year and shall be automatically renewed from year to year, unless notice of termination is given by either party one month prior to the then expiration date.

COMPETING INTERESTS

As at 31 December 2017, none of the Directors has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interests with the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this Annual Report, there is sufficient public float of the Company's issued shares as required under the Listing Rules throughout the year ended 31 December 2017.

MAJOR AND CONNECTED TRANSACTION

On 24 February 2017, the Company, Surplus Full Development Limited (a wholly-owned subsidiary of the Company) (the "Purchaser"), Mr. Tsang Wai Lun Wayland ("Mr. Tsang") and Ms. Tsang Tsz Nok Aleen ("Ms. Tsang") (Mr. Tsang and Ms. Tsang, together referred to as the "Vendors"), entered into the conditional sale and purchase agreement in relation to the acquisition of the entire share capital of Intra Asia Limited (the "Agreement"), pursuant to which the Vendors have conditionally agreed to sell and Surplus Full Development Limited has conditionally agreed to purchase 100% of the issued share capital of Intra Asia Limited at the consideration of HK$207,000,000. The acquisition represented property investment made in the ordinary and usual course of business of the Group on normal commercial terms.

Mr. Tsang is the father of Ms. Tsang, Ms. Tsang Tsz Tung Debbie, the non-executive Director, and Mr. Tsang Yee, the beneficial owner of Rhenfield Development Corp., the substantial Shareholder. Mr. Tsang is also the brother-in-law of Ms. Kwok Siu Wa Alison and Mr. Kwok Siu Bun, the executive Directors.

Therefore, Mr. Tsang and Ms. Tsang are the connected persons of the Company and the acquisition constituted a connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

Upon completion of the acquisition on 28 April 2017, 210,000,000 ordinary shares of the Company at the issue price of HK$0.226 per share and the convertible bonds of the Company in the principal amount of HK$137,000,000 were issued as consideration in accordance with the terms and conditions of the Agreement to Ms. Tsang who becomes a substantial Shareholder holding approximately 53.94% of the total issued shares amounted for 819,358,224 shares as at 31 December 2017.

Following the completion, Intra Asia Limited has become a wholly-owned subsidiary of the Company and accordingly, the financial results of which will be consolidated into the financial statements of the Company.

Directors' Report

For details, please refer to the Company's circular dated 30 March 2017 and the Company's announcements dated 24 February 2017, 24 March 2017, 28 April 2017 and 21 December 2017.

Save as disclosed above, there were no significant connected transactions entered into by the Group for the year ended 31 December 2017.

RELATED PARTY TRANSACTIONS

The Directors consider that those material related party transactions disclosed in note 42 to the consolidated financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the Listing Rules. The Directors confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws, or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

FINANCIAL SUMMARY

A summary of the published results, and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated and reclassified as appropriate, is set out in the consolidated financial statements on page 152. This summary does not form part of the audited consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings are set out in note 30 to the consolidated financial statements.

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

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Directors' Report

COMPLIANCE

In the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code during the year ended 31 December 2017 except the deviation stated in the Corporate Governance Report on pages 14 to 31.

EVENT AFTER THE REPORTING PERIOD

On 13 March 2018, 113,990,000 placing shares have been successfully placed by Taijin Securities and Futures Limited (the "Placing Agent") to not less than six placees who are not connected persons of the Company at the placing price of HK$0.170 per placing share in accordance with the terms and conditions of the placing agreement.

The net proceeds, after deducting related placing commission, professional fees and all related expenses, arising from the placing amount to approximately HK$18.89 million and the Company intends to utilize such net proceeds as to approximately HK$13.89 million for development of the Group's real estate projects on hand and approximately HK$5 million for general working capital for daily operation.

Details were set out in the announcements dated 13 February 2018 and 13 March 2018.

AUDITOR

ZHONGHUI will retire at the conclusion of the AGM and being eligible, offer itself for re-appointment at the AGM. A resolution for the re-appointment of ZHONGHUI as the auditor of the Company will be proposed at the AGM.

On behalf of the Board

Ma Xuemian
Chairman

Hong Kong, 27 March 2018

Environmental, Social and Governance Report

ABOUT THIS REPORT

Grand Field Group Holdings Limited ("Grand Field" or the "Company") and its subsidiaries (together, the "Group") are pleased to publish its second Environmental, Social and Governance Report (the "Report"), which illustrates our policies and performance in sustainable development between 1 January 2017 and 31 December 2017 (the "Reporting Period"). The scope of the Report covers our Hong Kong office (Grand Field Group Holdings Limited) and Shenzhen Zongke Real Estate Co., Ltd. which is responsible for the development of the Zongke Cloud Project, being our key property development project.

In preparation of the Report, we have complied with the disclosure requirement of the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HKEX").

We have always been striving to build a harmonious and inclusive society and constantly seeking opportunities to grow together. As a responsible corporate citizen, we have always been open and honest, and actively communicating with stakeholders to formulate our sustainable development policy. We hope that the Report plays a constructive role in establishing the direction for our sustainable development and continuously assessing the effectiveness of our relevant efforts. To this end, we welcome opinions about the Report and the performance of our sustainable development. Please feel free to send your valuable opinions to gfgadmin@gf115.net.

STAKEHOLDER ENGAGEMENT

In assessing the scope to be covered by the Report, we have considered opinions of different stakeholder groups, including investors, employees, customers, business partners (such as contractors, material suppliers), the government and the community. We have developed an understanding of their views on the Group's sustainable development through various channels, including communication during our operation, general meetings, interviews, training programs and conferences. We hope to closely communicate with all stakeholders through the annual Environmental, Social and Governance Report, in order to help us formulate future development strategies.

Environmental, Social and Governance Report

SUSTAINABLE DEVELOPMENT PHILOSOPHY AND VISION

Sustainable Construction

While we are dedicated to providing construction services for the public, we recognise the importance of environmental protection. We have spared no effort in sustainable development. We take sustainability elements into account since project planning stage, which include conducting environmental impact analysis of our construction project, incorporating environmental considerations into architectural design, careful planning to prevent soil erosion before construction, taking the initiative to communicate with the affected communities and listening to the opinions and feedbacks from neighbouring communities. We have proactively employed a series of measures to reduce air pollution, sewage, solid waste and noise pollution produced during construction, so as to minimize the impact on the surrounding environment and residents nearby.

We have strictly implemented energy and water resources management to prevent unnecessary wastage. We also worked closely with contractors and suppliers to implement various measures to ensure the efficient use of resources. Specifically, the sewage produced at construction sites will be used for site watering and greening after precipitation, so as to reduce the consumption of clean water. We have also formulated environmental protection policies for our office, implemented various water and energy conservation measures and raised employees' awareness of environmental protection, in an effort to achieve sustainable development goals.

As human resources are our valuable assets, it is vital to the long-term development of the Group to attract and train talents and to ensure their health and safety. We uphold equality, fight against discrimination and constantly pay attention to our employees' benefits. In addition, we also introduce training programs and implement various safety measures to minimize the accident rate and strive to create an environment where each employee can work with peace of mind.

Environmental, Social and Governance Report

We maintain a good corporate citizenship and work with employees, community groups and organisations to support meaningful community activities, such as sponsoring employees to participate in charity football matches and promoting both physical and mental health of employees. Meanwhile, we also serve the community by encouraging employees to keep participate in volunteer work.

Clean Construction

- Incorporate environmental considerations into building design and plan carefully before construction
- Proactively reduce emissions to minimise the impact on the surrounding environment and neighbouring residents

Effective Use of Resources

- Strictly promote energy and water resources management
- Reduce unnecessary consumption of resources

Green Operation

- Formulate environmental protection policies for the office
- Implement various measures to reduce water and energy consumption and promote employees' awareness of environmental protection

People Oriented

- Formulate fair human resources policies
- Provide staff training and monitor the implementation of safety measures on a regular basis

Harmonious Community

- Support employees to participate in various meaningful community activities
- Vigorously participate in corporate charity activities

EMISSIONS

We strive to mitigate the impact of property development project on the surrounding environment and neighbouring communities. To this end, we conduct a detailed environmental impact assessment before construction to identify major air pollutants, sewage and solid waste which the project will produce. As the discharge of pollutants varies with the progress of the project, we will take corresponding emission reduction and treatment measures at each construction stage according to the actual situations, so as to ensure that the impact of pollutants on the environment are minimised throughout the project construction process. We also strictly comply with all laws and regulations regarding waste gas and greenhouse gas emissions, discharge of sewage to water and land, hazardous and non-hazardous wastes. During the Reporting Period, we were not aware of any violation of relevant laws and regulations.

Environmental, Social and Governance Report

Air pollutants

Our emissions mainly derive from indirect greenhouse gas emissions as a result of the use of purchased electricity. Some of our construction equipment (e.g., forklifts) on construction sites requires the use of diesel-powered engines and will directly produce exhaust gas. However, as relevant equipment is managed by contractors, we temporarily have no access to relevant data. We will actively communicate with our contractors and try to strengthen the relevant disclosure in our future reports. During construction, mechanical excavation, landfilling, loading and unloading, agitation, transportation and other processes may raise dust including sand and dirt to increase the total suspended particles in the air. In order to strictly observe the Level 2 Standard of Ambient Air Quality Standards (GB3095-2012), we construct roads in the construction site and spray water on a regular basis (i.e., spraying four times a day on sunny days) to reduce dust. Discarded spoil blocks not used for earth filling work or removed momentarily will be stored in a temporary fill area, while fencing and covering measures will be adopted to keep the dust and particulates at an acceptable level. Outside the construction sites, we install a 3-meter-high construction enclosure and set up a vehicle washing pool on the side near the gate, so as to ensure that transportation vehicles do not carry sediment when leaving the sites. The vehicles are also covered with tarpaulin to reduce the production of dust during transportation. Through these measures, we effectively manage air emissions and ensure emissions are in compliance with relevant standards.

Key performance indicators	Performance
Air emissions	
Nitrogen oxides (NOx)	14.96 kg
Sulphur oxide (SOx)	0.18 kg
Particulate matter (PM)[1]	1.10 kg
Greenhouse gas emissions	
Total emissions (Scope I and Scope II)	255.60 tonnes of carbon dioxide equivalent
Scope I	31.74 tonnes of carbon dioxide equivalent
Scope II	223.86 tonnes of carbon dioxide equivalent
Density (calculated per square meter)	1.41 kg of carbon dioxide equivalent/m^2

Note 1: Particulate matter emissions exclude suspended dust produced by construction due to the difficulty in accurate quantification of dust emissions at construction sites.

Environmental, Social and Governance Report

Sewage

Sewage discharged by the project mainly derives from mud water, equipment washing water and domestic sewage produced during construction. As the suspended solids and organic matter contained in the sewage may block the sewers and polluted water sources, we will appropriately treat the sewage in accordance with the Class III standards for the second time phase specified in Discharge Limits of Water Pollutants (《水污染物排放限值》) (DB44/26-2001) issued by the Environmental Protection Bureau of Guangdong Province (廣東省環境保護局) and the Administration of Quality and Technology Supervision of Guangdong Province (廣東省質量技術監督局). The washing venue of construction machinery and equipment is equipped with a ground sink which is connected to temporary grease trap and sedimentation tank. After precipitation, the treated sewage will be used for ground sprinkling and plant watering. Slurry water produced during construction will be discharged from the grit chamber after sedimentation. In addition, after a pre-treatment in the simplified tank system of the construction camp site to meet the Class III standards for the second time phase specified in Discharge Limits of Water Pollutants (《水污染物排放限值》) (DB44/26-2001) of local standard in Guangdong Province, the domestic sewage will be imported to a municipal pipe network for further treatment at the Sewage Treatment Plant of Buji. Thanks to the aforesaid sewage treatment measures, our sewage discharge complies with the relevant discharge standards.

Solid Waste

We strive to minimize the waste produced during the construction of our project and our daily operations. We have formulated clear emission reduction and treatment measures for each type of solid waste to mitigate negative impact on the environment.

Key performance indicators	Performance
Non-hazardous waste	
Total	667,141.35 tonnes
Spoil and rock blocks	667,110.60 tonnes
Paper	0.29 tonnes
Domestic and other construction waste	30.46 tonnes
Density (calculated per square meter)	3.69 tonnes/m^2

Note: Our property development business generally does not generate hazardous waste.

