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CORPORATE INFORMATION

DIRECTORS

Mr. YUNG Kwok Kee, Billy *(Group Chairman and Chief Executive)*
Madam HSU Vivian
Mr. CHOW Kai Chiu, David
Madam LI Pik Mui, Cindy

BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
China Construction Bank (Asia) Corporation Limited

COMPANY SECRETARY

Fair Wind Secretarial Services Limited

REGISTERED OFFICE

Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda

HONG KONG OFFICE

1/F, Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong

AUDITOR

BDO Limited
Certified Public Accountants

TRANSFER AGENT

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

PROFIT FOR THE YEAR

The Group's audited consolidated profit attributable to the owners of the Company for the year ended 31st December, 2016 amounted to HK$39 million. Basic profit per share was HK7.4 cent.

FINAL DIVIDEND

The board of directors recommends a final dividend of HK0.5 cent per share for the year ended 31st December, 2016 (2015: HK0.5 cent per share). The proposed final dividend, subject to approval by the members of the Company (the "Members") at the annual general meeting to be held on Tuesday, 8th August, 2017 (the "AGM"), will be payable on or before Friday, 20th October, 2017 to the Members on the register of members of the Company on Thursday, 17th August, 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 3rd August, 2017 to Tuesday, 8th August, 2017, both days inclusive, during which period no transfer of shares will be effected for the purpose of ascertaining the Members' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Transfer Agent, Tricor Standard Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 2nd August, 2017.

The register of members of the Company will be closed from Tuesday, 15th August, 2017 to Thursday, 17th August, 2017, both days inclusive, during which period no transfer of shares will be effected for the purpose of ascertaining the Members' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Transfer Agent, Tricor Standard Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 14th August, 2017.

BUSINESS REVIEW

Contract Manufacturing — Electric and Electronics

A small decrease in sales volume and turnover of the ODM business for electric and electronics products was recorded in 2016 compared to 2015. The turnover contribution from the Electric and Electronics business is expected to increase strongly in 2017 and new products, such as Cordless Fan will also be launched.

Contract Manufacturing — Optics and Imaging

The Optics and Imaging Contract Manufacturing business increased slightly in 2016 compared to 2015. Revenue is expected to increase strongly in 2017 due to increase orders for the European and Asian markets.

Electric Fans

In 2016, the Group completely pulled out of the North America market for its ceiling fan business, yet it managed to keep up satisfactory overall results. Sales went up in the Africa, Middle East and the local market with Africa recording an inspiring increase year on year.

Early this year, increase in the cost of raw materials in Mainland China adversely affected our production cost. In order to keep the competitive advantage the Group continues to work on cutting down costs in every aspect. At the same time, we are trying to adjust selling prices. We expect the market price for raw materials will stabilize later this year with our business and profit continuing to stay at satisfactory levels.

Taxi Operation

During the year internet car-hailing apps provided hefty amounts of subsidies to their private car drivers, as a result, taxi drivers business income were significantly impacted and caused a large number of the company's taxis left being idle. Our turnover and profit in 2016 declined sharply. The business has started to improve in this year after the Guangzhou Municipal Government introduced regulations on internet car-hailing services. To diversify our taxi based business, the company will continue to invest and expand aggressively in the private car rental business.

Real Estate Investment and Development

PRC

Investment Properties

During 2016, the Group's portfolio of investment properties at Citic Plaza, Tianhe, Guangzhou maintained an average occupancy of approximately 95%. After a challenging year of huge new office supply in 2016, the Group expects Guangzhou's prime office leasing market will be stabilized in 2017. The Group continues to upgrade its leasing premises to maintain its advantages among those new competitors in Zhujiang New City. With the benefit of national "One belt One Road" strategy and the new Greater Pearl River Delta Bay Region Development concept, the Group believes Guangzhou's prime office leasing market performance will improve.

Development Properties

In 2016, the Group focused on site clearance and amendments of development parameters for its 16,000 sq. m. residential development project at South Guangzhou Road, Haizhu, Guangzhou. The Group foresees construction work tendering for this project to start this year. Litigations on re-possession of the Group's industrial land located at Guangshan Road, Tianhe, Guangzhou were progressing.

United States

During 2016, the Vineyard office complex leased out over 28,000 sq. ft. of space to Google and Pen-Cal, both of which made long term investments to the property and showed a commitment to the Livermore area. Due to repeated delays in public transportation improvements, Livermore remains a secondary option to potential Bay Area corporate tenants. The Vineyard team is working hard to control operating expenses during this period of time and will continue to market the space as a destination for tenants looking for back offices, annexes or flex spaces.

Hong Kong

Investment Properties

Almost all vacancies in the Shell Industrial Building located at 12 Lee Chung Street, Chai Wan, are rented out. The Group has commenced an ongoing program to conduct property renovation and optimization by stages in order to attract more quality tenants, hopefully the rent return will increase as well.

Another property of the Group, "Tak King Industrial building", located at 27 Lee Chung Street, Chai Wan, is now under application to change use (approximately 9,400 sq. ft.) from industrial to commercial. In order to maintain continuous contribution, we have signed a lease with a quality tenant and this lease has brought about a 40% increase in rental income to this property.

Development Properties

Construction works for the Group's two residential projects at Kam Tsin Road, Sheung Shui and Shek Kong commenced in the third quarter of 2016. We envisaged the primary construction works for both projects will be completed this year and sales marketing campaign can start in the fourth quarter of 2017.

Technology Investment

Semiconductor Device Products

On 7 October 2016, PFC Device Inc. ("PFC"), was successfully listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

During the year, PFC Group recorded a turnover of approximately US$22.8 million, representing an increase of 26% when compared to the previous year.

PFC Group continued to expand its market share in 2016 with growth mostly coming from power supply and adapter market for television, personal computer and laptop in China and Taiwan. During the period, PFC Group continued to expand its market applications beyond power supply with the introduction of new MOSFET product and five new Schottky diode parts specifically tailored for the solar junction box application.

Certa Scale

Certa Scale launched it's innovative, container orchestration software platform in 2016. It is conducting customer trials in important multinational companies in Germany, China and Taiwan.

Financial Investment

For the year ended 31st December, 2016, the Group's financial investment activities recorded loss of approximately HK$4,794,000 and the market value of the Group's financial investment holdings amounted to about HK$374,367,000.

REVENUE AND OPERATING RESULTS

Revenue from the Group's continuing operations for the year ended 31st December, 2016 stood at HK$1,139 million, down HK$7 million or 0.7% year on year, resulting mainly from the drop in revenue of the car rental business.

Profit attributable to the owners of the company for the year ended 31st December, 2016 increased from HK$8 million to HK$39 million representing an increase of HK$31 million or 388% over the corresponding period last year. The rise in profit was mainly attributable to (i) an increase of HK$57 million in gross profit ; (ii) a decrease of HK$51 million in administrative expenses and other operating expenses due to cost savings realized ; offset by (iii) a fair value gain (net of deferred taxation) of HK$13 million on certain investment properties within the Group compared to a fair value gain (net of deferred taxation) of HK$52 million for the corresponding period last year ; (iv) an increase of impairment loss of HK$16 million on available-for-sale financial assets ; and (v) a decrease of HK$14 million on share of results of associates.

FINANCIAL RESOURCES AND LIQUIDITY

The Group was able to maintain a satisfactory financial position with its financial resources and liquidity position consistently monitored and put in place in a healthy state throughout the period under review. Given the current economic situation, the Group would constantly re-evaluate its operational and investment status with a view to improving its cash flow and minimising its financial risks.

The Group utilized certain long-term loans totalling HK$527 million. Apart from the above, all banking facilities of the Group were arranged on short-term basis.

The banking facilities of the Group were subject to a mix of fixed interest rates and floating interest rates. Interest cover of the Group as at 31st December, 2016, calculated as operating profit divided by total interest expenses net of interest income, stood at 18 times (31st December, 2015: 3 times).

FOREIGN EXCHANGE EXPOSURE

The Group's borrowings were mainly denominated in Hong Kong dollars and US dollars. The Group continued to conduct its sales mainly in US dollars and make payments either in US dollars or Hong Kong dollars. As the Group has staged on accumulation of investments in certain property leasing and land and property development projects in the PRC in the past few years, the hedging of the Renminbi and Hong Kong dollars has become the primary daily focus of the group.

GEARING RATIO

The Group continued to adopt and follow its policy of maintaining a prudent gearing ratio. As at 31st December, 2016, the Group recorded a 22.1% gearing ratio (31st December, 2015: 20.7%), expressed as a percentage of total bank borrowings net of cash and pledged cash deposits to total equity of the Group.

CAPITAL COMMITMENTS AND GUARANTEE

During the period under review, the Group had capital commitments totaling HK$223 million. In addition, the Company issued guarantees to the banks amounting to HK$398 million to facilitate certain subsidiaries in obtaining banking facilities.

CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had capital expenditures totalling HK$52 million during the period under review.

During the period under review, the Group had charges on assets totalling HK$1,655 million mainly for securing mortgage loans.

The Group also pledged its 100% interest of the issued share capital of its subsidiary, China Dynasty Development Ltd. to a bank to secure a long-term loan granted to the Group.

EMPLOYEES

As at 31st December, 2016, the Group has approximately 1,887 employees. The pay levels of these employees are commensurate with their responsibilities, performance and market condition.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31st December, 2016.

PRINCIPAL ACTIVITIES

During the current year, the principal activities of the Company are investment holding and property leasing. The principal activities carried out by the Company and its subsidiaries (collectively, the "Group") mainly comprise investment holding, manufacturing and marketing of electric fans, power discrete semiconductors as well as contract manufacturing of fusers, laser scanners, paper handling options and other electrical appliances and electronic components, property leasing, property investment and development, taxi and car rental and securities trading. Further discussion and analysis of these activities can be found in the Chairman's Statement. Details of the activities of its principal subsidiaries, associates and joint ventures are set out in note 54 to note 55 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2016 are set out in the consolidated income statement on page 11.

Subject to the approval of shareholders at the forthcoming annual general meeting, the board of directors of the Company (the "Board") now recommends the payment of a final dividend of HK0.5 cent per share to the shareholders on the register of members on Thursday, 17th August, 2017, thus giving rise to a final dividend distribution amounting to HK$2,617,000.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 38 to the financial statements.

DONATIONS

During the year, the Group made charitable and other donations totalling HK$2,665,000 (2015: HK$1,322,000).

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

The Company has not purchased, sale or redeemed any of its shares during the year.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

The directors of the Company during the year and up to date of this report are as follows:

Mr. Yung Kwok Kee, Billy
Madam Yung Ho Wun Ching (ceased on 8th June, 2016)
Madam Hsu Vivian
Mr. Chow Kai Chiu, David
Madam Li Pik Mui, Cindy (appointed on 27th June, 2016)

In accordance with Bye-law 84 of the Bye-laws of the Company, Mr. Yung Kwok Kee, Billy and Madam Hsu Vivian shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Mr. Yung Kwok Kee, Billy and Mr. Chow Kai Chiu, David have personal interests in the share options granted under the share option schemes operated by the subsidiaries of the Company, namely PFC Device Holdings Limited and Netlink Asset Limited respectively. PFC Device Holdings Limited and Netlink Asset Limited operate the share option schemes for the purposes of providing incentives and rewards to eligible participants to contribute to the success of their operations. Further details of the share option schemes are disclosed in note 40 to the financial statements.

Save as disclosed above, at no time during the year was the Company, or any of its subsidiary, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MAJOR SUPPLIERS AND CUSTOMERS

For the financial year ended 31st December, 2016, the five largest customers accounted for approximately 61% of the total sales of the Group's turnover, of which 27% was attributable to the largest customer. Purchases from the Group's five largest suppliers accounted for less than 29% of the total purchases for the year.

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in the major suppliers or customers noted above.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors and their respective associates has any interest in a business or is interested in any business which competes or may compete either directly or indirectly with, or is similar to, the business of the Group as at 31st December, 2016.

PERMITTED INDEMNITY PROVISIONS

The Bye-law of the Company provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their offices, provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty.

Save as disclosed above, at no time during the financial year and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company, which were not contract of service with any Director or any person engaged in full time employment of the Company, were entered into or existed during the year.

AUDITOR

The financial statements for the year ended 31st December, 2016 were audited by BDO Limited ("BDO"). A resolution will be submitted to the forthcoming annual general meeting to re-appoint BDO as auditor of the Company.