Key performance indicators	Performance
Spoil and rock blocks (construction waste)	Generally transported to the municipal sludge and residual spoil collection site in Shenzhen in a timely manner
Domestic and other construction waste	Sorted and collected for recycling and reuse to the greatest extent, and those cannot be recycled and reused are placed at the waste deposit point, which is in turn collected by the environment and health department and handled by the municipal waste disposal and transportation system
Office waste	Waste sorted by type and appropriate waste recycling operators for waste recycling is identified A paperless and electronic office is promoted Printing and photocopying on both sides are encouraged Any additions to office equipment and supplies should be justified with actual requirements and usage

The implementation of various emission reduction and waste treatment measures enables us to effectively manage the waste produced by our operations and to control the amount of waste produced at a reasonable level.

THE ENVIRONMENT AND NATURAL RESOURCES

In order to achieve our vision of sustainable development, we are committed to minimizing the environmental impacts brought at different stages, and we will incorporate environmental considerations in our design, planning and construction of the project. We have commissioned professional consultants to conduct environmental impact analysis on our construction project during construction and operation periods, covering the aspects of air pollutants, sewage discharge, solid waste, noise and soil erosion. Based on the assessment results, we have proactively adopted a series of targeted measures to mitigate the impact of our project.

Noise

In strict compliance with Regulation of Noise Control of Construction Work in Shenzhen（《深圳市建築施工噪聲管理規定》）(SH No. [2000]93) and Environmental Quality Standard for Noise（《聲環境質量標準》(GB3096-2008）, the construction period is scheduled between 7 a.m. and 11 p.m. so as to minimize the impact of the noise produced by our project on residents' lives. We prefer to select and use equipment with less noise nuisance. Where the use of equipment producing noise nuisance is inevitable, we will put certain noise and vibration dampening measures in place. For example, we install noise barriers at sensitive locations of the surrounding area, ensuring that the noise from the project boundary and sensitive locations of the surrounding area will meet the corresponding threshold standard.

Environmental, Social and Governance Report

Soil erosion

We have commissioned qualified units to prepare reports on soil and water conservation programs, so as to assess soil erosion during our construction of basement and ground buildings. In order to mitigate soil erosion, in addition to the measures to preserve soil and water in the main works of the project, temporary water conservation measures will also be employed at the construction sites, including the dumping of constructions spoil at designated sites, the construction of drainage channels and the establishment of temporary construction fences.

Soil and water conservation design in main works	
Permanent drainage system	The drainage system features the diversion of sewage and rain. The main works have designed DN300-DN800 rainwater pipes based on the rainwater catchment area and rainfall. The rainwater pipe outlets are connected via DN700 and DN800 rainwater pipes to the municipal rainwater pipes under the planned Huande Road and the existing Xihuan Road. The sewage outlets are connected via DN300 sewage pipes to the municipal sewage pipes under the planned Huande Road and the existing Xihuan Road.
Landscaping design	Various greening tree species will be planted around the project area and the parking lots and on the roof.
Ground hardening	The ground of the main pavements and ground parking lots is hardened. The hardened road surface can effectively cover the exposed surface of the project area so that it will not be washed away by rainwater and thus plays a role in water and soil conservation.

Environmental, Social and Governance Report

USE OF RESOURCES

Energy conservation

Our energy consumption mainly derives from the use of electricity and automotive fuel. Our purchased electricity is partly consumed by some of the construction equipment for property development, the lighting system at the construction site and the daily operation of our office. We expect that energy can be efficiently used in all respects of our operations, and that the emissions indirectly produced by electricity consumption can be reduced through energy conservation. Therefore, we have worked closely with the construction team to implement energy conservation measures, and we have also raised employees' awareness of environmental protection and provided energy conservation guidelines by formulating environmentally friendly policies for our office.

Key performance indicators	Performance
Total energy consumption	534,184.20 kWh
Electricity	
Total electricity consumption	424,313.00 kWh
Electricity consumption by project construction site	361,860.00 kWh
Electricity consumption by office	62,453.00 kWh
Fuel	
Total fuel consumption	109,871.20 kWh
Energy consumption intensity (calculated per square meter)	2.95 kWh/m^2

Environmental, Social and Governance Report

Goal	Energy conservation measures
Construction site of the project	
To unify energy conservation policy	To communicate with contractors about the energy conservation requirements
To reduce unnecessary consumption of resources	To assign engineers to supervise electricity consumption by the contractors
	To post signage of "Save Electricity" as a reminder
Office	
To raise employees' environmental protection awareness	To formulate environmental protection policy for our office
To improve the efficiency in use of resources	To post signage of "Save Electricity" as a reminder near power switches
	To purchase energy saving equipment to improve efficiency in electricity consumption
	To encourage the use of telephone or mail in lieu of business travels

By implementing the energy-saving measures above, we have effectively managed the use of energy and controlled the energy consumption within a reasonable range.

Environmental, Social and Governance Report

Water conservation

Our water consumption mainly derives from construction water, equipment washing water and domestic water. We also spray water on the construction site to reduce the dust produced by the project. Water conservation plays an important role in our resource management. In order to improve the efficiency in water consumption, we have formulated different programs to manage water consumption at the project construction site and our office.

Key performance indicators	Performance
Water consumption	
Total water consumption	20,678.00 m^3
Density (calculated per square meter)	0.11 m^3/m^2

Goal	Water conservation measures
Construction site of the project	
Reducing unnecessary consumption of resources	To check water supply pipeline on a regular basis to ensure that there is no water leakage and thus to reduce any wastage in water resources To shut down the water supply system during holidays and at night The washing venue of construction machinery and equipment is equipped with a ground sink which is connected to temporary grease trap and sedimentation tank. After precipitation, the treated sewage will be used for ground sprinkling and plant watering in order to reduce clean water consumption.
Office	
To raise employees' environmental protection awareness	To formulate environmental protection policy for our office To post signage "Save water" in pantries and washrooms as a reminder

By implementing the water conservation measures above, we have effectively managed the use of water and controlled the water consumption within a reasonable range.

Environmental, Social and Governance Report

EMPLOYMENT

Recruiting and retaining talent

Attracting talents with enthusiasm and competent skills is a key to the Group's long-term development. In the recruitment process, applicants' ability and mentality are our only considerations. Our recruitment process follows the principles of fairness, equality and merit, and is not affected by race, color, gender or factors which are unrelated to work ability. In addition to providing equal opportunities to our employees, we hope and expect to provide competitive remuneration packages through a mechanism with distinct criteria for reward and punishment, so as to attract and retain talents. Each year, we assess the performance of our employees and make adjustments to their remuneration or promote them according to their performance after reviewing their remuneration packages to recognize their efforts. We expect to increase employees' job satisfaction and enhance their sense of belonging to the Company by continuously improving the system of performance appraisal and remuneration and fringe benefits.

Mainland China	• Annual health check for employees • Five social insurances (pension, medical insurance, unemployment insurance, maternity insurance and work-related injury insurance) and housing provident fund (the "five insurances and housing provident fund") for employees • Annual leave, sick leave, marriage leave, maternity leave and other paid holidays • Mobile phone charge subsidy for employees
Hong Kong	• Mandatory Provident Fund • Annual leave and paid holidays • Double pay

DEVELOPMENT AND TRAINING

We recognise the importance of personal development of our employees and provide them with adequate internal and on-the-job training programs. At the same time, we also encourage our employees to actively participate in the training courses organized by external organizations so that our employees can continuously make progress, thereby promoting sustainable business development of the Group. In addition, we attach great importance to the safety training of our construction team. We supervise and ensure that the contractors provide on-site construction personnels with adequate safety equipment and safety training programs, and we frequently check and ensure that all safety measures are in place.

Environmental, Social and Governance Report

HEALTH AND SAFETY

We pay great attention to the safety of construction sites and strictly require the contractors to be responsible for workers' safety. As a responsible property developer, we make sure that the contractors comply with the standards and regulations for safe production and civilized construction of the project, and clearly require the contractors to provide employees with safety equipment and to check whether the construction personnels are wearing such equipment at all times. In order to minimize casualties caused by accidents, we have appointed a site safety officer to provide safety training for newly recruited employees and enhance workers' awareness of emergency response and relevant procedures on a regular basis. We have also set up safety signs to remind employees of the importance of safe construction, so as to enhance their safety awareness.

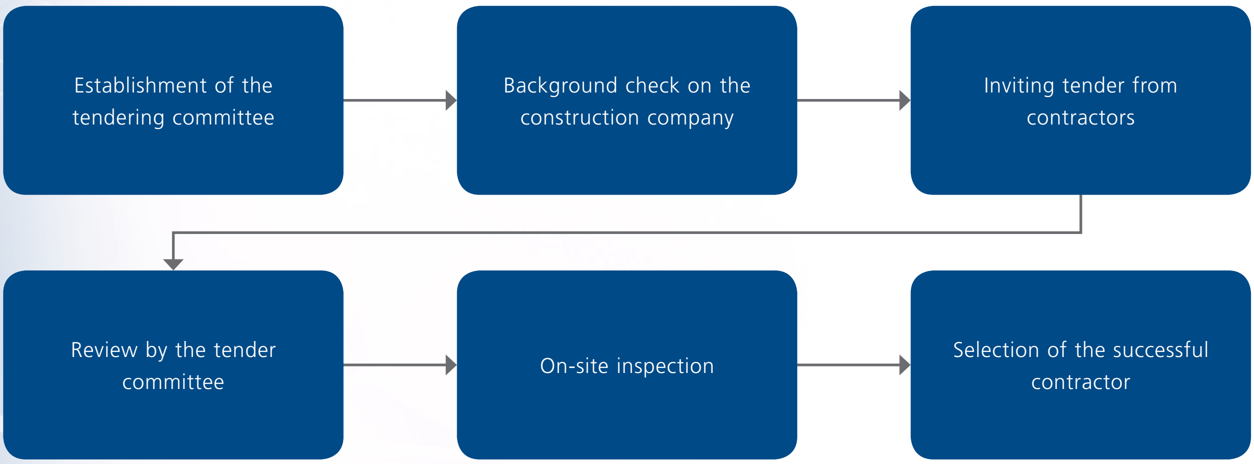
LABOUR STANDARDS AND EQUAL OPPORTUNITIES

We strictly abide by relevant labour laws and regulations and prohibit the employment of child labour and forced labour in our business operations. In addition to setting out clear requirements within the Group's internal human resource management policies to safeguard the legitimate rights and interests of employees, we will ensure that contractors comply with relevant requirements. In order to achieve the goal of compliance, we will obtain employees' identity documents to verify their age before entering into a labour contract with them, and assign engineers to conduct on-site supervision at the construction site, aiming to ensure that the contractors' works do not involve any child labour or forced labour. During the Reporting Period, there was no incident of child labour or forced labour in the Group. While ensuring our compliance, we expressly stipulate that any form of discrimination and exclusion based on gender, race, religious belief, political affiliation, sexual orientation, position, nationality and age is prohibited within the Group, thereby creating an equal and harmonious workplace.

Environmental, Social and Governance Report

SUPPLY CHAIN MANAGEMENT

Effective management of the supply chain helps us to ensure the quality and progress of the project and to create value for the enterprise. Therefore, we have established a strict tendering system.



The contractors play an important role not only in our business, but also in enhancing the performance of our sustainable development. As such, we clearly communicate our principles and expectations to our business partners, and have formulated effective mechanisms to ensure that our contractors share the same philosophy with us in sustainable operations. The contracts entered into between us and our contractors stipulate that the contractor shall comply with labour-related laws and regulations, provide appropriate instructions and regular training for the personnel, and ensure that only qualified, trained and experienced personnel can carry out relevant works at the construction site. We will also assign engineers to supervise site safety and the implementation of emission reduction measures and energy conservation measures, so as to ensure that our sustainable development performance can meet our expectations. Our suppliers are required to comply with the requirements of the "Code of Conduct of Suppliers" in various aspects, such as environmental protection, health and safety, morality, law and regulation compliance.