On behalf of the Board

Mr. Yung Kwok Kee, Billy
Chairman

Hong Kong, 29th June, 2017

CORPORATE GOVERNANCE REPORT

The Company is firmly committed to maintaining a high standard corporate governance practices and adhering to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness.

The board of directors of the Company (the "Board") will continuously review and improve the corporate governance practices and standards of the Company to ensure that business and decision making processes are regulated in a proper and prudent manner.

BOARD OF DIRECTORS

The Board comprises of four members and supervises the management of the business and affairs of the Group. It has established self-regulatory and monitoring mechanisms to ensure that effective corporate governance is practiced. There is a clear division of responsibilities between the Board and the management. The Board is responsible for overseeing the Group's overall strategic plans, approval of major funding and investment proposals and reviewing the financial performance of the Group. The day-to-day management, administration and operation of the Group are delegated to the Committee of the Directors comprising of two members, namely Mr. Billy K Yung and Mr. David Chow Kai Chiu.

The Board meets regularly and additional meetings are convened when deemed necessary by the Board. Board members are provided with complete, adequate and timely information to allow the Directors to fulfill their duties properly.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Billy K Yung is the Group Chairman and the Chief Executive Officer. The Board considers that the structure is more conducive to the efficient formulation and implementation of the Company's strategies.

NOMINATION OF DIRECTORS

The Board has established a formal and transparent process for the Company in the appointment of new Directors and re-nomination and re-election of Directors at regular intervals.

In accordance with the provisions of the Bye-laws of the Company, any Director appointed by the Board during the year to fill casual vacancy shall retire and submit themselves for re-election immediately following his/her appointment at the first general meeting or at the next following annual general meeting of the Company in the case of an addition to the existing Board. Further, at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

As such, the Company considers that sufficient measures have been taken to ensure that the formal and transparent process for the nomination and appointment of Directors is maintained.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Board is charged with the responsibility of determining the specific remuneration packages of all Directors and senior management, including benefits-in-kind, pension rights, and compensation payments. In developing remuneration policies and making recommendation as to the remuneration of the Directors and key executives, the Board takes into account the performance of the Group as well as those individual Directors and key executives.

ACCOUNTABILITY AND AUDIT

The Directors have acknowledged by executing a management representation letter with the auditor that they bear the ultimate responsibility of preparing the Group's financial statements in accordance with statutory requirements and applicable accounting standards. The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 9.

The Board has reviewed with management and auditor of the Company the accounting principles and practices adopted by the Group and discussed the audited financial statements for the year ended 31st December, 2016.

The Board has recommended that BDO Limited, Certified Public Accountants, be nominated for re-appointment as auditor of the Company at the forthcoming annual general meeting of the Company.

INTERNAL CONTROLS

Management has implemented a system of internal controls to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records maintained, appropriate legislation and regulations complied with, reliable financial information provided for management and publication purposes and investment and business risks affecting the Group identified and properly managed. The Company's internal audit department is responsible for monitoring adherence to policies on the safekeeping of assets and effectiveness and efficiency of operational procedures. Periodical audit plan is prepared in determining the audit focus and frequencies.

The Board has conducted a review of the effectiveness of the system of internal control. Such review will consider the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. The Board considers that the Group's internal control system is satisfactory.

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TO THE SHAREHOLDERS OF SHELL ELECTRIC HOLDINGS LIMITED
蜆壳電器控股有限公司
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Shell Electric Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 11 to 88, which comprise the consolidated statement of financial position as at 31st December, 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December, 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA, and for such internal control as the directors determined 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 RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants
Lee Ming Wai
Practising Certificate no. P05682

Hong Kong, 29th June, 2017

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2016

	NOTES	2016 HK$'000	2015 HK$'000
Revenue	6	**1,139,236**	1,146,834
Cost of sales and services provided		**(822,570)**	(887,141)
Gross profit		**316,666**	259,693
Other income	6	**52,137**	53,432
Distribution and selling expenses		**(9,087)**	(13,619)
Administrative expenses		**(186,769)**	(271,297)
Other operating expenses		**(64,801)**	(31,023)
Other gains or losses			
Fair value gain on investment properties	14	**91,892**	53,139
Fair value loss on investments held for trading		**(3,363)**	(2,521)
Fair value gain/(loss) on derivative financial instruments		**2,405**	(8,296)
Gain on disposal of available-for-sale financial assets		**—**	7,471
(Loss)/Gain on disposal of patent	18	**(416)**	8,394
Gain arising from disposal of subsidiaries	42(b) & (c)	**4,248**	21,010
Gain arising from acquisition of subsidiaries	43	**479**	—
Impairment loss on intangible assets	18	**—**	(4,398)
Impairment loss on available-for-sale financial assets	21	**(16,348)**	—
Others		**(8,197)**	(24,480)
Operating profit		**178,846**	47,505
Finance costs	8	**(30,774)**	(36,932)
Share of results of associates		**(5,350)**	8,698
Share of results of joint ventures		**2,119**	987
Profit before income tax	9	**144,841**	20,258
Income tax expense	10	**(105,058)**	(12,621)
Profit for the year		**39,783**	7,637
Profit for the year attributable to:			
Owners of the Company		**38,951**	8,195
Non-controlling interests		**832**	(558)
		39,783	7,637
		HK Cents	HK Cents
Earnings per share			
— Basic and diluted	13	**7.4**	1.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2016

	2016 HK$'000	2015 HK$'000
Profit for the year	**39,783**	7,637
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange difference arising from translation of overseas operations		
— subsidiaries	**(163,247)**	(157,243)
— associate and joint ventures	**(8,744)**	(8,031)
Reclassification adjustment of translation reserve recycled to profit or loss upon		
— deregistration of a subsidiary	**58**	1,345
— acquiring control of former joint ventures *(note 43)*	**505**	—
Available-for-sale financial assets		
— Changes in fair value	**(13,736)**	(7,088)
— Reclassification adjustment for gain on disposal included in profit or loss	**—**	(1,603)
— Reclassification adjustment for impairment loss included in profit or loss *(note 21)*	**16,348**	—
	(168,816)	(172,620)
Items that will not be reclassified to profit or loss		
Revaluation of land and buildings classified as property, plant and equipment *(note 15(a))*		
— Changes in fair value	**658**	2,852
— Income tax effect	**(800)**	542
	(142)	3,394
Other comprehensive income for the year, net of tax	**(168,958)**	(169,226)
Total comprehensive income for the year	**(129,175)**	(161,589)
Total comprehensive income attributable to:		
Owners of the Company	**(128,538)**	(161,020)
Non-controlling interests	**(637)**	(569)
	(129,175)	(161,589)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2016

	NOTES	As at 31st December, 2016 HK$'000	As at 31st December, 2015 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	14	**2,326,942**	2,394,284
Property, plant and equipment	15	**454,340**	463,263
Prepaid lease rental on land	16	**31,471**	24,806
Deposit paid	27(d)(i)	**63,380**	63,380
Prepayments for acquisition of property, plant and equipment		**8,424**	35,098
Goodwill	17	**4,393**	4,393
Other intangible assets	18	**205,368**	219,417
Interests in associates	19	**145,661**	160,077
Interests in joint ventures	20	**—**	4,751
Available-for-sale financial assets	21	**256,458**	223,570
Other assets	22	**66,190**	66,190
Loans receivable	23	**52,083**	48,680
Finance lease receivables	24	**1,046**	734
Deferred tax assets	37	**201**	—
		3,615,957	3,708,643
Current assets			
Inventories of properties	25	**653,369**	154,925
Other inventories	26	**146,119**	145,009
Trade and bills receivables, other receivables, prepayments and deposits	27	**264,075**	584,609
Prepaid lease rental on land	16	**928**	757
Loans receivable	23	**15,528**	630
Finance lease receivables	24	**805**	980
Amounts due from associates	28	**—**	357
Amounts due from joint ventures	28	**—**	107
Investments held for trading	29	**118,289**	147,526
Tax prepaid		**71**	260
Derivative financial instruments	33	**5,059**	—
Structured bank deposits	30(c)	**102,623**	175,101
Restricted bank deposit	30(b)	**21,609**	22,465
Cash and bank balances	30(a)	**435,317**	363,368
		1,763,792	1,596,094
Current liabilities			
Trade and other payables	31	**512,192**	500,444
Amounts due to associates	28	**121**	—
Amount due to a joint venture	28	**—**	60
Amount due to an investee	28	**—**	8
Amount due to a related party	32	**291**	291
Amount due to a director	32	**38,460**	43,484
Government grants		**344**	940
Taxation liabilities		**166,057**	178,084
Derivative financial instruments	33	**—**	11,147
Bank borrowings	34	**596,898**	399,325
		1,314,363	1,133,783

	NOTES	As at 31st December, 2016 HK$'000	As at 31st December, 2015 HK$'000
Net current assets		**449,429**	462,311
Total assets less current liabilities		**4,065,386**	4,170,954
Non-current liabilities			
Government grants		**421**	816
Bank borrowings	34	**526,770**	622,110
Loan from non-controlling shareholder	35	**5,369**	5,402
Deferred tax liabilities	37	**522,551**	476,284
		1,055,111	1,104,612
Net assets		**3,010,275**	3,066,342
CAPITAL AND RESERVES			
Share capital	38	**82**	82
Reserves	39	**2,952,540**	3,057,590
Equity attributable to owners of the Company		**2,952,622**	3,057,672
Non-controlling interests	36	**57,653**	8,670
Total equity		**3,010,275**	3,066,342

On behalf of the directors

YUNG KWOK KEE, BILLY
Director

CHOW KAI CHIU, DAVID
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2016

	Equity attributable to owners of the Company											
	Share capital HK$'000	Capital reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Share option reserve HK$'000	Translation reserve HK$'000	Assets revaluation reserve HK$'000	Dividend reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1st January, 2016	**82**	**273,360**	**8,729**	**654**	**128,977**	**207,675**	**2,617**	**6,790**	**2,428,788**	**3,057,672**	**8,670**	**3,066,342**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**38,951**	**38,951**	**832**	**39,783**
Exchange differences arising from translation of overseas operations												
— subsidiaries	**–**	**–**	**–**	**–**	**(161,778)**	**–**	**–**	**–**	**–**	**(161,778)**	**(1,469)**	**(163,247)**
— associate and joint ventures	**–**	**–**	**–**	**–**	**(8,744)**	**–**	**–**	**–**	**–**	**(8,744)**	**–**	**(8,744)**
Reclassification adjustment of translation reserve recycled to profit or loss upon deregistration of a subsidiary	**–**	**–**	**–**	**–**	**58**	**–**	**–**	**–**	**–**	**58**	**–**	**58**
Reclassification adjustment of translation reserve recycled to profit or loss upon acquiring control of former joint ventures *(note 43)*	**–**	**–**	**–**	**–**	**505**	**–**	**–**	**–**	**–**	**505**	**–**	**505**
Fair value adjustment on revaluation of land and buildings, net of tax effect *(note 15(a))*	**–**	**–**	**–**	**–**	**–**	**(142)**	**–**	**–**	**–**	**(142)**	**–**	**(142)**
Fair value changes on available-for-sale financial assets	**–**	**–**	**(13,736)**	**–**	**–**	**–**	**–**	**–**	**–**	**(13,736)**	**–**	**(13,736)**
Reclassification adjustment of impairment loss on available-for-sale financial assets *(note 21)*	**–**	**–**	**16,348**	**–**	**–**	**–**	**–**	**–**	**–**	**16,348**	**–**	**16,348**
Total comprehensive income for the year	**–**	**–**	**2,612**	**–**	**(169,959)**	**(142)**	**–**	**–**	**38,951**	**(128,538)**	**(637)**	**(129,175)**
Dividend paid *(note 12(b))*	**–**	**–**	**–**	**–**	**–**	**–**	**(2,617)**	**–**	**–**	**(2,617)**	**–**	**(2,617)**
Issue of shares by a subsidiary upon exercise of PFC Share Options *(note 40(b))*	**–**	**–**	**–**	**(654)**	**–**	**–**	**–**	**–**	**654**	**–**	**4,292**	**4,292**
Acceleration of vesting of PFC Share Options *(note 40(b))*	**–**	**–**	**–**	**16**	**–**	**–**	**–**	**–**	**–**	**16**	**–**	**16**
Deemed disposal of partial interest in a subsidiary *(note 42(a))*	**–**	**–**	**–**	**–**	**(634)**	**–**	**–**	**–**	**26,723**	**26,089**	**45,328**	**71,417**
Transfer between reserves												
Proposed final dividend *(note 12(a))*	**–**	**–**	**–**	**–**	**–**	**–**	**2,617**	**–**	**(2,617)**	**–**	**–**	**–**
Termination of PFC Option Plan *(note 40(b))*	**–**	**–**	**–**	**(16)**	**–**	**–**	**–**	**–**	**16**	**–**	**–**	**–**
Difference in depreciation provided based on historical cost and revalued amount of land and buildings *(note 15(a))*	**–**	**–**	**–**	**–**	**–**	**(7,880)**	**–**	**–**	**7,880**	**–**	**–**	**–**
At 31st December, 2016	**82**	**273,360**	**11,341**	**–**	**(41,616)**	**199,653**	**2,617**	**6,790**	**2,500,395**	**2,952,622**	**57,653**	**3,010,275**