Environmental, Social and Governance Report

PRODUCT RESPONSIBILITY

On top of our strict selection of qualified contractors, we actively supervise the construction team during the construction of the project to improve the quality of the project. Our in-house engineers conduct inspections on a daily basis, and review our safety and quality work on a weekly basis to improve the same. Moreover, we clearly state in the contract that the contractor shall carry out the construction work in accordance with the requirements of the relevant standards, specifications and design drawings as well as the instructions given by supervision engineers, and shall be subject to examination and inspection by supervision engineers at any time. We also supervise and ensure that there are adequate handover arrangements in place among different construction teams (e.g., subcontractors). In addition, we monitor the progress of the project and the completion of each stage in a regular manner to ensure that construction teams have adequate knowledge and skills to complete relevant work according to the specifications, materials requirement, construction process and other requirements specified in the construction contract and construction drawings while complying with the relevant laws and regulations.

ANTI-CORRUPTION

Culture of integrity

We have zero tolerance to corruption and bribery, extortion, fraud and money laundering. The Group's employee handbook expressly stipulates that when discharging duties, employees are prohibited to request, offer, deliver or receive any kind of gift, accommodation, rebate, bribery or other inappropriate benefit for the benefit of themselves or any third party. To ensure that these requirements are clearly understood by employees, we explain and provide guidance on identifying relevant misconducts. A "whistle-blowing policy" has been established for employees to report non-compliance with the laws, regulations and relevant Group policies in the course of our operation and management to the senior management through phone calls, letters, e-mails or reporting in person.

Apart from the culture of integrity of the Group, our sound corporate governance framework also plays an important role in promoting the sustainable development of the Group. For details of the Group's corporate governance, please refer to the "Corporate Governance Report".

COMMUNITY INVESTMENT

While constructing buildings for the community, we attach great importance to the needs of all parties in the neighboring communities of the project. During the Reporting Period, we sponsored employees to participate in charity football matches and supported local community groups in need, especially the elderly and children, in a bid to promote exercise habits and improve the health of our employees and the community as a whole. We also encourage employees to participate in various charitable sports activities so that more charitable organisation can enjoy the benefit.

Environmental, Social and Governance Report

CONTENT INDEX OF ESG REPORTING GUIDE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas, Aspects, General Disclosures and KPIs		Section	Pages
A. Environmental			
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Sustainable Construction Emissions	49 50-53
KPI A1.1	Types of emissions and respective emissions data.	Emissions	51
KPI A1.2	Greenhouse gas emissions in total and intensity.	Emissions	51
KPI A1.3	Total hazardous waste produced and intensity	Our business generally does not generate hazardous waste	N/A
KPI A1.4	Total non-hazardous waste produced and intensity	Solid Waste	52
KPI A1.5	Description of measures to mitigate emissions and results achieved	Emissions	50-53
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Solid Waste	53

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs		Section	Pages
A. Environmental			
Aspect A2: Use of Resources			
General Disclosure	Policies on efficient use of resources including energy, water and other raw materials	Use of resources	55-57
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	Energy conservation	55
KPI A2.2	Water consumption in total and intensity	Water conservation	57
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Energy conservation	56
KPI A2.4	Description of whether there is any issue in sourcing water, water efficiency initiatives and results achieved	Water conservation	57
KPI A2.5	Total packaging material used for finished products, and with reference to per unit produced	The property development business generally does not use packaging material	
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	The environment and natural resources	53-54
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	Noise Soil erosion	53-54

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs		Section	Pages
B. Social			
Employment and Labour Practices			
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Recruiting and retaining talent Labour standards and equal opportunities	58-59
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Health and Safety	59
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and training	58
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer have a significant impact on the issuer relating to preventing child and forced labour	Labour standards and equal opportunities	59

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs		Section	Pages
B. Social			
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain	Supply Chain Management	60
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Product Responsibility	61
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Culture of integrity	61
Community			
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities takes into consideration communities' interests	Community investment	61

Independent Auditor's Report

ZHONGHUI

TO THE SHAREHOLDERS OF
GRAND FIELD GROUP HOLDINGS LIMITED
鈞濠集團有限公司
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Grand Field Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 70 to 151, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which mentions that as at 31 December 2017 the Group had net current liabilities of approximately HK$73,589,000. This condition indicates a material uncertainty which may cast doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Investment properties
Refer to Note 17 to the consolidated financial statements

The Group measured its investment properties at fair value with the changes in fair value recognised in the consolidated profit or loss. This fair value measurement is significant to our audit because the balance of investment properties of approximately HK$2,266,233,000 as at 31 December 2017 and the fair value gain of approximately HK$330,540,000 for the year then ended are material to the consolidated financial statements. In addition, the Group's fair value measurement involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the competence, independence and integrity of the external valuer engaged by client;

- Obtaining the external valuation reports and meeting with the external valuer, to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;

- Checking key assumptions and input data in the valuation model to supporting evidence;

- Checking arithmetical accuracy of the valuation model; and

- Assessing the disclosure of the fair value measurement in the consolidated financial statements.

We consider that the Group's fair value measurement of the investment properties is supported by the available evidence.

Independent Auditor's Report

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Independent Auditor's Report

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at: http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/ This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Ngan Hing Hon
Audit Engagement Director
Practising Certificate Number P05294
Hong Kong, 27 March 2018

Consolidated Income Statement

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	8	**178,575**	6,257
Cost of revenue		**(169,868)**	(4,189)
Gross profit		**8,707**	2,068
Other revenue	8	**54**	632
Other gains and losses	8	**330,988**	150,371
Selling and distribution costs		**(461)**	(850)
Administrative expenses		**(28,230)**	(41,509)
Profit from operations		**311,058**	110,712
Finance cost	9	**(6,111)**	(2,006)
Fair value gain on convertible bonds through profit or loss	34	**3,567**	–
Profit before tax		**308,514**	108,706
Income tax expense	10	**(76,552)**	(37,534)
Profit for the year	11	**231,962**	71,172
Attributable to:			
Owners of the Company		**127,979**	19,166
Non-controlling interests		**103,983**	52,006
		231,962	71,172
Earnings per share	13		
Basic (HK cents per share)		**9.54**	1.97
Diluted (HK cents per share)		**7.10**	1.97

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Profit for the year	11	**231,962**	71,172
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**125,608**	(92,348)
Total comprehensive income/(loss) for the year		**357,570**	(21,176)
Attributable to:			
Owners of the Company		**200,776**	(29,604)
Non-controlling interests		**156,794**	8,428
		357,570	(21,176)

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	16	**14,832**	13,844
Investment properties	17	**2,266,233**	1,472,252
Prepaid premium for land leases	18	**13,627**	12,392
Properties for sale under development	19	**480**	556
Intangible asset	20	**15,626**	–
Deferred tax assets	33	**11,150**	7,414
Goodwill	21	**36,773**	–
		2,358,721	1,506,458
Current assets			
Inventories	23	**–**	501
Trade receivables	24	**4,134**	–
Properties for sale under development	19	**142,301**	118,655
Properties for sale	25	**32,342**	28,361
Other receivables, deposits and prepayments	26	**65,249**	13,250
Amount due from a director	27	**522**	81
Tax recoverable		**91**	85
Cash and cash equivalents	28	**5,902**	13,439
		250,541	174,372
Current liabilities			
Trade and other payables	29	**141,092**	55,294
Interest-bearing borrowings	30	**48,420**	10,913
Convertible bonds	34	**133,433**	–
Obligation under finance lease due within one year	31	**–**	61
Amounts due to directors	32	**859**	824
Amount due to a shareholder	32	**120**	111
Tax payable		**206**	217
		324,130	67,420

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Net current (liabilities)/assets		**(73,589)**	106,952
Total assets less current liabilities		**2,285,132**	1,613,410
Non-current liabilities			
Deferred tax liabilities	33	**470,418**	317,163
NET ASSETS		**1,814,714**	1,296,247
Capital and reserves			
Share capital	35	**151,905**	103,285
Reserves		**848,678**	581,027
Equity attributable to owners of the Company		**1,000,583**	684,312
Non-controlling interests		**814,131**	611,935
TOTAL EQUITY		**1,814,714**	1,296,247

Approved by:

Ma Xuemian
Director

Kwok Siu Wa, Alison
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Special reserve HK$'000	Exchange reserve HK$'000	(Accumulated losses)/ retained profit HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016	95,707	338,336	6,714	(2,215)	53,238	185,144	676,924	603,507	1,280,431
Profit for the year	–	–	–	–	–	19,166	19,166	52,006	71,172
Other comprehensive loss for the year	–	–	–	–	(48,770)	–	(48,770)	(43,578)	(92,348)
Total comprehensive income/(loss) for the year	–	–	–	–	(48,770)	19,166	(29,604)	8,428	(21,176)
Placing of shares	6,295	7,265	–	–	–	–	13,560	–	13,560
Issue of shares for settlement of professional fee	1,283	3,079	–	–	–	–	4,362	–	4,362
Equity settlement share option arrangements	–	–	19,070	–	–	–	19,070	–	19,070
At 31 December 2016	103,285	348,680	25,784	(2,215)	4,468	204,310	684,312	611,935	1,296,247
At 1 January 2017	103,285	348,680	25,784	(2,215)	4,468	204,310	684,312	611,935	1,296,247
Profit for the year	–	–	–	–	–	127,979	127,979	103,983	231,962
Other comprehensive income for the year	–	–	–	–	72,797	–	72,797	52,811	125,608
Total comprehensive income for the year	–	–	–	–	72,797	127,979	200,776	156,794	357,570
Capital injection by non-controlling shareholder	–	–	–	–	–	–	–	45,402	45,402
Issue of shares for acquisition of subsidiaries	21,000	28,350	–	–	–	–	49,350	–	49,350
Placing of shares	24,865	34,362	–	–	–	–	59,227	–	59,227
Issue of shares for settlement of professional fee	2,755	4,163	–	–	–	–	6,918	–	6,918
Share option lapsed	–	–	(6,777)	–	–	6,777	–	–	–
At 31 December 2017	151,905	415,555	19,007	(2,215)	77,265	339,066	1,000,583	814,131	1,814,714

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Cash flows from operating activities		
Profit before tax	**308,514**	108,706
Adjustments for:		
Amortisation of prepaid lease payments	**345**	334
Amortisation of intangible assets	**792**	–
Depreciation	**257**	1,161
Fair value gain on investment properties	**(330,540)**	(150,371)
Interest income	**(37)**	(28)
Interest expenses	**6,111**	2,006
Loss on disposal of property, plant and equipment	**12**	–
Fair value gain on convertible bonds through profit or loss	**(3,567)**	–
Gain on disposal of investment properties	**(460)**	–
Fair value of share option issued	**–**	19,070
Issue of shares for settlement of professional fee	**6,918**	4,362
Operating cash flows before working capital changes	**(11,655)**	(14,760)
Change in inventories	**501**	3,066
Change in completed properties held for sale and properties for sale under development	**134,584**	2,731
Change in trade receivables	**(4,134)**	–
Change in other receivables, deposits and prepayments	**(17,014)**	(1,801)
Change in amount due from a director	**(146)**	64
Change in trade and other payables	**(98,104)**	17,456
Change in amounts due to directors	**35**	563
Change in amount due to a shareholder	**9**	111
Cash generated from operations	**4,076**	7,430
Interest received	**37**	28
Net cash flows generated from operating activities	**4,113**	7,458

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	**(142)**	(180)
Net cash outflow from acquisition of subsidiaries	**(22,145)**	–
Additional costs of investment properties	**(113,863)**	(21,285)
Additional costs of prepaid premium for land leases	**(616)**	–
Net cash flows used in investing activities	**(136,766)**	(21,465)
Cash flows from financing activities		
Interest paid	**(6,111)**	(1,999)
New interest-bearing borrowings raised	**42,457**	5,470
Repayment of interest-bearing borrowings	**(6,373)**	–
Repayment of obligation under a finance lease	**(61)**	(185)
Capital injection from non-controlling interest of a subsidiary	**45,402**	–
Placing of shares	**59,227**	13,560
Net cash flows generated from financing activities	**134,541**	16,846
Net increase in cash and cash equivalents	**1,888**	2,839
Effect of foreign exchange rate changes	**(9,425)**	(1,025)
Cash and cash equivalents at beginning of year	**13,439**	11,625
Cash and cash equivalents at end of year	**5,902**	13,439
Analysis of cash and cash equivalents		
Bank and cash balances	**5,902**	13,439

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1. GENERAL INFORMATION

Grand Field Group Holdings Limited (the "Company") is a company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is located at Unit 1004B, 10th Floor, Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are investment holding, property development, property investment and property management. Details of the principal activities of its subsidiaries are set out in Note 22 to the consolidated financial statements.

2. GOING CONCERN BASIS

As at 31 December 2017 the Group had net current liabilities of approximately HK$73,589,000. Nevertheless, these consolidated financial statements have been prepared on a going concern basis. The Directors are of the opinion that taking into account of the future profitability from the Group's property development projects and other financing arrangement after the reporting period it is appropriate to prepare the consolidated financial statements on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2017. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost basis except that certain properties are measured at fair values. These consolidated financial statements are presented in Hong Kong Dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the management of the Group ("Management") to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Consolidation *(Continued)*

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated exchange reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling interests and owners of the Company.

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

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination and goodwill *(Continued)*

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy "Impairment of assets" below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong Dollars, which is the Company's functional and presentation currency.

(b) *Transactions and balances in financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rate is as follows:

Land and buildings	2.5% over the lease term whichever is shorter
Furniture, fixtures and equipment	20%
Leasehold improvement	20-33.3%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property (including property that is being constructed or developed for future use as investment property) is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

If an investment property becomes owner-occupied or a property held for sale, it is reclassified as property, plant and equipment or properties held for sale as appropriate, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation of property, plant and equipment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

If a property held for sale becomes an investment property, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in profit or loss.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

Leases

The Group as lessor

(i) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group as lessee

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as lessee *(Continued)*

(ii) Finance leases (Continued)

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

Intangible assets

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

Car park contracts are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 20 years.

Properties for sale

Properties for sale are measured at the lower of cost and net realisable value. Cost includes costs of land, development expenditure incurred, borrowing costs capitalised in accordance with the Group’s accounting policy and other direct costs attributable to such properties. Net realisable value represents the estimated selling price less all anticipated costs of completion and costs to be incurred in marketing and selling.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to its present location and condition, is calculated using the first-in, first-out method. Net realisable value is based on estimated selling prices less further costs expected to be incurred to completion and disposal.

Recognition and derecognition of financial instruments

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

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in the profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Trade and other receivables *(Continued)*

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand and demand deposits with banks and other financial institutions. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments. At the date of issue, the fair value of the convertible bonds is determined using an option pricing model and is measured at fair value with gains and losses recognised in profit or loss.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue recognition

Revenue comprises the fair value of the consideration for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts allowed and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Sale of properties and general trading

Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(b) Rental income from operating leases

Rental income, including rentals invoices in advance from properties under operating leases, is recognised on a straight-line basis over the term of the lease.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK$30,000 and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organised by the government in the People's Republic of China (the "PRC"). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

Share-based payment transactions

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax represents the sum of the current tax and deferred tax.

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

PRC land appreciation tax ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. LAT is recognised as an income tax expense. LAT paid is a deductible expense for PRC enterprise income tax purposes.

Related parties

A related party is a person or entity that is related to the Group.

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

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

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

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

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

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

Segment reporting

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Segment reporting *(Continued)*

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

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except investment properties, completed properties held of sale and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions and contingent liabilities

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

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

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

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5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statement.

Deferred taxation on investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the directors have rebutted the presumption that investment properties measured using the fair value model are recovered through sale.

Key sources of estimation uncertainty

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

(a) Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2017 at their fair value of approximately HK$2,266,233,000 (2016: HK$1,472,252,000). The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(b) Determination of net realisable value of prepaid premium for land lease, properties under development and completed properties for sale

The Company assesses the carrying amounts of prepaid premium for land lease, properties under development and completed properties for sale according to their net realisable value based on the realisability of these properties. Net realisable value for prepaid premium for land lease and properties under development is determined by reference to management's estimates of the selling prices based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for completed properties for sale is determined by reference to management's estimates of the selling price on prevailing market conditions, less applicable variable selling expenses.

(c) Land Appreciation Taxes

The Group is subject to Land Appreciation Taxes in the PRC. However, the implementation and settlement of these taxes varies among the various tax jurisdictions in cities and regions of the PRC, and the Group has not finalised its Land Appreciation Tax calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of the land appreciation and its related taxes. The Group recognised these Land Appreciation Taxes based on management's best estimates according to their understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the costs of sales and deferred income tax provision in the periods in which such taxes have been finalised with local tax authorities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(d) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(e) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

Notes to the Consolidated Financial Statements

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6. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include other receivables and deposits, amount due from a director, cash and cash equivalents, trade and other payables, interest-bearing borrowings, and amount(s) due to directors. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments including market risk (currency risk and interest rate risk), credit risk and liquidity risk. According to the Group's risk management policies and guidelines, the financial risk shall be assessed continuously by the management taken into account of the prevailing conditions of the financial market and other relevant variables to avoid excessive concentrations of risk. The Group has not used any derivatives or other instruments for hedging purpose. The most significant financial risks to which the Group is exposed to are described below.

(a) Credit risk

The Group is exposed to credit risk in relation to its loan and other receivables, and cash deposits with banks.

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from other receivables are set out in Notes 26 to the consolidated financial statements.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-ratings agencies.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. The Group does not provide any guarantees which would expose the Group to credit risk.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk

In the management of liquidity risk, the Directors monitor and maintain a level of bank balances deemed adequate to finance the Group's operations, investment opportunities and expected expansion. The Group finances its working capital requirements mainly by the funds generated from operations and from funds raising activities such as obtaining of new borrowings.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay:

At 31 December 2017

	Less than 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amounts HK$'000
Trade and other payables	71,431	–	–	71,431	71,431
Interest-bearing borrowings	45,181	5,270	–	50,451	48,420
Amounts due to directors	859	–	–	859	859
Amount due to a shareholder	120	–	–	120	120
	117,591	5,270	–	122,861	120,830

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk *(Continued)*

At 31 December 2016

	Less than 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amounts HK$'000
Trade and other payables	48,114	–	–	48,114	48,114
Interest-bearing borrowings	8,472	3,574	–	12,046	10,913
Obligation under finance lease	62	–	–	62	61
Amounts due to directors	876	–	–	876	824
Amount due to a shareholder	123	–	–	123	111
	57,647	3,574	–	61,221	60,023

(c) Interest rate risk

The Directors consider the Group's exposure to fair value interest rate risk in relation to interest-bearing bank deposits and interest-bearing borrowings is not significant. The interest rate and repayment terms of the interest-bearing borrowings outstanding at the year end are disclosed in Note 30 to the consolidated financial statements.

The Group is exposed to cash flow interest rate risk mainly in relation to variable-rate bank balances. Sensitivity of the Group's loss for the year to a reasonable change in the interest rate is assessed to be immaterial.

(d) Currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Categories of financial instruments at 31 December

	2017 HK$'000	2016 HK$'000
Financial assets:		
Current assets		
Loans and receivables		
(including cash and cash equivalents)		
– Financial assets included		
in other receivables and deposits	**58,418**	12,355
– Amount due from a director	**522**	81
– Cash and cash equivalents	**5,902**	13,439
	64,842	25,875
Financial liabilities:		
Current liabilities		
Financial liabilities measured at amortised cost		
– Financial liabilities included in trade and		
other payables	**71,431**	48,114
– Interest-bearing borrowings	**48,420**	10,913
– Amounts due to directors	**859**	824
– Amount due to a shareholder	**120**	111
	120,830	59,962

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2017 and 2016.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

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

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

Notes to the Consolidated Financial Statements

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7. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Disclosures of level in fair value hierarchy:

As at 31 December 2017

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	2017 HK$'000
Recurring fair value measurements:				
Assets				
Investment properties				
Completed – PRC	–	315,862	–	315,862
Investment properties under development – PRC	–	–	1,950,371	1,950,371
Liabilities				
Financial liabilities at fair value through profit or loss – Convertible bonds	–	133,433	–	133,433
	–	449,295	1,950,371	2,399,666

As at 31 December 2016

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	2016 HK$'000
Recurring fair value measurements:				
Assets				
Investment properties				
Completed – PRC	–	38,740	–	38,740
Investment properties under development – PRC	–	–	1,433,512	1,433,512
	–	38,740	1,433,512	1,472,252

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For the year ended 31 December 2017

7. FAIR VALUE MEASUREMENTS *(Continued)*

(b) Reconciliation of assets measured at fair value based on level 3:

	Investment properties under construction HK$'000
At 1 January 2016	1,362,749
Additions	21,285
Fair value gain on investment properties under development (#)	150,371
Exchange differences	(100,893)
At 31 December 2016	1,433,512
(#) Include gains or losses for assets held at the end of reporting period	150,371
At 1 January 2017	1,433,512
Additions	113,863
Acquisition of subsidiaries (Note 36(a))	221,930
Transfer	(230,795)
Fair value gain on investment properties under development (#)	290,622
Exchange differences	121,239
At 31 December 2017	1,950,371
(#) Include gains or losses for assets held at the end of reporting period	290,622

The fair value gain on investment properties under development are presented in other gains and losses in the consolidated income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

7. FAIR VALUE MEASUREMENTS *(Continued)*

(c) One of the Group's executive director is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The executive director reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value 2017 HK$'000	Fair value 2016 HK$'000
Assets				
Investment properties– completed– PRC	Market comparable approach	Price per square metre	**315,862**	38,740
Convertible bonds	Binomial model	Share price Discount rate Volatility Conversion price	**133,433**	–

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2017 HK$'000	Fair value 2016 HK$'000
Assets						
Investment properties – under development – PRC	Residual value method	Price per square metre	**Commercial** RMB 17,100 to RMB 95,000 **Office** RMB 45,000 **Serviced Office Apartment** RMB 45,000	Increase	**1,950,371**	1,433,512

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

8. REVENUE, OTHER REVENUE AND OTHER GAINS AND LOSSES

The principal activities of the Group are property development, property investment and general trading.

Revenue represents the aggregate of net amounts received and receivable for completed properties for sale and goods sold by the Group to outside customers and property rental income for the years ended, and is analysed as follows:

	2017 HK$'000	2016 HK$'000
Revenue		
Sales of properties	**174,834**	1,412
Property rental	**3,671**	1,809
General trading	**70**	3,036
	178,575	6,257
Other revenue		
Interest income on bank deposits	**37**	28
Net foreign exchange gain	**–**	600
Sundry income	**17**	4
	54	632
Other gains and losses		
Fair value gain on investment properties	**330,540**	150,371
Gain on disposal of investment properties	**460**	–
Loss on disposal of property, plant and equipment	**(12)**	–
	330,988	150,371

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

9. FINANCE COST

	2017	2016
	HK$'000	HK$'000
Interest expenses on borrowings wholly repayable within five years		
– other borrowings	**6,111**	1,999
Interest on finance lease	**–**	7
	6,111	2,006

10. INCOME TAX EXPENSE

	2017	2016
	HK$'000	HK$'000
Current tax		
Enterprise Income Tax in the PRC	**27**	2
Land Appreciation Tax in the PRC	**–**	77
Deferred tax (note 33)	**76,525**	37,455
	76,552	37,534

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

Under a notice issued on 6 September 2010 by Local Tax Bureau of Longgang District, Shenzhen, PRC Land Appreciation Tax for a subsidiary incorporated in Shenzhen, the PRC, in which property development projects in Shenzhen, is calculated at rates ranging from 5% to 10% (2016: 5% to 10%) of the sales revenue on the respective property development projects.