	Equity attributable to owners of the Company											
	Share capital HK$'000	Capital reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Share option reserve HK$'000	Translation reserve HK$'000	Assets revaluation reserve HK$'000	Dividend reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1st January, 2015	82	273,360	17,420	–	292,895	221,187	2,617	6,790	2,406,245	3,220,596	9,206	3,229,802
Profit/(Loss) for the year	–	–	–	–	–	–	–	–	8,195	8,195	(558)	7,637
Exchange differences arising from translation of overseas operations												
— subsidiaries	–	–	–	–	(157,232)	–	–	–	–	(157,232)	(11)	(157,243)
— associate and joint ventures	–	–	–	–	(8,031)	–	–	–	–	(8,031)	–	(8,031)
Reclassification adjustment of translation reserve recycled to profit or loss upon deregistration of a subsidiary	–	–	–	–	1,345	–	–	–	–	1,345	–	1,345
Fair value adjustment on revaluation of land and buildings, net of tax effect *(note 15(a))*	–	–	–	–	–	3,394	–	–	–	3,394	–	3,394
Fair value changes on available-for-sale financial assets	–	–	(7,088)	–	–	–	–	–	–	(7,088)	–	(7,088)
Reclassification adjustment for gain on disposal included in profit or loss	–	–	(1,603)	–	–	–	–	–	–	(1,603)	–	(1,603)
Total comprehensive income for the year	–	–	(8,691)	–	(163,918)	3,394	–	–	8,195	(161,020)	(569)	(161,589)
Equity settled shared-based transaction *(note 40(b))*	–	–	–	654	–	–	–	–	59	713	33	746
Dividend paid *(note 12(b))*	–	–	–	–	–	–	(2,617)	–	–	(2,617)	–	(2,617)
Transfer between reserves												
Proposed final dividend *(note 12(a))*	–	–	–	–	–	–	2,617	–	(2,617)	–	–	–
Reclassification of asset revaluation reserve to retained profits upon disposal of land and buildings *(note 15(b))*	–	–	–	–	–	(8,862)	–	–	8,862	–	–	–
Difference in depreciation provided based on historical cost and revalued amount of land and buildings *(note 15(a))*	–	–	–	–	–	(8,044)	–	–	8,044	–	–	–
At 31st December, 2015	82	273,360	8,729	654	128,977	207,675	2,617	6,790	2,428,788	3,057,672	8,670	3,066,342

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2016

	2016 HK$'000	2015 HK$'000
Operating activities		
Profit before income tax	**144,841**	20,258
Adjustments for:		
Share of results of associates	**5,350**	(8,698)
Share of results of joint ventures	**(2,119)**	(987)
Depreciation and amortisation	**52,917**	51,491
Government grants	**(918)**	(978)
Share-based payment expense	**16**	746
Fair value gain on investment properties	**(91,892)**	(53,139)
Unrealised fair value change of investments held for trading	**(1,721)**	32,257
Unrealised fair value change of derivative financial instruments	**(5,059)**	4,547
Impairment loss on available-for-sale financial assets	**16,348**	—
Impairment loss on intangible assets	**—**	4,398
(Reversal of impairment)/Impairment loss on inventories of properties	**(19,140)**	31,432
Impairment loss on loans and receivables	**1,765**	1,078
Write back of long outstanding payables	**—**	(659)
Write-off of loans and receivables	**923**	694
Write-off of other inventories	**3,870**	—
Write-off of property, plant and equipment	**3,890**	1,832
Allowance/(Reversal of allowance) for other inventories	**9,123**	(7,626)
Loss on disposal of property, plant and equipment	**377**	12,611
Gain on disposal of available-for-sale financial assets	**—**	(7,471)
Loss/(gain) on disposal of patent	**416**	(8,394)
Gain arising from disposal of subsidiaries	**(4,248)**	(21,010)
Gain arising from acquisition of subsidiaries	**(479)**	—
Interest income	**(15,612)**	(11,811)
Interest expenses	**25,749**	26,842
Guarantee fee	**5,025**	—
Exchange differences	**(3,707)**	3,750
Operating cash flows before movements in working capital	**125,715**	71,163
Increase in inventories of properties	**(152,943)**	(2,691)
Increase in other inventories	**(21,055)**	(3,857)
Increase in trade and bills receivables, other receivables, prepayments and deposits	**(29,214)**	(288,947)
Decrease/(Increase) in amounts due from associates	**478**	(72)
Decrease in balances with joint ventures	**47**	95
Decrease/(Increase) in amounts due from investees	**184**	(133)
Decrease in finance lease receivables	**(311)**	(1,516)
Decrease in investments held for trading	**30,958**	574,588
Changes in derivative financial instruments	**(11,147)**	—
Increase in trade and other payables	**5,008**	23,135
Cash (used in)/generated from operations	**(52,280)**	371,765
Hong Kong profits tax paid, net	**(72)**	(356)
Tax paid in other jurisdictions	**(28,457)**	(27,513)
Net cash (used in)/generated from operating activities	**(80,809)**	343,896

	2016 HK$'000	2015 HK$'000
Investing activities		
Proceeds from disposal of available-for-sale financial assets	—	18,167
Proceeds from disposal of patent	1,550	8,394
Proceeds from disposal of property, plant and equipment	557	32,074
Proceeds from disposal of subsidiaries *(notes 42(b) & (c))*	56,829	35,620
Net cash inflows from deemed disposal of partial interest in a subsidiary *(note 42(a))*	71,417	—
Payment for acquisition of subsidiaries *(note 43)*	15,167	—
Interest element of finance lease receivables	98	83
Interest received	14,529	11,653
Dividend received from a joint venture	—	3,969
Purchase of antiques, net	—	(17,051)
Purchase of intangible assets	—	(3,936)
Purchase of property, plant and equipment	(36,091)	(97,347)
Purchase of investment properties	(2,981)	(51,941)
Payment for interest in prepaid lease rental on land	(9,166)	(9,071)
(Increase in)/Repayment of loans receivable, net	(17,430)	4,759
Purchase of available-for-sale of financial assets	(55,859)	(24,392)
Decrease in bank deposits maturing beyond three months	7,783	22,259
(Increase)/Decrease in restricted bank deposit	(569)	1,918
Decrease/(Increase) in structured bank deposits	61,373	(175,101)
Net cash generated from/(used in) investing activities	107,207	(239,943)
Financing activities		
New bank and other borrowings	725,026	603,483
Repayment of bank borrowings	(622,819)	(609,293)
Repayment of other liabilities	—	(176)
Dividends paid	(2,617)	(2,617)
Interest paid	(25,540)	(26,818)
Decrease in amount due to a director	(10,049)	—
Capital contribution from non-controlling interests	4,292	—
Net cash generated from/(used in) financing activities	68,293	(35,421)
Net increase in cash and cash equivalents	94,691	68,532
Cash and cash equivalents at 1st January	320,853	268,044
Effect of foreign exchange rate change	(14,959)	(15,723)
Cash and cash equivalents at 31st December	400,585	320,853
Analysis of the balances of cash and cash equivalents		
Cash and bank balances as stated in consolidated statement of financial position	435,317	363,368
Less: short-term deposits with maturity beyond three months but within one year	(34,732)	(42,515)
Cash and cash equivalents at 31st December	400,585	320,853

1. GENERAL INFORMATION

Shell Electric Holdings Limited (the "Company") was incorporated in Bermuda with limited liability. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda and the address of its principal place of business is Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong.

The principal activities of the Company are investment holding and property leasing. The principal activities carried out by the Company and its subsidiaries (hereinafter collectively referred as the "Group") mainly comprise investment holding, manufacturing and marketing of electric fans and power discrete semiconductors, contract manufacturing of fusers, laser scanners, paper handling options and electrical appliances, property leasing, property investment and development, taxi and car rental and securities trading.

The shares of PFC Device Inc., a non-wholly owned subsidiary, have been successfully listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 7th October, 2016 (the "Listing"). The principal activities of PFC Device Inc. and its subsidiaries ("PFC Group") is manufacturing and sales of power discrete semiconductors.

The financial statements on pages 11 to 88 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (including all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The financial statements for the year ended 31st December, 2016 were approved and authorised for issue by the directors on 29th June, 2017.

2. ADOPTION OF NEW OR REVISED HKFRSS

(a) Adoption of new or revised HKFRSs — effective on 1st January, 2016

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1st January, 2016:

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations

Amendments to HKAS 1 Disclosure Initiative

The amendments are designed to encourage entities to use judgment in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

The adoption of the amendments has no significant impact on these financial statements.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are applied retrospectively in accordance with HKAS 8.

The adoption of the amendments has no impact on these financial statements as the Company has not elected to apply the equity method in its separate financial statements.

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments require an entity to apply the relevant principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not acquired or formed a joint operation

2. ADOPTION OF NEW OR REVISED HKFRSS *(Continued)*

(b) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 *Effective for annual periods beginning on or after 1st January, 2017*

2 *Effective for annual periods beginning on or after 1st January, 2018*

3 *Effective for annual periods beginning on or after 1st January, 2019*

4 *The amendments were originally intended to be effective for periods beginning on or after 1st January, 2016. The effective date has now been deferred or removed. Early application of the amendments continues to be permitted*

Amendments to HKAS 7 Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

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

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured at fair value.

Amendments to HKFRS 2 Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

2. ADOPTION OF NEW OR REVISED HKFRSS *(Continued)*

(b) New or revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 15 Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

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

Amendments to HKFRS 15 Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 Leases and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business, the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business, the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The directors of the Company are currently assessing the possible impact of the above new or revised standards on the Group's results and financial position in the first year of application. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies or financial statements. Other new or revised HKFRSs that have been issued but are not yet effective are unlikely to have material impact on the Group's financial statements upon application.

3. BASIS OF PREPARATION

3.1 Basis of measurement

These financial statements have been prepared under the historical cost basis except for investment properties, land and buildings classified as property, plant and equipment and certain financial instruments which are measured at fair value. Disposal groups and non-current assets held for sale (other than investment properties) are stated at the lower of their carrying amounts and fair values less costs to sell. The measurement bases are fully described in the accounting policies below.

Accounting estimates and assumptions have been used in preparing these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3.2 Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

4.1 Business of combination and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see note 4.2 below) made up to 31st December each year. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases. All inter-company transactions, balances and unrealised gains and losses on transactions within the Group are eliminated on consolidation. Unrealised losses resulting from inter-company transaction are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group in exchange for control of the acquiree. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. If the business combination is achieved in stage, the Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments, in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to the fair value of the contingent consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in accordance with HKAS 39 either in profit or loss or as a charge to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured.

Goodwill arising on business combination is measured according to the policies in note 4.4.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.1 Business of combination and basis of consolidation *(Continued)*

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest, and also the cumulative translation differences recorded in equity. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present:

— power over the investee;

— exposure, or rights, to variable returns from the investee; and

— the ability to use its power to affect those variable returns.

Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.3 Associates and joint arrangements

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

— joint ventures: where the Group has rights to only the net assets of the joint arrangement; or

— joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.3 Associates and joint arrangements *(Continued)*

In assessing the classification of interests in joint arrangements, the Group considers:

— the structure of the joint arrangement;

— the legal form of joint arrangements structured through a separate vehicle;

— the contractual terms of the joint arrangement agreement; and

— any other facts and circumstances (including any other contractual arrangements).

Associates and joint ventures are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' and joint ventures' net assets except that losses in excess of the Group's interest in the associates and joint venture are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates and joint ventures are recognised only to the extent of unrelated investors' interests in the associate and joint venture. The investor's share in the associates and joint venture's profits and losses resulting from these transactions is eliminated against the carrying value of the associate and joint venture. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for investment in an associate and a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in associate and joint venture. Where there is objective evidence that the investment in an associate and a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Joint operations are accounted for by recognising the Group's share of assets, liabilities, revenue and expenses in accordance with its contractually conferred rights and obligations.

4.4 Goodwill

Goodwill arising from the acquisition of subsidiaries, associates and joint ventures represents the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the Group's interest in the fair value of the identifiable assets acquired and liabilities including contingent liabilities as at the date of acquisition.

Goodwill arising on acquisition is initially recognised in the consolidated statement of financial position as an asset at cost and subsequently measured at cost less any accumulated impairment losses. In case of associates and joint ventures, goodwill is included in the carrying amount of the interests in associates and joint ventures respectively, rather than recognised as a separate asset on the consolidated statement of financial position.

Goodwill is reviewed for impairment annually at the end of reporting period or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired (note 4.12). On subsequent disposal of a subsidiary, associate or joint ventures, the carrying amount of goodwill relating to the entity sold is included in determining the amount of gain or loss on disposal.

4.5 Bargain purchases in business combinations

Any excess of the Group's interest in the fair value of the acquirees' net identifiable assets, liabilities and contingent liabilities over the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose.

Investment property is initially stated at cost, including directly attributable costs, and subsequently stated at fair value as determined by external professional valuers to reflect the prevailing market conditions at the end of each reporting period. Any gain or loss resulting from either a change in the fair value or disposal of an investment property is immediately recognised in profit or loss. Rental income from investment properties is accounted for as described in note 4.28(iv).

For a transfer from investment property carried at fair value to owner-occupied property, the property's deemed cost for subsequent accounting is its fair value at the date of change in use. For property occupied by the Group as an owner-occupied property which becomes an investment property, the Group revalues such property on the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with in assets revaluation reserve. The fair value at the date of the change in use is the deemed cost for subsequent accounting as investment properties. On disposal of the property, the assets revaluation reserve is transferred to retained profits as a movement in reserves.

For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

4.7 Property, plant and equipment

Except for freehold land which is not depreciated, property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses (note 4.12). When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5 (note 4.8).

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Land and buildings are stated at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses. The revaluation surplus is recognised in equity. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in value arising on revaluation are recognised in other comprehensive income and accumulated in equity under assets revaluation reserve. Decreases in value arising on revaluation are first offset against increases on earlier valuations in respect of the same property and thereafter recognised in profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged and thereafter to the assets revaluation reserve.

Depreciation is provided to write off the cost or valuation of each item of property, plant and equipment less its residual value, if applicable, over its estimated useful lives on a straight-line basis at the following rates per annum:

Category of property, plant and equipment	**Annual rates**
Freehold land	Not depreciated
Land and buildings *(note 4.11)*	2% to 5%
Plant, machinery, tools, moulds and equipment	10% to 20%
Furniture, fixtures and office equipment	10% to 33.33%
Motor vehicles (including taxi)	20% to 25%

An annual transfer from assets revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued amount of an asset and the depreciation based on the asset's original cost.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 Property, plant and equipment *(Continued)*

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the item and is recognised in profit or loss. When land and buildings are derecognised upon disposal, the relevant portion of the revaluation surplus will be directly transferred to retained profits.

4.8 Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups. Non-current assets and disposal groups (other than investment properties) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

4.9 Intangible assets (Other than goodwill)

Intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are amortised over the economic useful life and assessed for impairment (note 4.12) whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortised but reviewed for impairment at least annually (note 4.12) either individually or at cash-generating unit level. The useful life of an intangible asset with indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Taxi licences

Cost incurred in the acquisition of permanent taxi operating licences, which have indefinite useful lives, are carried at cost less any impairment losses and are not amortised.

Taxi licences which are granted for free are amortised over their estimated useful life of five years.

Small passenger car quota

Cost incurred in the acquisition of small passenger car quotas, which have indefinite useful lives, are carried at cost less any impairment losses and are not amortised.

Patent, trademark and copyright

Separately acquired patent is shown at historical cost less any impairment loss. Patent, trademark and copyright acquired in a business combination is recognised at fair value at the acquisition date. Patent, trademark and copyright have finite useful lives and are carried at cost less accumulated amortisation less any impairment loss. Amortisation is calculated using the straight-line method to allocate the cost of patent, trademark and copyright over their estimated useful live of eight, five and five years respectively.

4.10 Other assets

Other assets represent antiques held for long-term investment purposes and are stated at cost less accumulated impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Leases

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

The Group as lessor

Assets leased by the Group under operating leases are included in non-current assets, and rental receivable under the operating leases are credited to profit or loss on a straight-line basis over the lease terms.

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Rentals payable under operating leases, net of any incentives received or receivable, are charged to profit or loss on a straight-line basis over the lease terms. Prepaid lease rental on land are up-front prepayments made for the leasehold land and land use rights which are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in cost of land and buildings as a finance lease in property, plant and equipment (note 4.7).

When the Group's interests in leasehold land and buildings are in the course of development for investment purpose, the leasehold land component is included in properties under development. During the development period of such properties, the amortisation charge of the prepaid land lease is capitalised as part of the building costs but charged to profit or loss on completion of development of such properties.

4.12 Impairment of non-financial assets

Goodwill, other intangible assets, property, plant and equipment, prepaid lease rental on land, interests in subsidiaries, associates and joint ventures and other assets are subject to impairment testing. Goodwill, other intangible assets and other assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, 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 assessment of the time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Impairment losses recognised for cash-generating units to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value-in-use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised.

A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

4.13 Investments and other financial assets

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and, where allowed and appropriate, re-evaluates this designation at each reporting period.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract when the analysis shows that the economic characteristics and the risks of the embedded derivatives are not closely related to those of the host contract.

Regular way purchases and sales of financial assets are recognised and derecognised on trade date. Regular way purchases or sales are purchases or sales of financial assets under a contract whose terms require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss which are measured initially at fair value. Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading which are classified as "Investments held for trading" in the consolidated statement of financial position and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss in the period in which they arise. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividends or interests earned on these financial assets. Interests or dividends earned on these financial assets are recognised in profit or loss in accordance with the policies set out in note 4.28.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Investments and other financial assets *(Continued)*

Loans and receivables

Loans and receivables including amounts due from related parties are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently measured at amortised cost using the effective interest method, less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as any other categories of financial assets. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income and accumulated in equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in profit or loss and removed from equity. Interests or dividends earned on these financial assets are recognised in profit or loss in accordance with the policies set out in note 4.28.

The fair value of available-for-sale monetary assets denominated in foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

When the fair value of unlisted equity securities cannot be reliably measured because the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Derivative financial instruments

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial assets at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

4.14 Impairment of financial assets

At the end of each reporting period, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that come to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data include but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.14 Impairment of financial assets *(Continued)*

If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of impairment loss is recognised in profit or loss of the period in which the impairment occurs. Loan and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Available-for-sale financial assets

If there is objective evidence that an available-for-sale financial asset is impaired, an amount comprising the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss on that asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss. Impairment losses in respect of debt instruments are reversed through profit or loss if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised.

Financial assets carried at cost

If there is objective evidence that an impairment loss on an unquoted investment that is not carried at fair value has been incurred, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

4.15 Inventory of properties

Inventory of properties represent properties under development. Properties under development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. Inventory of properties are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated cost to completion and estimated selling expenses. The costs of inventory of properties consist of land held under operating lease (note 4.11), development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties.

4.16 Other inventories

Other inventories are stated at the lower of cost, computed using weighted average method, and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.17 Foreign currencies

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. In the separate financial statements of the group entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the rates ruling at the end of the reporting period are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined.

The functional currencies of certain entities of the Group are currencies other than HK$. For the purpose of the consolidated financial statements, assets and liabilities of those entities at the end of the reporting period are translated into HK$ at exchange rate prevailing at the end of the reporting period. Income and expense items are translated into HK$ at the average exchange rate for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the Group's translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognised in the translation reserve.

4.18 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.19 Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of the reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 *Investment Property*. Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the end of the reporting period. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

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

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 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 be ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

4.21 Financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 4.20). A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

Financial liabilities at amortised cost

Borrowings and trade and other payables including amounts due to related parties are financial liabilities at amortised cost which are recognised initially at fair value (net of transaction costs incurred for borrowings) and subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through amortisation process.

Derivative financial instruments

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

4.22 Financial guarantee contracts

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

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

4.23 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

Termination benefits

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.24 Share-based payment transactions

The Group operates equity-settled share-based compensation plans for remuneration of its employees. All employee services received in exchange for the grant of financial instruments, for example, share options are measured at their fair values. The cost of equity-settled share-based compensation is measured by reference to the fair value of the equity instrument at the date on which they are granted. In determining the fair value, no account is taken of any non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based compensation is ultimately recognised as an expense in profit or loss unless it qualifies for recognition as asset with a corresponding increase in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

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

In respect of share options, the fair value of the share options granted by the Group to its employees is recognised in profit or loss with a corresponding increase in share option reserve. Upon exercise of the share options, the amount in the share option reserve is transferred to the share premium account. In case the share options lapsed, the amount in the share option reserve is released directly to retained profits.

4.25 Provisions and contingent liabilities

Provision is recognised when the Group has a present obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. When the effect of discounting is material, provision is stated at the present value of the expenditure expected to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss. All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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

4.26 Equity instruments

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

4.27 Dividends

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.28 Recognition of revenue and other income

Revenue and other income are recognised when it is probable that the economic benefits will flow to the Group and when the income can be measured reliably on the following bases:

(i) Sales of goods are recognised as revenue when goods are delivered and title has been passed.

(ii) Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

(iii) Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(iv) Rental income is recognised on a straight-line basis over the periods of the respective tenancies.

(v) Taxi and car rental income is recognised in accordance with the substance of the licence agreement when the holders' right to receive payment has been established and the relevant services are delivered. Income received in advance which is attributable to the whole licensing contract arrangement is recognised as deferred income under current liabilities and amortised over the period of the licence contract.

(vi) Handling fee income and service income is recognised on an appropriate basis over the relevant period in which the services are rendered.

4.29 Government grants

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

When the Group receives a non-monetary grant, the asset and the grant are recorded at the fair value of the non-monetary asset. The grant is recognised as deferred income which is released to profit or loss over the expected useful life of the relevant asset by equal annual installments.

4.30 Related parties

For the purpose of these financial statements, a party is considered to be related to the Group if:

(a) The party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or of a parent of the Company.

(b) The party is an entity where any of the following conditions apply:

- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) 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 the employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.30 Related parties *(Continued)*

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

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

4.31 Business information

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value of properties

As disclosed in notes 14 and 15, investment properties and land and buildings classified as property, plant and equipment were revalued at the end of each reporting period by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might differ significantly from the actual results. In making the judgment, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

Please refer to notes 14 and 15 for more detailed information in relation to the fair value measurement of the investment properties and land and buildings.

Fair value of unlisted equity investments

The fair value of the unlisted equity investments has been estimated by management with reference to valuations conducted by independent professional valuer, which is based on Black Scholes Model. The valuation requires the Group to make estimates and assumptions that are subject to uncertainty. The fair value of the unlisted equity investments as at 31st December, 2016 was HK$133,810,000 (2015: HK$145,619,000) (note 21).

Impairment of non-financial assets

The Group reviews at least annually and assesses whether goodwill, taxi licence and small passenger car quotas with indefinite useful lives and antiques have suffered any impairment. Other assets including property, plant and equipment, prepaid lease rental on land and intangible assets with definite useful lives are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount of cash-generating unit has been determined based on value-in-use calculation which requires the use of estimates including expected future cash flows of the cash-generating unit and discount rate adopted to calculate the present value of those cash flows. Details about the estimates used in assessing impairment for goodwill, other intangible assets and antiques are set out in notes 17, 18 and 22 respectively.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

5.1 Key sources of estimation uncertainty *(Continued)*

Allowance for loans and receivables

The policy on allowance for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of loans and receivables and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including current creditworthiness and the past collection history of each customer or debtor. If the financial conditions of the customers or debtors of the Group deteriorate thus resulting in impairment as to their ability to make payments, additional allowances may be required.