No provision for Hong Kong Profits Tax is required since the Group's income neither arises, nor is derived, from Hong Kong in both years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

10. INCOME TAX EXPENSE *(Continued)*

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax and profit before tax multiplied by the Hong Kong profits tax rate is as follows:

	2017 **HK$'000**	2016 HK$'000
Profit before tax	**308,514**	108,706
Notional tax credit on loss before income tax, calculated at the rates applicable to profits in the countries concerned	**76,365**	30,138
Effect of different tax calculation basis for the PRC property development projects operated by the Hong Kong subsidiaries	**(116)**	(10)
Tax effect on non-deductible expenses	**25**	46
Tax effect on non-taxable income	**(6)**	–
Tax effect on tax losses not recognised	**284**	7,283
Land Appreciation Tax	**–**	77
	76,552	37,534

Notes to the Consolidated Financial Statements

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11. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2017	2016
	HK$'000	HK$'000
Cost of sales	169,868	4,189
Amortisation of prepaid premium for land leases	345	334
Amortisation of intangible assets	792	–
Depreciation	257	1,161
Staff costs (including Directors' remuneration):		
– salaries, bonuses and allowances	7,076	6,479
– equity-settled share option arrangements	–	19,070
– retirement benefits scheme contributions	321	276
	7,397	25,825
Auditor's remuneration	617	742
Net foreign exchange loss/(gain)	263	(600)
Operating lease charges on land and buildings	885	811

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For the year ended 31 December 2017

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

(a) Directors' and chief executives' emoluments

	2017				
	Directors' fees HK$'000	Basic salaries and other benefits HK$'000	Equity-settled share option arrangements HK$'000	Contributions to defined contribution retirement plans HK$'000	Total HK$'000
Executive directors					
Mr. Ma Xuemian (Chairman)	636	53	–	–	689
Ms. Chow Kwai Wa, Anne	456	38	–	18	512
Ms. Kwok Siu Wa, Alison	456	38	–	18	512
Mr. Kwok Siu Bun	456	38	–	18	512
Independent non-executive directors					
Mr. Hui Pui Wai Kimber	120	–	–	–	120
Ms. Chui Wai Hung	120	–	–	–	120
Mr. Liu Chaodong	120	–	–	–	120
Non-executive director					
Ms. Tsang Tsz Tung, Debbie	240	–	–	–	240
	2,604	167	–	54	2,825

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12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(Continued)*

(a) Directors' and chief executives' emoluments *(Continued)*

	2016				
	Directors' fees HK$'000	Basic salaries and other benefits HK$'000	Equity-settled share option arrangements HK$'000	Contributions to defined contribution retirement plans HK$'000	Total HK$'000
Executive directors					
Mr. Ma Xuemian (Chairman)	627	53	1,012	–	1,692
Ms. Chow Kwai Wa, Anne	357	128	1,024	18	1,527
Ms. Kwok Siu Wa, Alison	357	128	1,024	18	1,527
Mr. Kwok Siu Bun	447	38	1,024	18	1,527
Independent non-executive directors					
Mr. Hui Pui Wai Kimber	120	–	400	–	520
Ms. Chui Wai Hung	120	–	400	–	520
Mr. Liu Chaodong	120	–	400	–	520
Non-executive directors					
Ms. Tsang Tsz Tung, Debbie	240	–	1,031	–	1,271
	2,388	347	6,315	54	9,104

There was no chief executive appointed in the Group for both years.

There was no arrangement under which a director and chief executive waived or agreed to waive any remuneration in respect of the years ended 31 December 2017 and 2016.

During the years ended 31 December 2017 and 2016 no emolument was paid by the Group to the directors and chief executives as an inducement to join or upon joining the Group, or as compensation for loss of office.

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For the year ended 31 December 2017

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five highest paid individuals of the Group included four (2016: five) directors whose emoluments are included in the disclosures in Note 11(a) to the consolidated financial statements above.

The emoluments of the one (2016: nil) individuals other than director of the Company was as follows:

	2017 **HK$'000**	2016 HK$'000
Bonuses	**–**	–
Salaries and allowances	**277**	–
Retirement scheme contributions	**–**	–
	277	–

The emoluments of the one (2016: nil) individuals with the highest emoluments are within the following bands:

	2017 **Number of individuals**	2016 Number of individuals
Nil – HK$1,000,000	**1**	0

None of the directors and these highest paid employees waived any emoluments or received any inducement to join or compensation for loss of office during the years ended 31 December 2017 and 2016.

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13. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated based on the profit for the year attributable to the owners of the Company of approximately HK$127,979,000 (2016: HK$19,166,000) and on the weighted average number of approximately 1,340,973,000 ordinary shares (2016: 970,984,000) in issue during the year.

Diluted earnings per share

The calculation of diluted earnings per share is based on the profit for the year attributable to the owners of the Company of HK$124,412,000 (2016: HK$19,166,000) and on the weighted average number of approximately 1,752,853,000 ordinary shares (2016: 972,586,000), calculated as follows:

	2017 **HK$'000**	2016 HK$'000
Earnings		
Earnings for the purpose of calculating basic earnings per share	**127,979**	19,166
Fair value gain on convertible bonds through profit or loss	**(3,567)**	–
Earnings for the purpose of calculating diluted earnings per share	**124,412**	19,166

	2017 **'000**	2016 '000
Number of shares		
Weighted average number of ordinary shares at the end of the year	**1,340,973**	970,984
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (note 39)	**–**	1,602
Effect of deemed issue of shares upon conversion of the Convertible Bonds	**411,880**	–
Weighted average number of ordinary shares (diluted) at the end of the year	**1,752,853**	972,586

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14. SEGMENT REPORTING

Information reported to the executive directors and senior management, being the chief operating decision maker, the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reporting segments of the Group. Specifically, the Group's reportable operating segments under HKFRS 8 are: (i) property development, (ii) property investment, (iii) general trading.

(a) Segment revenue and results

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

	General trading		Property development		Property investment		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue								
External sales	**70**	3,036	**174,834**	1,412	**3,671**	1,809	**178,575**	6,257
Segment result	**(450)**	(386)	**5,496**	659	**334,671**	152,165	**339,717**	152,438
Interest income on bank deposits							**37**	28
Unallocated income and gains, net							**6**	604
Unallocated expenses							**(28,702)**	(42,358)
Profit from operations							**311,058**	110,712
Finance costs							**(6,111)**	(2,006)
Fair value gain on convertible bonds through profit or loss							**3,567**	–
Profit before tax							**308,514**	108,706
Income tax expense							**(76,552)**	(37,534)
Profit for the year							**231,962**	71,172

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14. SEGMENT REPORTING *(Continued)*

(a) Segment revenue and results *(Continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4 to the consolidated financial statements. Segment result represents the (loss incurred) profit earned from each segment without allocation of certain items, mainly comprising interest income on bank deposits, loss on disposal of property, plant and equipment, depreciation, central administration costs, directors' and chief executives' salaries, finance costs and gain on settlement of convertible bonds. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

(b) Segment assets and liabilities

	General trading		Property development		Property investment		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**–**	501	**193,176**	167,377	**2,266,233**	1,472,252	**2,459,409**	1,640,130
Unallocated assets							**149,853**	40,700
							2,609,262	1,680,830
Segment liabilities	**–**	–	**(171)**	(181)	**(470,418)**	(317,163)	**(470,589)**	(317,344)
Unallocated liabilities							**(323,959)**	(67,239)
							(794,548)	(384,583)

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

– all assets are allocated to operating segments other than unallocated assets (mainly comprising property, plant and equipment, other receivables, deposits and prepayments, amount due from a director and cash and cash equivalents); and

– all liabilities are allocated to operating segments other than unallocated liabilities (mainly comprising certain trade and other payables, interest-bearing borrowings, obligation under finance lease, amount(s) due to directors and a shareholder).

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14. SEGMENT REPORTING *(Continued)*

(c) Other segment information

	General trading		Property development		Property investment		Total	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Amortisation of prepaid premium for land leases	**–**	–	**(345)**	(334)	**–**	–	**(345)**	(334)
Fair value gain on investment properties	**–**	–	**–**	–	**330,540**	150,371	**330,540**	150,371
Reversal of impairment loss on loan receivables	**–**	–	**–**	–	**–**	–	**–**	–
Loss on disposal of property, plant and equipment	**–**	–	**(12)**	–	**–**	–	**(12)**	–
Unallocated:								
Depreciation	**–**	–	**–**	–	**–**	–	**(257)**	(1,161)
Capital expenditure	**–**	–	**–**	–	**–**	–	**143**	180

(d) Geographic information

Since the Group principally operates in the PRC with revenue and results derived mainly from its operations in the PRC and assets are located in the PRC, no geographical information is used by the chief operating decision maker for further evaluated.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

14. SEGMENT REPORTING *(Continued)*

(e) Information about major customers

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

	2017	2016
	HK$'000	HK$'000
General trading		
Customer A	–	1,574
Customer B	–	876
	–	2,450

15. DIVIDENDS

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Leasehold improvement HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:					
At 1 January 2016	14,514	2,331	3,397	1,411	21,653
Additions	–	97	83	–	180
Exchange differences	(1,019)	(60)	(200)	(55)	(1,334)
At 31 December 2016 and 1 January 2017	13,495	2,368	3,280	1,356	20,499
Acquisition of subsidiaries (Note (36a))	–	–	–	21	21
Additions	–	18	125	–	143
Disposals	(12)	–	(159)	–	(171)
Exchange differences	1,090	76	214	91	1,471
At 31 December 2017	**14,573**	**2,462**	**3,460**	**1,468**	**21,963**
Accumulated depreciation:					
At 1 January 2016	216	2,054	2,668	860	5,798
Charge for the year	7	87	794	273	1,161
Exchange differences	(36)	(43)	(184)	(41)	(304)
At 31 December 2016 and 1 January 2017	187	2,098	3,278	1,092	6,655
Charge for the year	6	53	23	175	257
Disposals	–	–	(159)	–	(159)
Exchange differences	39	76	215	48	378
At 31 December 2017	**232**	**2,227**	**3,357**	**1,315**	**7,131**
Carrying amount:					
At 31 December 2017	**14,341**	**235**	**103**	**153**	**14,832**
At 31 December 2016	13,308	270	2	264	13,844

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

17. INVESTMENT PROPERTIES

	Under development	Completed	Total
	HK$'000	HK$'000	HK$'000
Fair value			
At 1 January 2016	1,362,749	41,600	1,404,349
Additions	21,285	–	21,285
Fair value gain on investment properties	150,371	–	150,371
Exchange differences	(100,893)	(2,860)	(103,753)
At 31 December 2016 and 1 January 2017	1,433,512	38,740	1,472,252
Additions	113,863	–	113,863
Acquisition of subsidiaries (Note 36(a))	221,930	–	221,930
Transfer	(230,795)	230,795	–
Disposal of completed investment properties	–	(12,717)	(12,717)
Fair value gain on investment properties	290,622	39,918	330,540
Exchange differences	121,239	19,126	140,365
At 31 December 2017	1,950,371	315,862	2,266,233

The fair value of the Group's investment properties at 31 December 2017 has been arrived at on the basis of a valuation carried out on that date by Ravia Global Appraisal Advisory Limited (2016: Roma Appraisals Limited), an independent qualified professional valuers not connected with the Group. Ravia Global Appraisal Advisory Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The Group's investment properties have been valued by using market comparison and residual value approach, which conforms to Hong Kong Institute of Surveyors Valuation Standards on Properties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

18. PREPAID PREMIUM FOR LAND LEASES

	2017 HK$'000	2016 HK$'000
Cost		
At 1 January	**17,703**	19,346
Addition	**616**	–
Exchange differences	**1,002**	(1,643)
At 31 December	**19,321**	17,703
Accumulated amortisation and impairment		
At 1 January	**5,311**	5,698
Charge for the year	**345**	334
Exchange differences	**38**	(721)
At 31 December	**5,694**	5,311
Carrying values		
At 31 December	**13,627**	12,392

19. PROPERTIES FOR SALE UNDER DEVELOPMENT

	2017 HK$'000	2016 HK$'000
Property development project on its own	**142,781**	119,211
Less: current portion	**(142,301)**	(118,655)
Non-current portion	**480**	556

The balance represents the costs incurred by the Group on the properties for sale under development in the PRC. In the opinion of the Directors, the non-current portion of the properties for sale under development are not in the normal operating cycle of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

20. INTANGIBLE ASSET

	Car Park Contracts HK$'000
Cost	
At 1 January 2017	–
Acquisition of subsidiaries (Note 36(a))	15,456
Exchange differences	992
At 31 December 2017	16,448
Accumulated amortisation	
At 1 January 2017	–
Amortisation for the year	792
Exchange differences	30
At 31 December 2017	822
Carrying amount	
At 31 December 2017	15,626
At 31 December 2016	–

The intangible asset represents car park contract acquired in a business combination.

Car park contract is stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 20 years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

21. GOODWILL

For the purpose of impairment testing, goodwill has been allocated to a cash-generating unit ("CGU"), of the Group's property development operation. The carrying amount of goodwill as at 31 December 2017 allocated to this unit is as follows:

	Property development HK$'000
Cost	
As at 1 January 2016, 31 December 2016 and 1 January 2017	–
Arising on acquisition of subsidiaries (Note 36(a))	36,773
As at 31 December 2017	36,773
Accumulated impairment losses	
As at 1 January 2016, 31 December 2016 and 1 January 2017	–
Impairment loss recognised in the current year	–
As at 31 December 2017	–
Carrying amount	
As at 31 December 2017	36,773
As at 31 December 2016	–

The bases of the recoverable amount of the above CGU and its major underlying assumptions are summarised below:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

21. GOODWILL *(Continued)*

Property development

The recoverable amount of the CGU has been determined from value-in-use calculation. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next three years with the residual period using the growth rate of 0%.

The rate used to discount the forecast cash flows from the Group's property development operation is 20%.

The key basis and assumption used to determine the value assigned to the growth in revenue and the budgeted gross margins are the management's expectation of market development and future performance of the CGU and the discount rate used reflects specific risks relating to the industries in relation to the CGU.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

22. SUBSIDIARIES

Details of the Group's major subsidiaries as at 31 December 2017 are as follows:

Name of subsidiary	Place/country of incorporation (or establishment)/ operations	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest 2017	Principal activities
Directly held by the Company:				
Grand Field Group Holdings (BVI) Limited	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
Grand Field Group Investments (BVI) Limited	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
Surplus Full Development Limited	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
Indirectly held through subsidiaries:				
Grand Field Group Limited	Hong Kong/ Hong Kong	Ordinary shares of HK$200 and non-voting deferred shares of HK$200	100%	Investment holding and property investment
Grand Field Property Development (Shenzhen) Company Limited	PRC/PRC	HK$18,000,000	100%	Property development and property investment
Ka Fong Industrial Company Limited	Hong Kong/PRC	Ordinary shares of HK$200 and non-voting deferred shares of HK$200,000	100%	Property development and property investment
Shing Fat Hong Limited	Hong Kong/PRC	Ordinary shares of HK$4 and non-voting deferred shares of HK$2	100%	Property development and property investment
深圳棕科置業有限公司 ("深圳棕科")	PRC/PRC	RMB150,607,510	50%	Property development and property investment

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

22. SUBSIDIARIES *(Continued)*

Name of subsidiary	Place/country of incorporation (or establishment)/ operations	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest 2017	Principal activities
China Hantong Wine Group Holdings Limited	Hong Kong/ Hong Kong	HK$10,000,000	51%	Investment holding
東莞成發置業有限公司	PRC/PRC	RMB1,000,000	100%	Property development
擎天酒店管理（深圳）有限公司(“擎天酒店”)	PRC/PRC	Nil	100%	Investment holding
深圳漢唐盛世酒業有限公司(“深圳漢唐”)	PRC/PRC	RMB1,000,000	51%	Investment holding
G & H International Holding Limited	Hong Kong/ Hong Kong	HK$2,000,000	60%	Trading of foods and investment holding
濠康國際供應鏈（深圳）有限公司	PRC/PRC	RMB6,000,000	60%	Trading of foods
Intra Asia Limited	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
Golden State (HK) Limited	Hong Kong/ Hong Kong	HK$10,000	100%	Investment holding
徐州國金房地產開發有限公司(“徐州國金”)	PRC/PRC	HK$70,000,000	100%	Property development and property investment

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

22. SUBSIDIARIES *(Continued)*

The following table shows information of a subsidiary that has non-controlling interests ("NCI") and is considered material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name of subsidiary	深圳棕科	
	2017	2016
Principal place of business/ country of incorporation	**PRC/PRC**	PRC/PRC
% of ownership interests / voting rights held by NCI	**50%/50%**	50%/50%
	HK$'000	HK$'000
At 31 December:		
Non-current assets	**1,961,717**	1,441,183
Current assets	**165,750**	111,044
Current liabilities	**(103,802)**	(30,548)
Non-current liabilities	**(454,996)**	(313,560)
Net assets	**1,568,669**	1,208,119
Accumulated NCI	**819,735**	609,015
Year ended 31 December:		
Revenue	**–**	–
Profit	**208,856**	106,820
Total comprehensive income	**315,148**	20,019
Profit allocated to NCI	**104,428**	53,410
Net cash generated from operating activities	**24,592**	19,572
Net cash used in investing activities	**(27,467)**	(21,187)
Net cash generated from financing activities	**87,548**	3,020
Net increase in cash and cash equivalents	**84,673**	1,405

Notes to the Consolidated Financial Statements

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23. INVENTORIES

	2017 HK$'000	2016 HK$'000
Merchandises	–	501

24. TRADE RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	4,134	–

Trade receivables are mainly arisen from sales of properties. Proceeds in respect of properties sold is to be received in accordance with the terms of the related sales and purchase agreements.

An aged analysis of trade receivables is as follows:

	2017 HK$'000	2016 HK$'000
Within 90 days	4,134	–

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

25. PROPERTIES FOR SALE

At 31 December 2017, certain properties for sale with the carrying amounts of approximately HK$4,677,000 (2016: HK$4,335,000) were pledged to secure for the interest-bearing borrowings). (Note 30).

All of the properties for sale are situated in the PRC, are carried at lower of cost and net realisable value.

At 31 December 2017, certain properties for sale with the carrying amounts of approximately HK$17,407,000 (2016: HK15,315,000) which are not expected to be realised within the next twelve months.

26. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017	2016
	HK$'000	HK$'000
Other receivables	**50,375**	7,504
Amounts due from non-controlling shareholders of a subsidiary (Note (i))	**4,851**	4,851
Amounts due from vendor of the Acquisition	**3,192**	–
Other deposit and prepayments	**6,831**	895
	65,249	13,250

(i) The amounts due from non-controlling shareholders of a subsidiary are unsecured, interest-free and have no fixed repayment terms.

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27. AMOUNT DUE FROM A DIRECTOR

Amount due from a director disclosed pursuant to the Hong Kong Companies Ordinance is as follows:

The Group

Name	Terms	2017	2016	Maximum amount outstanding during the year
		HK$'000	HK$'000	HK$'000
Mr. Ma Xuemian *(Chairman)*	Unsecured, interest free and repayable on demand	**522**	81	522

At 31 December 2017 and 2016, amount due from a director is unsecured, interest free and repayable on demand.

28. CASH AND CASH EQUIVALENTS

	2017	2016
	HK$'000	HK$'000
Cash at bank and on hand	**5,902**	13,439

(a) Cash at bank earns interest at floating rates based on daily bank deposit rates.

(b) Included in bank balances of the Group is approximately HK$4,897,000 (2016: HK$7,614,000) of bank balances denominated in RMB dollars placed with banks in PRC. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Notes to the Consolidated Financial Statements

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29. TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables to building contractors	**2,102**	4,853
Deferred income	**28,420**	–
Accrued salaries and other operating expenses	**15,189**	7,905
Accrued interest expense	**901**	324
Deposits received from the sale of properties	**7,509**	7,180
Deposits received from the disposal of 90% interest in a property project in China	**33,732**	–
Rental deposits received from investment properties	**36**	33
Amounts payable on return of properties	**6,120**	5,672
Provision for compensation of a legal case	**–**	8,809
Other payables	**47,083**	20,518
	141,092	55,294

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

	2017 HK$'000	2016 HK$'000
Within 360 days past due	**874**	3,118
Over 360 days past due	**1,228**	1,735
	2,102	4,853

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

30. INTEREST-BEARING BORROWINGS

	2017	2016
	HK$'000	HK$'000
Loans from independent third parties payable within 1 year or on demand		
– secured	**7,118**	7,413
– unsecured	**41,302**	3,500
	48,420	10,913

At 31 December 2017 and 2016, loan with principal amounts of RMB4,238,000 (equivalent to approximately HK$4,896,000 (2016: HK$4,643,000)) and RMB1,854,000 (equivalent to approximately HK$2,222,000 (2016: HK$2,770,000) from an independent third party is secured by the completed properties held for sale of the Group's wholly owned subsidiary and personal guarantee by a director respectively. Interest is charged at 1.5% to 2.5% per month (2016: 1.5% to 2.5% per month) and repayable within 1 year from the drawdown date in the year 2017.

The unsecured borrowings bear interest at 10% per annum (2016: 10% per annum).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

31. OBLIGATION UNDER FINANCE LEASE

The Group leases a motor vehicle under finance lease arrangement. The lease term is 5 years. Interests rates underlying all obligations under finance lease is fixed at the contract date at 2.5% per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**–**	62	**–**	61
After 1 year but within 2 years	**–**	–	**–**	–
After 2 years but within 5 years	**–**	–	**–**	–
	–	62	**–**	61
Less: future finance charges	**–**	(1)	**N/A**	N/A
Present value of lease obligation	**–**	61	**–**	61
Less: amount due for settlement within 12 months (shown under current liabilities)			**–**	(61)
Amount due for settlement after 12 months			**–**	–

The Group's obligation under finance lease is guaranteed by a director of the Company, Mr. Kwok Siu Bun.

Finance lease obligation is denominated in HK$.

32. AMOUNTS DUE TO DIRECTORS/A SHAREHOLDER

At 31 December 2017 and 2016, amounts due to directors/a shareholder are unsecured, interest free and repayable on demand.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

33. DEFERRED TAX

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Tax losses	Intangible asset	Properties under development	Revaluation of investment properties	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2016	(7,821)	–	–	302,143	294,322
Charge to profit or loss for the year	(137)	–	–	37,592	37,455
Exchange differences	544	–	–	(22,572)	(22,028)
At 31 December 2016 and 1 January 2017	(7,414)	–	–	317,163	309,749
Acquisition of subsidiaries (Note 36(a))	(757)	3,864	2,357	37,450	42,914
Charge to profit or loss for the year	(2,260)	(198)	(2,392)	81,375	76,525
Exchange differences	(719)	241	61	30,497	30,080
At 31 December 2017	(11,150)	3,907	26	466,485	459,268

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	2017	2016
	HK$'000	HK$'000
Deferred tax liabilities	**470,418**	317,163
Deferred tax assets	**(11,150)**	(7,414)
	459,268	309,749

At the end of the reporting period, the Group has unused tax losses of approximately HK$64,342,000 (2016: HK$78,805,000) available for offset against future profits. The unrecognised tax losses will expire during 2018 to 2022 (2016: 2017 to 2021).

Notes to the Consolidated Financial Statements

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34. CONVERTIBLE BONDS

On 28 April 2017, the Company i) issued convertible bonds with principal amount of HK$137,000,000 (the "Convertible Bonds"), ii) paid cash of HK$22,540,000 and iii) issued 210,000,000 new ordinary share of the Company at the issue price of HK$0.226 per share for the acquisition of the entire equity interest of Intra Asia Limited (the "Acquisition"). The Convertible Bonds are denominated in HK$, carry interest rate of 3% per annum and will be matured on 27 October 2018. The conversion price of the Convertible Bonds is at HK$0.226 per ordinary share of the Company and a total of 606,194,690 new ordinary shares of the Company will be issued upon conversion of the Convertible Bonds.

For details of the Acquisition, please refer to the announcements of the Company dated 24 February 2017, 24 March 2017, 30 March 2017 and 28 April 2017.