Allowance for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying value of inventories to their respective net realisable values. A considerable amount of judgment is required in determining such allowance. If conditions which have an impact on the net realisable value of inventories deteriorate, additional allowances may be required.

Estimation of net realisable value of inventories of properties

Management reviews the recoverable amount of inventories of properties at the end of each reporting period. The recoverable amount is the estimated selling price of the properties less estimated costs to completion and estimated costs to sell. Management has made significant estimation in determining the recoverable amount. For the year ended 31st December, 2016, the Group has recognised a reversal of impairment loss on inventories of properties amounting to HK$19,140,000 whereas an impairment loss on inventories of properties amounting to HK$31,432,000 was made for the year ended 31st December, 2015 (note 9).

Estimates of current tax and deferred tax

The Group is subject to taxation in various jurisdictions. Significant judgment is required in determining the amount of the provision for taxation, the timing of payment of the related taxation and the implementation of these taxes varies amongst various cities in the People's Republic of China (the "PRC"). The Group recognised income tax and other 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 tax expense in the period in which the tax calculations are finalised with the local tax authorities.

5.2 Critical judgments in applying accounting policies

Distinction between investment properties and owner-occupied properties

Some properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in marking its judgment.

Joint arrangements

As at 31st December, 2016 and 2015, the Group held certain percentage of the registered capital/paid up capital and voting right of certain joint arrangements. The contractual arrangements confer joint control over the relevant activities of the joint arrangements to the Group and at least one other party. In addition, the joint arrangements are structured as limited companies and provide the Group and the parties to the arrangements with rights to the net assets of the limited companies under the arrangements. Therefore, based on the judgment of the management, those arrangements are classified as joint ventures (note 20).

6. REVENUE AND OTHER INCOME

The principal activities of the Group are disclosed in note 1. Revenue from the Group's principal activities recognised during the year is as follows:

	2016	2015
	HK$'000	HK$'000
Sales of goods	**960,225**	927,495
Taxi and car rental income	**77,208**	110,525
Property rental income	**101,803**	108,814
Total revenue	**1,139,236**	1,146,834

Other income of the Group recognised during the year is as follows:

	2016	2015
	HK$'000	HK$'000
Interest income on:		
Bank deposits	**4,469**	9,343
Interest element of finance lease as lessor *(note 24)*	**98**	83
Others, including loans receivable	**11,045**	2,385
Total interest income	**15,612**	11,811
Dividends from financial assets at fair value through profit or loss	**2,281**	4,255
Dividend income from available-for-sale financial assets	**7,542**	11,405
Other rental income	**2,215**	1,873
Handling fee income	**3,479**	3,900
Recharge of material and freight cost to customers	**7,491**	7,787
Product engineering service to customers	**2,069**	4,981
Government grants	**4,038**	978
Sundry income	**7,410**	6,442
	52,137	53,432

7. BUSINESS INFORMATION

The following business segments are reported in a manner consistent with the way in which information is reported internally to the Group's most senior management for the purposes of resource allocation and assessment of segment performance.

Electrical appliances — This segment designs, manufactures and trades of electrical appliances. Electrical appliances include electric fans, vacuum cleaners, LED lighting products, paper handling options, fuser, laser and scanner. The Group's manufacturing facilities are located in the PRC and products are mainly sold to customers in the PRC and overseas such as North America and European countries.

Power discrete semiconductors — This segment manufactures and trades power discrete semiconductors. The manufacturing facilities are located in the PRC and products are mainly sold to customers in the PRC and Taiwan.

In the past, this business segment was grouped together with the segment of electrical appliances which were disclosed as "electrical appliance and electronic components". During the year, this business segment has been reported to the senior management and disclosed separately. Accordingly, certain comparative figures in the business information for the year ended 31st December, 2015 have been restated to conform to current year's presentation.

Property leasing — This segment leases industrial, commercial and residential properties in Hong Kong, other regions of the PRC and the United States (the "USA") to generate rental income and gain from appreciation in the properties' values in long-term. Part of the business is carried out through an associate.

Property investment and development — This segment constructs commercial and residential properties in Hong Kong and other regions of the PRC for external customers.

Securities investment — This segment mainly invests in debt and equity securities and other instruments to generate gain from appreciation in those securities and other instruments.

Taxi and car rental — This segment carries on taxi and car rental operation in the PRC and generates rental income. During 2015, the Group acquired a subsidiary engaging in the provision of the private car rental business in the PRC. This subsidiary has started to make contribution to this segment in 2016 and this business segment has been reported internally to the senior management together with the taxi operation.

Other segments — These comprise trading of computer software which generate revenue from sales of goods, as well as direct investments which derive gain from holding investments in enterprises engaging in high-tech business.

Revenue and expenses are allocated to the business segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment profit/loss includes the Group's share of profit/loss arising from the activities of the Group's associates and joint ventures. Segment profit/loss excludes corporate income and expenses from the Group's profit/loss before income tax. Corporate income and expenses are income and expenses incurred by corporate headquarters which are not allocated to the business segments. Each of the business segments is managed separately as the resources requirement of each of them is different.

Segment assets include all assets with the exception of tax assets and corporate assets, including certain available-for-sale financial assets, bank balances and cash and other assets which are not directly attributable to the business activities of business segments as these assets are managed on a group basis.

Segment liabilities include trade and other payables, accrued liabilities, amounts due to related parties, bank borrowings and other liabilities directly attributable to the business activities of business segments and exclude tax liabilities, corporate liabilities and liabilities that are managed on a group basis.

7. BUSINESS INFORMATION *(Continued)*

Information regarding the Group's business segments including revenue, profit or loss, assets and liabilities by business segments and other information about the business segments are as follows:

	Electrical appliances HK$'000	Power discrete semiconductors HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities investment HK$'000	Taxi and car rental HK$'000	Other segments HK$'000	Consolidated HK$'000
Year ended 31st December, 2016								
Revenue	782,911	177,163	101,803	–	–	77,208	151	1,139,236
Profit/(Loss)	82,162	4,493	149,233	17,505	(4,794)	12,806	(52,426)	208,979
Corporate income								8,674
Corporate expenses								(72,812)
Profit before income tax								144,841
As at 31st December, 2016								
Assets	536,749	265,877	2,572,801	666,505	378,664	247,968	104,380	4,772,944
Property, plant and equipment								151,524
Other assets								66,190
Available-for-sale financial assets								380
Tax assets								272
Other corporate assets								388,439
Total consolidated assets								5,379,749
As at 31st December, 2016								
Liabilities	350,592	69,292	551,595	27,585	25	20,058	24,110	1,043,257
Bank borrowings								453,571
Tax liabilities								688,608
Other corporate liabilities								184,038
Total consolidated liabilities								2,369,474

	Electrical appliances HK$'000	Power discrete semiconductors HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities investment HK$'000	Taxi and car rental HK$'000	Other segments HK$'000	Corporate HK$'000	Consolidated HK$'000
Other information:									
Year ended 31st December, 2016									
Interest income	1,200	20	300	531	8,118	1,219	650	3,574	15,612
Finance costs	645	720	18,400	–	–	–	–	11,009	30,774
Depreciation and amortisation	13,344	11,167	131	10	–	15,431	5,553	7,281	52,917
Fair value gain on investment properties	–	–	91,892	–	–	–	–	–	91,892
(Reversal of impairment)/Impairment loss on financial assets recognised in profit or loss	2,023	–	118	805	16,348	(258)	–	–	19,036
Reversal of impairment loss on inventories of properties	–	–	–	19,140	–	–	–	–	19,140
Allowance for other inventories	8,049	1,074	–	–	–	–	–	–	9,123
Write-off of other inventories	–	–	–	–	–	–	3,870	–	3,870
Write-off of property, plant and equipment	–	–	–	–	–	–	3,890	–	3,890
Share of loss of associates	–	–	5,350	–	–	–	–	–	5,350
Share of profit of joint ventures	–	–	–	–	–	–	2,119	–	2,119
Additions to specified non-current assets^	2,256	24,317	2,981	–	–	7,098	14,006	883	51,541
As at 31st December, 2016									
Interests in associates	–	–	145,661	–	–	–	–	–	145,661

7. BUSINESS INFORMATION *(Continued)*

	Electrical appliances HK$'000 (Restated)	Power discrete semiconductors HK$'000 (Restated)	Property leasing HK$'000	Property investment and development HK$'000	Securities investment HK$'000	Taxi and car rental HK$'000	Other segments HK$'000	Consolidated HK$'000
Year ended 31st December, 2015								
Revenue*	781,396	140,148	108,814	—	—	110,525	5,951	1,146,834
Profit/(Loss)	25,949	266	117,641	(12,731)	6,131	27,776	(74,960)	90,072
Corporate income								11,596
Corporate expenses								(81,410)
Profit before income tax								20,258
As at 31st December, 2015								
Assets*	603,346	166,395	2,654,799	487,358	374,479	300,770	80,303	4,667,450
Property, plant and equipment								150,114
Other assets								66,190
Available-for-sale financial assets								380
Tax assets								260
Other corporate assets*								420,343
Total consolidated assets								5,304,737
As at 31st December, 2015								
Liabilities	197,084	25,672	102,109	24,397	11,172	23,561	7,109	391,104
Bank borrowings								922,194
Tax liabilities								654,368
Other corporate liabilities								270,729
Total consolidated liabilities								2,238,395

	Electrical appliances HK$'000 (Restated)	Power discrete semiconductors HK$'000 (Restated)	Property leasing HK$'000	Property investment and development HK$'000	Securities investment HK$'000	Taxi and car rental HK$'000	Other segments HK$'000	Corporate HK$'000	Consolidated HK$'000
Other information:									
Year ended 31st December, 2015									
Interest income	540	5	148	2,084	80	2,142	1,103	5,709	11,811
Finance costs	935	19	19,908	—	127	—	38	15,905	36,932
Depreciation and amortisation	20,127	1,946	273	—	—	19,987	1,625	7,533	51,491
Fair value gain on investment properties	—	—	53,139	—	—	—	—	—	53,139
Impairment loss on intangible assets	—	4,398	—	—	—	—	—	—	4,398
Impairment loss on financial assets recognised in profit or loss	526	—	—	—	—	391	855	—	1,772
Impairment loss on inventories of properties	—	—	—	31,432	—	—	—	—	31,432
Reversal of allowance/(Allowance) for other inventories	8,284	(658)	—	—	—	—	—	—	7,626
Write-off of property, plant and equipment	746	—	—	—	—	1,074	12	—	1,832
Share-based payment expense	—	746	—	—	—	—	—	—	746
Share of profit of associates	—	—	8,698	—	—	—	—	—	8,698
Share of profit of joint ventures	—	—	—	—	—	—	987	—	987
Additions to specified non-current assets^	69,277	9,901	51,941	14	—	11,241	5,076	31,896	179,346
As at 31st December, 2015									
Interests in associates	—	—	160,077	—	—	—	—	—	160,077
Interests in joint ventures	—	—	—	—	—	—	4,751	—	4,751

^ *Specific non-current assets include all non-current assets but excluding financial instruments and deferred tax assets.*

* *Certain figures are reclassified to conform to current year presentation.*

7. BUSINESS INFORMATION *(Continued)*

An analysis of the Group's revenue by geographical locations, determined based on (i) locations to which the goods are delivered or the services are provided; (ii) locations of the distributors to which the goods are delivered for onward distribution to distributors' customers and (iii) the location of assets which give rise to rental income, is as follows:

	2016	2015
	HK$'000	HK$'000
Hong Kong (Place of domicile)	**23,813**	22,393
Other regions of the PRC	**672,505**	659,683
Taiwan	**64,431**	62,316
Other Asian countries	**102,820**	104,620
Australia	**61,406**	68,364
North America (comprising Canada and the USA)	**111,407**	121,120
Europe	**64,415**	74,248
Others	**38,439**	34,090
	1,139,236	1,146,834

An analysis of the Group's specified non-current assets by geographical locations, determined based on location of the assets or location of operations in case of goodwill and interests in associates and joint ventures, is as follows:

	2016	2015
	HK$'000	HK$'000
Hong Kong	**624,269**	602,892
Other regions of the PRC	**2,450,307**	2,600,045
Asia, other than the PRC	**68,715**	65,507
North America	**149,355**	150,891
United Kingdom	**13,523**	16,324
	3,306,169	3,435,659

Revenue derived from major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

	2016	2015
	HK$'000	HK$'000
Customer A	**311,361**	246,966
Customer B	**172,222**	174,615

The revenue derived from the above major customers is reported under the segment "Electrical appliances".

8. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest charges on:		
Bank loans and overdrafts	**25,749**	26,715
Other liabilities	**—**	127
Total interest expense	**25,749**	26,842
Bank charges and arrangement fee	**5,025**	10,090
	30,774	36,932

9. PROFIT BEFORE INCOME TAX

	2016 HK$'000	2015 HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Total amortisation and depreciation:		
Amortisation of prepaid lease rental on land	**740**	771
Amortisation of other intangible assets#	**918**	978
Depreciation of property, plant and equipment	**51,259**	49,742
	52,917	51,491
Auditors' remuneration:		
Current year	**1,887**	1,775
Under-provision in prior year	**46**	40
Cost of sales and services provided comprise:		
Amount of inventories recognised as expense	**714,166**	723,879
Allowance/(Reversal of allowance) for other inventories	**9,123**	(7,626)
(Reversal of impairment)/Impairment loss on inventories of properties *(note)*	**(19,140)**	31,432
Write-off of other inventories	**3,870**	—
Directors' emoluments	**19,361**	26,374
Donations	**2,665**	1,322
Loss on disposal of property, plant and equipment	**377**	12,611
Impairment loss on loans and receivables	**1,765**	1,078
Write-off of loans and receivables	**923**	694
Write-off of property, plant and equipment	**3,890**	1,832
Write back of long outstanding payables	**—**	(659)
Net foreign exchange (gain)/loss	**(338)**	10,315
Outgoings in respect of investment properties	**25,221**	33,249
Net rental income from investment properties	**(76,582)**	(75,565)
Operating lease charge on land and buildings	**5,673**	7,569
Research and development cost^	**35,991**	6,083
Staff costs *(note 11)*	**178,556**	248,815

included in "Cost of sales and services provided" in the consolidated income statement

^ *including depreciation of property, plant and equipment and staff costs of HK$4,525,000 (2015: HK$151,000) and HK$4,106,000 (2015: HK$4,019,000) respectively*

Note:

During the year ended 31st December, 2015, the Group wrote down the value of certain land parcels by HK$17,417,000 as detailed in note 48(d). In addition, the Group wrote down the value of certain other inventories of properties. Based on the valuation conducted by the independent professional valuers on those inventories of properties, their fair values were below their carrying values and accordingly, impairment provision of HK$14,015,000 was made for these inventories of properties.

During the year ended 31st December, 2016, provision of HK$19,140,000 made in prior years against the carrying amount of inventories of properties has been reversed. This reversal arose due to an increase in the fair value of the respective property project as assessed by the directors of the Company with reference to valuation conducted by independent professional valuers.

10. INCOME TAX EXPENSE

	2016 HK$'000	2015 HK$'000
Income tax expenses comprise:		
Current tax for the year		
Hong Kong profits tax	**4,887**	194
Other regions of the PRC — Enterprise Income Tax ("EIT")	**19,414**	34,698
Others	**2,536**	3,387
	26,837	38,279
(Over)/Under provision in prior years		
Hong Kong profits tax	**(20)**	(42)
Other regions of the PRC	**249**	561
Others	**(525)**	(409)
	(296)	110
Deferred tax *(note 37)*		
PRC land appreciation tax ("LAT")	**70,299**	569
Other income tax	**8,218**	(26,337)
	78,517	(25,768)
Income tax expense	**105,058**	12,621

Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profits for the year.

EIT arising from other regions of the PRC is calculated at 10% to 25% (2015: 10% to 25%) on the estimated assessable income for the year.

PRC LAT is levied at progressive rates from 30% to 60% on the estimated appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

Overseas tax is calculated at the rates applicable in the respective jurisdictions.

The income tax expense for the year can be reconciled to the profit before income tax in the consolidated income statement at applicable tax rates as follows:

	2016 HK$'000	2015 HK$'000
Profit before income tax	**144,841**	20,258
Tax on profit at the rates applicable to profits in the jurisdictions concerned	**8,454**	3,807
Expenses not deductible for tax purpose	**19,470**	19,265
Income not taxable for tax purpose	**(13,670)**	(38,191)
Share of results of associates and joint ventures	**533**	(1,598)
Utilisation of tax losses and other temporary differences previously not recognised	**(2,217)**	(176)
Tax losses not recognised	**22,446**	28,425
(Over)/Under provision in prior years	**(296)**	110
PRC LAT	**70,299**	569
Others	**39**	410
Income tax expense	**105,058**	12,621

11. STAFF COSTS

Staff costs (including directors' emoluments) comprise:

	2016 HK$'000	2015 HK$'000
Salaries, allowances and other benefits	**169,142**	237,234
Retirement fund contributions *(note 44)*	**8,121**	7,856
Equity settled share-based payment expense *(note 40(b))*	**16**	746
Termination benefits	**1,277**	2,979
	178,556	248,815

12. DIVIDENDS

(a) Dividend payable to owners of the Company attributable to the year

	2016 HK$'000	2015 HK$'000
Proposed final dividend — HK$0.005 (2015: HK$0.005) per ordinary share	**2,617**	2,617

The final dividend of HK$0.005 (2015: HK$0.005) per ordinary share has been proposed by the directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

(b) Dividend payable to owners of the Company attributable to previous financial year

	2016 HK$'000	2015 HK$'000
Final dividend in respect of previous financial year, approved and paid during the year of HK$0.005 (2015: HK$0.005) per ordinary share	**2,617**	2,617

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK$38,951,000 (2015: HK$8,195,000) and the weighted average number of ordinary shares in issue during the year of 523,485,000 (2015: 523,485,000).

No diluted earnings per share is presented for the years ended 31st December, 2016 and 2015 as the exercise of the options granted by certain subsidiaries (note 40) had an anti-dilutive effect on the basic earnings per share.

14. INVESTMENT PROPERTIES

	2016 HK$'000	2015 HK$'000
Carrying amount at 1st January	**2,394,284**	2,393,676
Translation adjustment	**(110,215)**	(104,472)
Additions	**2,981**	51,941
Disposal of a subsidiary *(note 42(b))*	**(52,000)**	—
Increase in fair value*	**91,892**	53,139
Carrying amount at 31st December	**2,326,942**	2,394,284

* *disclosed as "Fair value gain on investment properties" in the consolidated income statement*

14. INVESTMENT PROPERTIES *(Continued)*

The Group's investment properties are measured at fair value on a recurring basis. The fair values of the investment properties as at 31st December, 2016 and 2015 were assessed by the directors of the Company with reference to valuations carried out at those dates conducted by independent professional valuers. Valuation of investment properties which are situated in Hong Kong, other regions of the PRC and the United Kingdom were carried out by Knight Frank Petty Limited and Knight Frank LLP respectively. Valuation of investment properties situated in the USA were carried out by Cushman & Wakefield Western, Inc., Knight Frank Petty Limited, Knight Frank LLP and Cushman & Wakefield Western, Inc. are independent firms of professionally qualified valuers and have appropriate qualifications and recent experience in the valuation of similar properties in nearby locations.

The fair value measurement of the Group's investment properties has been categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair value measurement* ("HKFRS 13"). All of the fair values of the investment properties as at 31st December, 2016 and 2015 are level 3 recurring fair value measurement, which use significant unobservable inputs in arriving at fair value. During the years ended 31st December, 2016 and 2015, there were no transfers between level 1 and level 2, or transfers into or out of level 3 during the year and in prior year.

Below is a summary of the valuation techniques and key inputs to the valuations as at the end of the reporting period:

Properties	Location	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Industrial premises	Hong Kong	Direct Comparison Approach	Unit price per square foot ("sq. ft.")	HK$3,570 (2015: HK$3,460) per sq. ft.	The higher the unit price, the higher the fair value
Industrial premises	Hong Kong	Income Capitalisation Approach	Monthly rent per sq. ft.	HK$35 (2015: HK$34) per sq. ft.	The higher the market rent, the higher the fair value
			Capitalisation rate	3.8% (2015: 3.8%)	The higher the capitalisation rate, the lower the fair value
Industrial premises^	Hong Kong	Direct Comparison Approach	Unit price per sq. ft.	N/A^ (2015: HK$9,450 per sq. ft.)	The higher the unit price, the higher the fair value
Commercial complex	PRC	Income Capitalisation Approach	Daily rent per square metre ("sq. m.")	Renminbi ("RMB") 6.1 (2015: RMB5.7) per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	6.0% (2015: 6.0%)	The higher the capitalisation rate, the lower the fair value
Buildings on industrial site	PRC	Income Capitalisation Approach	Monthly rent per sq. m.	RMB10.0 (2015: RMB10.0) per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	9.5% (2015: 9.5%)	The higher the capitalisation rate, the lower the fair value

14. INVESTMENT PROPERTIES *(Continued)*

Properties	Location	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
A parcel of land	PRC	Direct Comparison Approach	Unit rate per sq. m.	RMB670 (2015: RMB670) per sq. m.	The higher the unit rate, the higher the valuation
Residential premise	PRC	Income Capitalisation Approach	Monthly rent per sq. m.	RMB175 (2015: RMB170) per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	2.5% (2015: 2.5%)	The higher the capitalisation rate, the lower the fair value
Industrial complex	PRC	Direct Comparison Approach	Unit rate per sq. m.	RMB7,400 (2015: RMB7,400) per sq. m.	The higher the unit rate, the higher the valuation
Residential premise	United Kingdom	Sales Comparison Approach	Unit price per sq. ft.	British Pound Sterling ("GBP") 1,660 (2015: GBP1,660) per sq. ft.	The higher the unit price, the higher the fair value
Commercial complex	USA	2016 and 2015: Income Capitalisation Approach — Discounted cash flow method	Monthly rent per sq. ft.	United States Dollars ("US$") 0.7 to US$1.20 (2015:US$ 0.85 to US$1.20) per sq.ft.	The higher the market rent, the higher the fair value
			Terminal capitalisation rate	7.5% to 8.0% (2015: 7.5% to 8.0%)	The higher the terminal capitalisation rate, the lower the fair value
			Internal rate of return	9.5% (2015: 9.5%)	The higher the internal rate of return, the lower the fair value
		2016: Sales Comparison Approach:	Unit price per sq. ft.	US$71.10 to US$95.07 per sq. ft.	The higher the unit price, the higher the fair value

^ *The industrial premises was acquired during 2015 and disposed of during 2016 through the disposal of a subsidiary (note 42(b))*

The fair value measurement is based on the highest and best use of the investment properties, which does not differ from their actual use.

Under Sales Comparison Approach or Direct Comparison Approach, fair value is assessed by reference to market comparable transactions available in the relevant market.

Under Income Capitalisation Approach, fair value is assessed on the basis of capitalisation of net income.

Under Income Capitalisation Approach — Discounted cash flow method, the fair value is assessed by discounting cash flow series associated with the properties using risk-adjusted discounted rates.

The investment properties are leased to third parties under operating leases to earn rental income, further details of which are included in note 46.

In securing the bank borrowings, the Group has undertaken, under a negative pledge clause, to obtain prior written consent from the relevant banks regarding the transfer, sales or disposal of certain investment properties with carrying amount of HK$453,050,000 (2015: HK$437,650,000) as at 31st December, 2016.