The Convertible Bonds are measured as financial liabilities at fair value through profit or loss. The Convertible Bonds are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

The movements of the Convertible Bonds during the year ended 31 December 2017 are as follows:

	HK$'000
Fair value of Convertible Bonds as at 28 April 2017	137,000
Fair value gain on convertible bonds through profit or loss	(3,567)
Fair value of Convertible Bonds as at 31 December 2017	133,433

Notes to the Consolidated Financial Statements

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35. SHARE CAPITAL

	2017 HK$'000	2016 HK$'000
Authorised:		
5,000,000,000 Ordinary shares of HK$0.1 each (2016: 5,000,000,000 Ordinary shares of HK$0.1 each)	**500,000**	500,000
Issued and fully paid:		
1,519,046,088 Ordinary shares of HK$0.1 each (2016: 1,032,849,097 Ordinary shares of HK$0.1 each)	**151,905**	103,285

A summary of the movements in the issued share capital of the Company is as follows:

	Number of shares '000	**Amount** HK$'000
At 1 January 2016	957,069	95,707
Placing of shares (Note (i))	62,952	6,295
Issue of shares for settlement of professional fee (Note(ii))	12,828	1,283
As at 31 December 2016	1,032,849	103,285
Placing of shares (Note (i))	248,651	24,865
Issue of shares for settlement of professional fee (Note(ii))	27,546	2,755
Issue of share for the Acquisition (Note(iii))	210,000	21,000
As at 31 December 2017	1,519,046	151,905

Notes to the Consolidated Financial Statements

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35. SHARE CAPITAL *(Continued)*

Notes:

(i) Placing of shares

On 30 November 2016, the Company issued and allotted 62,952,645 ordinary shares of HK$0.1 each to the subscribers at a price of HK$0.2154 per share and the premium on the issue of shares, amounting to approximately HK$7,265,000 was credited to the Company's share premium account.

On 19 January 2017 and 21 August 2017, the Company issued and allotted 90,468,877 and 158,181,818 ordinary shares of HK$0.1 each to the subscribers at a price of HK$0.27 and HK$0.22 per share and the premium on the issue of shares, amounting to approximately HK$15,380,000 and HK$18,982,000 were credited to the Company's share premium account respectively.

(ii) Issue of shares for settlement of professional fee

On 6 May 2016, the Company issued and allotted 12,828,125 ordinary shares of HK$0.1 each to Mr. Wong Vai Nang, sole proprietor of Simon Ho & Co., Solicitors for settlement of the fee for legal advisory services provided. The premium on the issue of the above mentioned number of shares amounting to approximately HK$3,079,000 was credited to the Company's share premium account.

On 19 January 2017 and 9 May 2017, the Company issued and allotted 12,962,963 and 14,583,333 ordinary shares as to Mr. Wong Vai Nang, sole proprietor of Simon Ho & Co., Solicitors for settlement of the fee for legal advisory services provided. The premium on the issue of the above mentioned number of shares amounting to approximately HK$4,163,000 was credited to the Company's share premium account

(iii) Issue of shares for the Acquisition

On 28 April 2017, the Company issued and allotted 210,000,000 shares as to settle part of the consideration for the Acquisition. The premium on the issue of shares amounting to approximately HK$28,350,000 was credited to the Company's share premium account. Detail please refer to Note (36 (a)) for more information.

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

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36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of Subsidiaries

On 28 April 2017, the Group acquired a business by way of acquisition of the entire equity interest of Intra Asia Limited ("Intra Asia") and its subsidiaries (the "Intra Asia Group") at a consideration of approximately HK$207,000,000 which was settled by i) cash of HK$22,540,000, ii) 210,000,000 new ordinary shares of the Company at the issue price of HK$0.226 per share and iii) Convertible Bonds of the principal amount of HK$137,000,000. Intra Asia Group is principally engaged in property development business in the PRC.

Please refer to the announcements of the Company dated 24 February 2017, 24 March 2017, 30 March 2017 and 28 April 2017 for further details of the Acquisition.

The fair value of the identifiable assets and liabilities of Intra Asia Group acquired as at the date of Acquisition are as follows:

	Intra Asia Group HK$'000
Assets and liabilities acquired:	
Property, plant and equipment	21
Properties for sale under development	138,566
Investment properties	221,930
Intangible assets	15,456
Deferred tax assets	757
Prepayment, deposits and other receivables	24,169
Bank and cash equivalents	395
Loan receivables	11,111
Trade and other payables	(196,617)
Deferred tax liabilities	(43,671)
	172,117
Goodwill	36,773
	208,890

Notes to the Consolidated Financial Statements

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36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(a) Acquisition of Subsidiaries *(Continued)*

	Intra Asia Group HK$'000
Satisfied by:	
Cash	22,540
Consideration shares at fair value	49,350
Convertible bonds at fair value	137,000
	208,890
Net cash outflow arising on acquisition:	
Cash consideration paid	22,540
Cash and cash equivalents acquired	(395)
	22,145

The goodwill arising on the Acquisition is attributable to the cash-generating units of property development operation of the Group.

If the Acquisition had been completed on 1 January 2017, total Group's revenue for the period would be the same, and profit for the year would have been HK$212,954,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the Acquisition been completed on 1 January 2017, nor is intended to be a projection of future results.

Acquisition related costs recognised as expenses include legal and professional fee of HK$1,024,000.

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36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Change in liabilities arising from financing activities

The following table shows the Target Group changes in liabilities arising from financing activities during the year:

	Borrowings	Finance lease payable	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2016	5,443	239	5,682
Changes in cash flows:	3,471	(185)	3,286
Non-cash changes			
– effect of foreign exchange rate changes	8,110	7	8,117
– interest paid/payable	(6,111)	–	(6,111)
At 31 December 2016 and 1 January 2017	10,913	61	10,974
Changes in cash flows	29,973	(61)	29,912
Non-cash changes			–
– effect of foreign exchange rate changes	7,074	–	7,074
– interest charged	460	–	460
At 31 December 2017	48,420	–	48,420

(c) Major non-cash transactions

During the year ended 31 December 2017, certain investment properties with carrying amount of HK$12,254,000 has been disposed of to an independent third party, at a proceeds of HK$12,714,000, to settle the deposits received.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

37. FINANCIAL INFORMATION OF THE COMPANY

Statement of financial position

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Investment in subsidiaries		**159,056**	159,056
Current assets			
Other receivables, deposits and prepayments		**632**	739
Amount due from subsidiaries	(1)	**388,329**	122,013
Cash and cash equivalents		**720**	116
		389,681	122,868
Current liabilities			
Other payables		**9,192**	12,650
Convertible loan		**133,433**	–
Amounts due to directors	(1)	**378**	379
Amounts due to subsidiaries	(1)	**47,983**	17,549
		190,986	30,578
Net current assets		**198,695**	92,290
Total assets less current liabilities		**357,751**	251,346
NET ASSETS		**357,751**	251,346
Capital and reserves			
Share capital		**151,905**	103,285
Reserves	(2)	**205,846**	148,061
TOTAL EQUITY		**357,751**	251,346

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

37. FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Notes:

(1) the amounts due are unsecured, interest-free and repayable on demand.

(2) the movements of the Company's reserves are as follows:

Movement of reserves

	Share premium HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2016	338,336	6,714	140,281	(335,947)	149,384
Loss and total comprehensive loss for the year	–	–	–	(30,737)	(30,737)
Issue of new shares	7,265	–	–	–	7,265
Issue of shares for settlement of professional fee	3,079	–	–	–	3,079
Equity settled share option arrangements	–	19,070	–	–	19,070
At 31 December 2016 and 1 January 2017	348,680	25,784	140,281	(366,684)	148,061
Loss and total comprehensive loss for the year	–	–	–	(9,090)	(9,090)
Issue of new shares	34,362	–	–	–	34,362
Acquisition of subsidiary	28,350	–	–	–	28,350
Issue of shares for settlement of professional fee	4,163	–	–	–	4,163
Share option lapsed	–	(6,777)	–	6,777	–
At 31 December 2017	415,555	19,007	140,281	(368,997)	205,846

Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 40 of the Bermuda Companies Act 1981.

(ii) Share option reserve

The share option reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in Note 4 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

37. FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

(iii) Contributed surplus

The contributed surplus of the Company arose as a result of the same Group reorganisation and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would be after the payments, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(iv) Special reserve

Special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries and the nominal value of the Company's shares issued as part of the Group reorganisation in 1999 for the listing of the Company's shares on the Stock Exchange.

(v) Distributability of reserves

At the end of the reporting period, the Company did not have any reserves available for cash/in specie dividend distribution to owners of the Company.

38. CAPITAL MANAGEMENT

The Group's primarily objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes judgement to the capital structure in light of changes in economic conditions.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total liabilities less cash and cash equivalents. Adjusted capital comprises all components of equity.

The gearing ratio at 31 December 2017 and 2016 was as follows:

	2017 **HK$'000**	2016 HK$'000
Total liabilities	**794,548**	384,583
Less: Cash and cash equivalents	**(5,902)**	(13,439)
Net debt	**788,646**	371,144
Total equity and adjusted capital	**1,000,583**	684,312
Gearing ratio	**79%**	54%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

39. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

On 21 June 2016, the Company adopted a new share option scheme (the "New Share Option Scheme"), pursuant to which the Board may, at its discretion, grant option to (i) any directors, employees, consultants or advisers, business associates and (ii) any other periods, who, at the sole discretion of the Board, has contributed to the Group subject to the assessment criteria. The subscription price for the shares of the Company under the New Share Option Scheme shall be a price solely determined by the Board and notified to a subscriber and shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average of the closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; (iii) and the nominal value of the shares on the date of grant.

The maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% of the total number of shares in issue from time to time. At the time of adoption by the Company of the New Share Option Scheme or any new share option scheme, the aggregate number of shares which may be issued upon exercise of all options to be granted under the scheme, and the new scheme and all schemes existing at such time of the Company must not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the New Share Option Scheme which is expected to be 2,186,648,298 shares.

The Company, by ordinary resolution in general meeting, or the Board may at any time terminate the operation of the New Share Option Scheme and in such event no further option will be offered or granted but in all other respects the provisions of the New Share Option Scheme shall remain in full force and effect and options granted prior to such termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

On 23 June 2006, the Company adopted a share option scheme (the "Share Option Scheme"), pursuant to which the Board may, at its discretion, grant options to (i) any director, employee, consultant, customer, supplier, business introduction agent, or legal, financial or marketing adviser or contractor to any company in the Group or any affiliate; (ii) any discretionary trust the discretionary objects of which include any of the foregoing parties in (i) above. The subscription price for the shares of the Company under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall be not less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of offer of the grant, which must be a business day; and (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer of the grant; and (iii) the nominal value of a share of the Company.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes shall not exceed 30% of the nominal amount of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to each eligible participant shall not exceed 1% of the issued share capital of the Company for the time being in any 12-month period up to and including the date of offer of the grant.

The Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption of the Share Option Scheme from 23 June 2006.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

39. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

The following table discloses movements of the Company's share options in issue under Share Option Scheme during the years ended 31 December 2017 and 2016:

				Number of share options				
Category of participant	**Date of grant**	**Exercise period**	**Exercise price**	**Outstanding at 1 January 2017**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at 31 December 2017**
Directors	16 November 2016	16 November 2016 to 15 November 2019	0.255	**13,955,678**	**–**	**–**	**–**	**13,955,678**
Employees	16 November 2016	16 November 2016 to 15 November 2019	0.255	**83,033,967**	**–**	**–**	**(200,000)**	**82,833,967**
Directors	6 May 2016	6 May 2016 to 5 May 2019	0.363	**45,881,173**	**–**	**–**	**–**	**45,881,173**
Employees	6 May 2016	6 May 2016 to 5 May 2019	0.363	**46,808,066**	**–**	**–**	**(500,000)**	**46,308,066**
Directors	2 May 2014	2 May 2014 to 1 May 2017	0.47	**20,364,738**	**–**	**–**	**(20,364,738)**	**–**
Employees	2 May 2014	2 May 2014 to 1 May 2017	0.47	**22,147,928**	**–**	**–**	**(22,147,928)**	**–**
Total				**232,191,550**	**–**	**–**	**(43,212,666)**	**188,978,884**

				Number of share options			
Category of participant	Date of grant	Exercise period	Exercise price	Outstanding at 1 January 2016	Granted during the year	Exercised during the year	Outstanding at 31 December 2016
Directors	16 November 2016	16 November 2016 to 15 November 2019	0.255	–	13,955,678	–	13,955,678
Employees	16 November 2016	16 November 2016 to 15 November 2019	0.255	–	83,033,967	–	83,033,967
Directors	6 May 2016	6 May 2016 to 5 May 2019	0.363	–	45,881,173	–	45,881,173
Employees	6 May 2016	6 May 2016 to 5 May 2019	0.363	–	46,808,066	–	46,808,066
Directors	2 May 2014	2 May 2014 to 1 May 2017	0.47	20,364,738	–	–	20,364,738
Employees	2 May 2014	2 May 2014 to 1 May 2017	0.47	22,147,928	–	–	22,147,928
Total				42,512,666	189,678,884	–	232,191,550

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

40. LITIGATIONS AND CONTINGENT LIABILITIES

(i) Under the case No.(2014) Shen Luo Fa Min Er Chu Zi De No.5103, Shenzhen City YiZhou Hotel Management Limited ("Shenzhen YiZhou") as the plaintiff claims against Grand Field Land Development (Shenzhen) Company Limited ("GF Land") as the defendant for the right of replacement of Shenzhen City Liangzi Jingshun Investment Management Limited ("Shenzhen Liangzi") to claim against GF Land for the sum allegedly owed to Shenzhen Liangzi by GF Land in order to satisfy a judgment granted by a Court in China in favour of Shenzhen YiZhou as the plaintiff therein against Shenzhen Liangzi as the defendant therein which ordered Shenzhen Liangzi to pay Shenzhen YiZhou a sum of RMB10,280,000. This claim by the plaintiff has been dismissed and the plaintiff appealed to the People's Intermediate Court of Shenzhen. However, the plaintiff has currently withdrawn its claim which has been approved by the said court and the case has been concluded.

In the opinion of the Directors, the said proceedings have no material impact on the operations of the Group and/or have no financial impact on the Group.

(ii) A summons was issued and filed with Lo Hu Court against GF Land Development (Shenzhen) in which Shenzhen YiZhou as plaintiff claims against GF Land as defendant for a total sum of RMB13,380,000 and interests thereon. By a civil judgment of Lo Hu Court dated 21st October, 2014, it was ordered, inter alia, that the interest of GF Land Development (Shenzhen) in Shenzhen Land was distrained up to the amount of RMB12,717,600 pending the outcome of the Summons.

By a civil judgment of Lo Hu Court dated 5th December, 2014 Shenzhen Land formerly distrained had been released after the provision of the properties owned by Shing Fat Hong Limited, a subsidiary of the Company as guaranty. The amount to be distrained remains RMB12,717,600 pending the outcome of the Summons. After the said release the registered title of the Shenzhen Land has been successfully transferred into Shenzhen Zongke.

Shenzhen YiZhou as the plaintiff therein has currently withdrawn its claims which has been approved by the said court and the case has been concluded.

In the opinion of the Directors, the said proceedings have no material impact on the operations of the Group and/or have no financial impact on the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

40. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(iii) Under the case no.(2015) Shen Long Fa Xing Chu Zi Di No.238, Shenzhen Liangzi instigated an administrative action to Shenzhen Longgang District People's Court against Shenzhen Real Estate Ownership Registration Centre with Grand Field Group Limited and GF Land as the third parties in these proceedings. These proceedings had been tried and Shenzhen Liangzi's claims were dismissed. Shenzhen Liangzi appealed and it was ordered by the Shenzhen City Intermediate People's Court that the said decision was dismissed and that there being re-trial by the Longgang Court. However, due to the administrative adjustment of Shenzhen City Court, it was adjudged that these proceedings should be dealt with by the People's Court of Yantian District of Shenzhen City. However, Shenzhen Liangzi has withdrawn its claim herein which has been approved by the said court. The case has therefore been concluded.

In the opinion of the Directors, the said proceedings have no material impact on the operations of the Group and/or have no financial impact on the Group.

(iv) Under the case no.(2015) Shen Long Fa Xing Chu Zi Di No.239, Shenzhen Liangzi instigated an administrative action to Shenzhen Longgang District People's Court against Shenzhen Real Estate Ownership Registration Centre with Grand Field Group Limited. GF Land and Shenzhen Zongke as the third parties in these proceedings. By the Administrative Judgment dated 23rd February, 2016 Shenzhen Liangzi's claims were dismissed. Shenzhen Liangzi appealed and it was ordered by the Shenzhen City Intermediate People's Court that the said decision was dismissed and that there being re-trial by the Longgang Court. However, due to the administrative adjustment of Shenzhen City Court, it was adjudged that these proceedings should be dealt with by the People's Court of Yantian District of Shenzhen City. However, Shenzhen Liangzi has withdrawn its claim herein which has been approved by the said court. The case has therefore been concluded.

In the opinion of the Directors, the said proceedings have no material impact on the operations of the Group and/or have no financial impact on the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

40. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(v) A writ of summons was issued at the intermediate People's court of Shenzhen City on 19th April, 2016 in which Shenzhen Liangzi as plaintiff claims against Shenzhen Hongteng Technology Company Limited (formerly known as Shenzhen Grand Field Computer Software Development Limited ("Grand Field Computer"), Shenzhen Zongke, Grand Field Group Limited, GF Land, Guangdong Province Hongling Group Company Limited as defendants and Shenzhen Real Estate Ownership Registration Centre and Shenzhen City Urban Plaintiff, Land and Resources Commission of Shenzhen Municipality as third parties for, inter alias, confirmation that the part of the Shenzhen Land now under the name of Grand Field Computer belongs to the old Grand Field Computer which was registered on 8th December, 1998 of which the plaintiff alleged holding a total 11% of its shareholdings. By the judgment dated 19th January, 2017, the court dismissed Shenzhen Liangzi's claims. Shenzhen Liangzi appealed and currently has withdrawn its claims therein which has been approved by the said court and the case has been concluded.

In the opinion of the Directors, the said proceedings have no material impact on the operations of the Group and/or have no financial impact on the Group.

(vi) Under the case no.(2016) Yuet 0391 Min Chu no.2252, Shenzhen YiZhou as the plaintiff claims against GF Land as the defendant for the Shareholders' liability. Shenzhen YiZhou has currently withdrawn its claim which has been approved by the said court and the case has been concluded.

In the opinion of the Directors, the said proceedings have no material impact on the operations of the Group and/or have no financial impact on the Group.

(vii) An Originating Summons was issued and filed with the High Court of Hong Kong on 11th August, 2017 pursuant to Section 732 and 733 of the Companies Ordinance, Cap.622 of the Laws of Hong Kong by the plaintiff, Fourseasons Hong Kong Trading Limited, a shareholder of the Company claiming against the Company as the defendant for leave to bring legal proceedings on behalf of the Company against Tsang Wai Lun Wayland and Kwok Wai Man Nancy, the former executive directors of the Company, Kwok Siu Bun, Kwok Siu Wa Alison, Tsang Tsz Tung Debbie, Ma Xuemian, Chow Kwai Wa Anne, Hui Pui Wai Kimber, Liu Chaodong, Chui Wai Hung, the Directors of the Company, Surplus Full Development Limited (a BVI company) and Intra Asia Limited, both now are the subsidiaries of the Company and the interested parties in the Property Project and for costs of the proceedings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

40. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(vii) *(Continued)*

The Company upon legal advice opposes the plaintiff's application and has filed its affirmation in opposition. The trial date of these proceedings has not been fixed yet.

In the opinion of the Directors, the said proceedings have no material impact on the operations of the Group. However, the Directors cannot reasonably measure the financial impact of the Company before the conclusion of the said proceedings.

Save as disclosed above, in the opinion of the Directors, the aforesaid legal proceedings will have no material impact on the financial position and operations of the Group.

41. COMMITMENTS

(a) The Group had the following material commitments at the end of the reporting period:

	2017	2016
	HK$'000	HK$'000
Contracted but not provided for:		
Investment properties under development	**647,853**	683,608
Capital contribution to PRC companies	**194,344**	180,144
	842,197	863,752

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

41. COMMITMENTS *(Continued)*

(b) As lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases are payable which fall due as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**897**	484
In the second to fifth years inclusive	**1,219**	529
	2,116	1,013

The Group leases four office premises under operating leases. The leases typically run for an initial period of one to five years (2016: 5 years), at the end of which period all terms are negotiated. None of the lease includes contingent rentals.

(c) As lessor

Property rental income earned during the year was approximately HK$3,671,000 (2016: HK$1,809,000).

At the end of the reporting period, the Group had contracted with tenants for the following minimum lease payments:

	2017 **HK$'000**	2016 HK$'000
Within one year	**1,643**	1,811
In the second to fifth years inclusive	**5,545**	5,896
Over fifth years	**2,748**	4,471
	9,936	12,178

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

41. COMMITMENTS *(Continued)*

(c) As lessor *(Continued)*

The Group leases its investment properties (Note 17) under operating lease arrangements which run for an initial period of one to twelve years (2016: one to twelve years), with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. The properties are expected to generate rental yields of 1.16% (2016: 2.69%) on an ongoing basis.

42. RELATED PARTY TRANSACTIONS

The remuneration of the Group's key management personnel is disclosed in Note 12 to the consolidated financial statements.

43. EVENTS AFTER THE REPORTING PERIOD

On 13 March 2018, 113,990,000 placing shares have been successfully placed by Taijin Securities and Futures Limited (the "Placing Agent") to not less than six placees who are not connected persons of the Company at the placing price of HK$0.17 per placing share in accordance with the terms and conditions of the placing agreement.

The net proceeds, after deducting related placing commission, professional fees and all related expenses, arising from the placing amount to approximately HK$18.89 million and the Company intends to utilize such net proceeds as to approximately HK$13.89 million for development of the Group's real estate projects on hand and approximately HK$5 million for general working capital for daily operation.

Details were set out in the announcements dated 13 February 2018 and 13 March 2018.

44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2018.

Five-Year Financial Summary

The following is a summary of the consolidated results and of the consolidated assets and liabilities of the Group for the five years ended 31 December 2017.

CONSOLIDATED RESULTS

	For the years ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**178,575**	6,257	3,843	3,368	5,037
Profit/(loss) before tax	**308,514**	108,706	1,226,036	(69,129)	(46,346)
Income tax	**(76,552)**	(37,534)	(303,500)	–	(103)
Loss for the year	**231,962**	71,172	922,536	(69,129)	(46,449)

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**2,609,262**	1,680,830	1,626,671	440,554	291,751
Total liabilities	**(794,548)**	(384,583)	(346,240)	(82)	(78,513)
Net assets	**1,814,714**	1,296,247	1,280,431	440,472	213,238

Major Properties Under Development

As at 31 December 2017

A) SHENZHEN ZONGKE YUNDUAN BUILDING PROJECT

Location	Site area/ gross floor area	Interest attributable to the Group	Existing use	Status of the project	Expected completion date
ZongKe YunDuan Building Project, Xihuan Lu, Buji Street, Longgang District, Shenzhen, PRC	Site area: 23,629.03m^2 Capacity building area: 98,000m^2 Total gross floor area: 180,944.79m^2	50%	Commercial use, class 2 residential use	The foundation works have been completed. The main structure of the residential buildings is under construction. Sale plan of the project is in the pipeline. It is expected that pre-sale permit to be obtained and sales to be launched by the end of this year.	End of year 2020

Major Investment Properties

As at 31 December 2017

Location	Gross floor area	Interest attributable to the Group	Status of the properties	Lease term
Residential buildings, offices, shops and parking lots of the Jingangwan project in Gulou District, Xuzhou, Jiangsu Province, PRC	Total gross floor area of the properties: 11,779.71m^2 (excluding the sold residential properties)	100%	The project is completed. It is in the process of applying for property ownership certificate and devising plan for tenant enrollment and operation of the overall project.	Residential: 70 years; Non-Residential: 40 years
A portfolio of shops and parking lots in Yile Garden, Yongning Street, Zhangmutou Town, Dongguan, PRC	Total gross floor area of the properties：9,775.98m^2	100%	The project is currently for rent and in operation	70 years
A portfolio of shops and parking lots in Huadu Garden, Yonglong Street, Zhangmutou Town, Dongguan, PRC	Total gross floor area of the properties：6,970.55m^2	100%	The project is currently for rent and in operation	70 years