Certain investment properties of the Group are pledged as further detailed in note 45.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Plant and machinery HK$'000	Tools and moulds HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1st January, 2015	349,512	104,519	77,093	58,394	125,543	715,061
Translation adjustment	(9,359)	(6,019)	(3,524)	(2,259)	(6,540)	(27,701)
Additions	3,318	37,218	771	12,805	9,901	64,013
Disposals *(note (b))*	(31,010)	(19,482)	—	(1,753)	(25,698)	(77,943)
Write-off	—	—	—	(2,185)	(3,582)	(5,767)
Revaluation adjustment *(note (a))*	(10,090)	—	—	—	—	(10,090)
At 31st December, 2015 and 1st January, 2016	**302,371**	**116,236**	**74,340**	**65,002**	**99,624**	**657,573**
Translation adjustment	**(9,490)**	**(7,331)**	**(3,197)**	**(2,684)**	**(5,473)**	**(28,175)**
Additions	**1,394**	**41,877**	**2,024**	**11,522**	**5,948**	**62,765**
Acquisition of subsidiaries *(note 43)*	**—**	**—**	**—**	**716**	**—**	**716**
Disposals	**—**	**(36)**	**—**	**(2)**	**(9,262)**	**(9,300)**
Write-off	**—**	**—**	**—**	**(4,484)**	**—**	**(4,484)**
Revaluation adjustment *(note (a))*	**(11,578)**	**—**	**—**	**—**	**—**	**(11,578)**
At 31st December, 2016	**282,697**	**150,746**	**73,167**	**70,070**	**90,837**	**667,517**
DEPRECIATION AND IMPAIRMENT						
At 1st January, 2015	—	36,375	73,069	43,634	53,478	206,556
Translation adjustment	(360)	(2,501)	(3,448)	(1,761)	(3,352)	(11,422)
Depreciation provided	13,640	11,471	1,393	2,303	20,935	49,742
Disposals *(note (b))*	(338)	(8,946)	—	(1,328)	(23,077)	(33,689)
Write-off	—	—	—	(1,427)	(2,508)	(3,935)
Revaluation adjustment *(note (a))*	(12,942)	—	—	—	—	(12,942)
At 31st December, 2015 and 1st January, 2016	**—**	**36,399**	**71,014**	**41,421**	**45,476**	**194,310**
Translation adjustment	**(355)**	**(2,764)**	**(3,254)**	**(1,967)**	**(2,826)**	**(11,166)**
Depreciation provided	**12,591**	**12,594**	**1,540**	**8,050**	**16,484**	**51,259**
Disposals	**—**	**(6)**	**—**	**(1)**	**(8,389)**	**(8,396)**
Write-off	**—**	**—**	**—**	**(594)**	**—**	**(594)**
Revaluation adjustment *(note (a))*	**(12,236)**	**—**	**—**	**—**	**—**	**(12,236)**
At 31st December, 2016	**—**	**46,223**	**69,300**	**46,909**	**50,745**	**213,177**
NET CARRYING AMOUNT						
At 31st December, 2016	**282,697**	**104,523**	**3,867**	**23,161**	**40,092**	**454,340**
At 31st December, 2015	302,371	79,837	3,326	23,581	54,148	463,263

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

Notes:

(a) The Group's land and buildings classified as property, plant and equipment are stated at revalued amount less any subsequent accumulated depreciation and impairment losses with effect from 31st December 2014. As at 31st December, 2016, the Group recorded an increase in fair value for land and buildings of HK$658,000 (2015: HK$2,852,000). The increase in fair value net of the resulting income tax of HK$800,000 (2015: income tax credit of HK$542,000) which amounted to HK$142,000 (2015: HK$3,394,000) is dealt with in assets revaluations reserve in equity.

The difference in depreciation provided based on the original cost and revalued amount of the land and buildings for the year ended 31st December, 2016 amounting to HK$7,880,000 (31st December, 2015: HK$8,044,000) was reclassified from assets revaluation reserve to retained profits.

(b) During the year ended 31st December, 2015, the Group disposed of certain land and buildings with net carrying amount of HK$30,672,000. Accordingly, the revaluation surplus associated with these land and buildings of HK$9,396,000, net of the income tax effect of HK$534,000, recorded in assets revaluation reserve which amounted to HK$8,862,000 was reclassified to retained profits.

The fair values of the land and buildings classified as property, plant and equipment as at 31st December, 2016 and 2015 were assessed by the directors with reference to valuations carried out at those dates conducted by independent professional valuers. Valuation of the land and buildings situated in Hong Kong and other regions of the PRC were conducted by Knight Frank Petty Limited whereas valuation of the land and buildings situated in Thailand were carried out by Knight Frank Chartered (Thailand) Company Limited. Both Knight Frank Petty Limited and Knight Frank Chartered (Thailand) Company Limited are independent firms of professionally qualified valuers and have appropriate qualifications and recent experience in the valuation of similar properties in nearby locations.

The fair value measurement of the Group's land and buildings have been categorised into the three-level fair value hierarchy as defined in HKFRS 13. All the fair values of land and buildings as at 31st December, 2016 and 2015 were a level 3 recurring fair value measurement, which uses significant unobservable inputs in arriving at fair value. There were no transfers between level 1 and level 2, or transfers into or out of level 3 during the year and in prior year.

Below is a summary of the valuation techniques and key inputs to the valuations of land and buildings as at the end of the reporting period:

Properties	**Location**	**Valuation technique**	**Unobservable inputs**	**Range of unobservable inputs**	**Relationship of unobservable inputs to fair value**
Industrial premises	Hong Kong	Direct Comparison Approach	Unit price per sq. ft	HK$2,300 – HK$3,570 (2015: HK$2,200 – HK$3,460) per sq. ft.	The higher the unit price, the higher the fair value
Industrial premises	PRC	Income Capitalisation Approach	Monthly rent per sq. m.	RMB13 (2015: RMB13) per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	6.75% (2015: 6.75%)	The higher the capitalisation rate, the lower the fair value
Residential premises	PRC	Direct Comparison Approach	Unit rate per sq. m.	RMB5,000 (2015: RMB3,300) per sq. m.	The higher the unit rate, the higher the fair valued

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

Properties	Location	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Commercial complex	PRC	Income Capitalisation Approach	Daily rent per sq. m.	RMB6.1 (2015: RMB5.7) per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	6.0% (2015: 6.0%)	The higher the capitalisation rate, the lower the fair value
Commercial premises	PRC	Income Capitalisation Approach	Monthly rent per sq. m.	RMB168 (2015:RMB165) per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	5.25% (2015:5.25%)	The higher the capitalisation rate, the lower the fair value
Commercial premises^	PRC	Direct Comparison Approach	Unit rate per sq. m.	RMB57,000 per sq. m.	The higher the unit rate, the higher the fair value
Residential premises	Thailand	Direct Comparison Approach	Unit price per sq. m.	US$3,240 (2015: US$3,240) per sq. m.	The higher the unit price, the higher the fair value

^ *The commercial premises were newly acquired during 2016*

The fair value measurement is based on the highest and best use of the properties, which does not differ from their actual use.

Under Direct Comparison Approach, the fair value is assessed by reference to market comparable transactions available in the relevant market.

Under Income Capitalisation Approach, the fair value is assessed on the basis of capitalisation of net income.

Had the revalued properties been measured on cost model, their net carrying amount would have been HK$101,550,000 (2015: HK$108,453,000).

In securing the bank borrowings 31st December, 2016, the Group undertook, under a negative pledge clause, to obtain prior written consent from the bank regarding the transfer, sales or disposal of certain property, plant and equipment with carrying amount of HK$217,884,000 (2015: HK$237,832,000) as at 31st December, 2016.

Certain property, plant and equipment of the Group are pledged as further detailed in note 45.

16. PREPAID LEASE RENTAL ON LAND

	2016	2015
	HK$'000	HK$'000
Carrying amount at 1st January	**25,563**	18,301
Translation adjustment	**(1,590)**	(1,038)
Addition	**9,166**	9,071
Amortisation charged	**(740)**	(771)
Carrying amount at 31st December	**32,399**	25,563
Analysed into:		
Non-current portion included in non-current assets	**31,471**	24,806
Current portion included in current assets	**928**	757
	32,399	25,563

Certain of the Group's interest in prepaid lease rental on land are pledged as further detailed in note 45.

17. GOODWILL

	2016	2015
	HK$'000	HK$'000
Carrying amount at 1st January and 31st December	**4,393**	4,393

The amount of goodwill as at the end of each reporting period is allocated to the cash-generating unit of manufacturing and sales of power discrete semiconductors within the segment of "Power discrete semiconductors" and is tested for impairment, together with other relevant assets by the management by estimating the recoverable amount of this cash-generating unit based on value-in-use calculations. The calculations comprise cash flow projections based on the financial budgets approved by the management. The period covered by the financial budgets is three years. Cash flows beyond the three-year period are extrapolated using an estimated growth rate of 3%. Based on the results of the impairment testing, management determines that there is no impairment in respect of this cash-generating unit.

Key assumptions used by the management in the value-in-use calculations of this cash-generating unit include:

	2016	2015
Discount rate (pre-tax)	**16%**	20%
Gross profit margin	**27%–28%**	28%–29%

These assumptions have been determined based on past performance and management's expectations in respect of the market conditions and economy which have impact on the business in which this cash generating unit is engaged. Sales are forecasted with reference to the annual sale plan provided by customers. Gross profit margin is forecasted based on the gross profit margin achieved in prior year adjusted for the expected change in market conditions and taking into account the annual sale plan of customers. The pre-tax discount rate used reflects the specific risks relating to the business and industry in which this cash-generating unit is engaged.

18. OTHER INTANGIBLE ASSETS

	Taxi licences HK$'000	Small passenger car quotas licences HK$'000	Patent, trademark and copyright HK$'000	Total HK$'000
COST				
At 1st January, 2015	282,611	—	9,596	292,207
Translation adjustment	(16,498)	—	(9)	(16,507)
Additions	—	1,969	1,967	3,936
At 31st December, 2015 and 1st January, 2016	**266,113**	**1,969**	**11,554**	**279,636**
Translation adjustment	**(16,877)**	**(125)**	**7**	**(16,995)**
Disposal	**—**	**—**	**(1,966)**	**(1,966)**
Acquisition of subsidiaries *(note 43)*	**—**	**—**	**2,586**	**2,586**
At 31st December, 2016	**249,236**	**1,844**	**12,181**	**263,261**
AMORTISATION AND IMPAIRMENT				
At 1st January, 2015	52,772	—	5,198	57,970
Translation adjustment	(3,119)	—	(8)	(3,127)
Amortisation charged	978	—	—	978
Impairment loss	—	—	4,398	4,398
At 31st December, 2015 and 1st January, 2016	**50,631**	**—**	**9,588**	**60,219**
Translation adjustment	**(3,250)**	**—**	**6**	**(3,244)**
Amortisation charged	**918**	**—**	**—**	**918**
At 31st December, 2016	**48,299**	**—**	**9,594**	**57,893**
NET CARRYING AMOUNT				
At 31st December, 2016	**200,937**	**1,844**	**2,587**	**205,368**
At 31st December, 2015	215,482	1,969	1,966	219,417

Taxi Licences

During the year ended 31st December, 2012, the PRC government granted to the Group 20 taxi licences for free (the "Free Taxi Licences"), which entitle the licence holders to operate the taxi vehicles during a fixed period of time in a day for a five-year period up to 1st March, 2017. During the year ended 31st December, 2013, the PRC government granted another 15 Free Taxi Licences to the Group which entitle the licence holders to operate the taxi vehicles during the specified time period in a day for a five-year period up to 1st August, 2018. The useful life of these Free Taxi Licences is therefore five years.

The Group recognised these Free Taxi Licences as intangible assets with a corresponding amount recognised as deferred government grants in accordance with the accounting policies set out in note 4.29. The fair value of the Free Taxi Licences on initial recognition amounting to HK$4,987,000 in aggregate was determined based on value-in-use calculations. Free Taxi Licences are subsequently measured at cost less amortisation and impairment and their carrying amount as at 31st December, 2016 was HK$764,000 (2015: HK$1,755,000).

In the opinion of the directors, the taxi licences except for the Free Taxi Licences ("Other Taxi Licences"), have indefinite useful life as there is no foreseeable limit on the period of time on which Other Taxi Licences are expected to generate cash flows.

18. OTHER INTANGIBLE ASSETS *(Continued)*

Taxi Licences *(Continued)*

Other Taxi Licences with net carrying amount of HK$200,173,000 as at 31st December, 2016 (2015: HK$213,727,000) are tested for impairment by the management by estimating its recoverable amount based on value-in-use calculations. The calculations use cash flow projections based on the financial budgets approved by the management. The financial budgets prepared for current year's impairment assessment are up to year 2053 (2015: 2033) assuming the Group is able to extend the business period of the subsidiary engaging in taxi rental operation by 20 years upon expiry in year 2033 on the ground that the application made to the relevant PRC government authority for extending business period in previous years were successful and without encountering significant difficulty.

Other key assumptions used by management in the value-in-use calculations of Other Taxi Licences have been determined based on past performance and its expectations for the market development. Key assumptions underlying the cash flow projections include (i) the number of Other Taxi Licences held by the Group remains the same throughout the forecast period, and (ii) taxi rental income is determined based on the fee income to be received pursuant to the existing rental agreements, adjusted by the expected market development. The pre-tax discount rate applied to the cash flow projections is 13% (2015: 13%) which reflects specific risks relating to the taxi rental operation in the PRC. Based on the result of the impairment testing, management determines that there is no impairment in respect of the taxi licences (2015: nil).

Small Passenger Car Quotas

During the year ended 31st December, 2015, the Group acquired 22 small passenger car quotas (the "Car Quotas") at aggregate consideration of approximately HK$1,969,000.

The Car Quotas entitle the holders to apply for licence plates for small passenger cars in Guangzhou, the PRC under specific rules and regulations for an unspecified period. Based on the existing available rules and regulations made available to the Group, the directors are of the opinion that these Car Quotas carry indefinite useful life.

Patent

During the year ended 31st December, 2016, the Group disposed of certain patent with net carrying amount of HK$1,966,000 at cash consideration of HK$1,550,000, resulting a disposal loss of HK$416,000.

During the year ended 31st December, 2015, the Group disposed of certain patent with nil carrying amount for a cash consideration of HK$8,394,000, resulting in a disposal gain amounting to HK$8,394,000.

19. INTERESTS IN ASSOCIATES

	2016 HK$'000	2015 HK$'000
Share of net assets	**145,661**	160,077

Details of the Group's associates as at 31st December, 2016 are set out in note 55.

The following illustrates the summarised financial information in relation to the Group's associates as at 31st December, 2016 with comparative information extracted from their management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group:

	2016 HK$'000	2015 HK$'000
Year ended 31st December		
Revenue	**83,812**	97,053
(Loss)/Profit for the year	**(26,748)**	43,489
Other comprehensive income	**(41,596)**	(40,662)
Total comprehensive income	**(68,344)**	2,827
Dividend received from associates	**—**	—
As at 31st December		
Current assets	**92,124**	51,850
Non-current assets	**1,320,293**	1,412,567
Current liabilities	**(117,030)**	(121,359)
Non-current liabilities	**(567,083)**	(542,672)
Net assets	**728,304**	800,386
Carrying amount of the Group's interest in the net assets of the associates	**145,661**	160,077

20. INTERESTS IN JOINT VENTURES

	2016 HK$'000	2015 HK$'000
Share of net assets	**—**	4,361
Goodwill on acquisition	**—**	390
	—	4,751

As at 31st December, 2015, the Group held 51.18% interest in Appeon Corporation (HK) Limited ("Appeon Corporation") and its subsidiary, 艾普陽軟件(深圳)有限公司 (Ai Pu Yang Software (Shenzhen) Limited*) ("Ai Pu Yang"). Appeon Corporation is a limited liability company incorporated in Hong Kong and principally engaged in investment holding and sale of software licence whereas Ai Pu Yang is a wholly-foreign owned enterprise established in the PRC and principally engaged in computer software and hardware development.

* *for identification purposes only*

20. INTERESTS IN JOINT VENTURES *(Continued)*

Contractual arrangements existed over Appeon Corporation which provide the Group with only the rights to the net assets of Appeon Corporation, with the rights to the assets of Appeon Corporation and obligation for the liabilities of Appeon Corporation resting primarily with Appeon Corporation. Pursuant to HKFRS 11 *Joint Arrangements*, Appeon Corporation and Ai Pu Yang are classified as joint ventures and have been accounted for in the consolidated financial statements using the equity method.

During the year ended 31st December, 2016, the Group acquired the remaining 48.82% of the equity interest in Appeon Corporation. Through the acquisition, the Group's equity interest in Appeon Corporation has increased from 51.18% to 100% and Appeon Corporation becomes a wholly-owned subsidiary of the Company. Details of the acquisition of Appeon Corporation are set out in note 43.

The following table illustrates the aggregate financial information of Appeon Corporation and Ai Pu Yang and other joint venture that are not individually material:

	2016	2015
	HK$'000	HK$'000
Year ended 31st December		
Share of the joint ventures' profit for the year	**2,119**	987
Share of the joint ventures' other comprehensive income for the year	**(425)**	101
Share of the joint ventures' total comprehensive income for the year	**1,694**	1,088

	2016	2015
	HK$'000	HK$'000
As at 31st December		
Aggregate carrying amount of the Group's interests in joint ventures	**–**	4,361

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016	2015
	HK$'000	HK$'000
Unlisted investments:		
Club debentures *(note)*	**380**	380
Equity securities, listed in Hong Kong, at fair value	**41,075**	53,252
Equity securities, unlisted in the PRC, at fair value	**133,813**	145,619
Debt securities listed outside Hong Kong, at fair value	**81,190**	24,319
	256,458	223,570

Note:

Club debentures are stated at cost less impairment.

During the year ended 31st December, 2016, there was prolonged and significant decline in the market value of certain Hong Kong listed equity securities. The directors consider that such decline indicates that those listed equity securities have been impaired and an impairment loss of HK$16,348,000, which was reclassified from other comprehensive income, have been recognised in the consolidated income statement in the year.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

During the year ended 31st December, 2015, the Group disposed of club debenture with carrying amount of HK$2,920,000 at consideration of HK$8,780,000 and recognised a gain HK$5,860,000. In addition, the Group disposed of certain available-for-sale financial assets which are measured at fair value, resulting in reclassification adjustment amounting to HK$1,603,000 from other comprehensive income to profit or loss.

The Group does not intend to dispose of these investments in the near future. Certain equity securities are pledged as further detailed in note 45.

22. OTHER ASSETS

Other assets represent antiques held by the Group for long-term investment purposes. Antiques are reviewed for impairment by the management with reference to the valuation conducted by an independent professional valuer. In the opinion of the directors, the antiques worth at least their carrying value at the end of the reporting period.

23. LOANS RECEIVABLE

	2016	2015
	HK$'000	HK$'000
Loans receivable from:		
Investees *(note (a))*	**16,492**	17,286
Associate *(note (b))*	**49,427**	48,680
Others *(note (c))*	**41,004**	36,810
	106,923	102,776
Less: Impairment *(notes (a) and (c))*	**(39,312)**	(53,466)
	67,611	49,310
Analysed into:		
Amounts receivable in more than one year included in non-current assets	**52,083**	48,680
Amounts receivable within one year included in current assets	**15,528**	630
	67,611	49,310

Notes:

(a) The loans to investees are unsecured, interest-bearing at 4.10%–5.00% (2015: 4.10%–5.00%) per annum and repayable within one year. Having considered the financial position of the borrowers, management assessed that the entire loans at the end of the reporting period cannot be recovered and accordingly, impairment provision for the loans of HK$16,492,000 as at 31st December, 2016 (2015: HK$17,286,000) has been made.

(b) The loan to an associate is unsecured and interest-free. The amortised cost of the loan at the end of the reporting period is calculated at the present value of the expected settlement from the associate in accordance with the business plan of the respective associate, discounted at the rate of return of similar financial assets. The loan is expected not to be repayable within twelve months from the end of the reporting period and accordingly, it is classified as non-current assets. Having considered the financial position of the associate, and its repayment history, the management assessed that there is no indication of impairment in respect of this loan.

(c) The balance is unsecured, interest-bearing at 5.00%–18.00% (2015: 5.00%–18.00%) per annum and repayable on demand. Having considered the financial position of the borrowers, management assessed that only a portion of the balances can be recovered and accordingly, impairment provision for loans amounting to HK$22,820,000 has been made as at 31st December, 2016 (2015: HK$36,180,000).

24. FINANCE LEASE RECEIVABLES

The Group entered into agreements with customers for replacing the light tubes of their properties by the LED light tubes produced by the Group. In return, the Group is entitled to monthly income for a period of five to eight years which is arrived at on a pre-determined basis. Under the agreements, the Group is also responsible for free maintenance and replacement of LED light tubes. The agreements constitute finance leases of LED light tubes which have estimated useful life of three to eight years. Accordingly, sales are recognised when the LED light tubes are installed in the properties. Costs related to the sales transactions are recognised in the same period. Sales revenue recognised at the commencement of the leases represents the present value of the minimum lease payments receivable from the customers over the lease period, computed at a market rate of interest. Finance income arising from the finance leases is allocated over the lease period on a systematic basis reflecting a constant periodic return on the Group's net investment in the finance leases.

The analysis of the finance lease receivables is as follows:

	Total minimum lease payments receivable		Present value of minimum lease payments receivable	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts receivable:				
Not later than one year	**908**	1,074	**805**	980
Later than one year and not later than five years	**1,008**	878	**831**	734
Later than five years	**300**	—	**215**	—
	2,216	1,952	**1,851**	1,714
Future finance income	**(365)**	(238)	**—**	—
Finance lease receivables	**1,851**	1,714	**1,851**	1,714

	2016	2015
	HK$'000	HK$'000
Analysed into:		
Amounts receivable in more than one year included in non-current assets	**1,046**	734
Amounts receivable within one year included in current assets	**805**	980
	1,851	1,714

25. INVENTORIES OF PROPERTIES

	2016	2015
	HK$'000	HK$'000
Properties under development	**653,369**	154,925

As at 31st December, 2016, properties under development amounting to HK$653,369,000 (2015: HK$154,925,000) are not expected to be recovered within 12 months from the end of the reporting period.

26. OTHER INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	**71,317**	75,989
Work-in-progress	**22,377**	16,529
Finished goods	**52,425**	52,491
	146,119	145,009

27. TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2016 HK$'000	2015 HK$'000
Trade and bills receivables *(note (a))*	**223,324**	198,484
Less: Impairment on receivables *(note (b))*	**(4,898)**	(5,359)
Trade and bills receivables, net	**218,426**	193,125
Other receivables	**15,090**	21,490
Prepayments and deposits *(note (d))*	**93,939**	433,374
	327,455	647,989
Analysed into:		
Non-current assets *(note (d)(i))*	**63,380**	63,380
Current assets	**264,075**	584,609
	327,455	647,989

Notes:

(a) The Group maintains a defined credit policy. For sales of goods, the Group normally allows a credit period of 45 days to 60 days to its trade customers. Rental receivable from tenants is payable on presentation of invoices. For taxi and car rental income, the drivers are generally required to pay monthly rental not later than 15th of that month.

In general, trade and bills receivables that are aged below one year are not considered impaired based on management's historical experience and management would consider allowance for impairment on trade receivables which are aged one year or above.

(b) The movement in the allowance for impairment of receivables is as follows:

	2016 HK$'000	2015 HK$'000
Carrying amount at 1st January	***5,359***	*6,311*
Translation adjustment	***(15)***	*(124)*
Impairment losses recognised	***—***	*923*
Impairment losses reversed	***(258)***	*(33)*
Amounts written off as uncollectible	***(188)***	*(1,718)*
Carrying amount at 31st December	***4,898***	*5,359*

At the end of each reporting period, management reviews receivables for evidence of impairment on both an individual and collective basis. As of 31st December, 2016, the Group's trade receivables of HK$4,898,000 (2015: HK$5,359,000) were impaired and accordingly, full allowance were made in respect of these balances. The individually impaired receivables mainly relate to customers that were in financial difficulties and management assessed that the entire amount of the receivable balances is unlikely to be recovered. The Group does not hold any collateral over these balances.

27. TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(Continued)*

Notes: (Continued)

(c) The ageing analysis of trade and bills receivables which were impaired and for which allowances were made for at the end of the reporting period, based on due date, is as follows:

	2016	2015
	HK$'000	HK$'000
30 days or below	**—**	72
31–60 days	**7**	56
61–90 days	**8**	143
91–180 days	**—**	115
181–360 days	**47**	213
Over 360 days	**4,836**	4,760
	4,898	5,359

The ageing analysis of trade and bills receivables that are past due but are not considered to be impaired based on due date at the end of the reporting period is as follows:

	2016	2015
	HK$'000	HK$'000
30 days or below	**27,635**	39,298
31–60 days	**908**	17,379
61–90 days	**781**	12,099
91–180 days	**1,413**	1,962
181–360 days	**1,030**	891
Over 360 days	**18**	76
	31,785	71,705

As at 31st December, 2016, trade and bills receivables of HK$186,641,000 (2015: HK$121,420,000) are neither past due nor impaired. These balances relate to a wide range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired relate to a number of independent customers that have a good payment record with the Group. Based on past experience, the management believes that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The Group does not hold any collateral over these balances other than rental and building management deposits from tenants of the Group's investment properties.

(d) Prepayments and deposits include the following balances:

(i) As at 31st December, 2016 and 2015, a deposit paid amounting to RMB50,000,000 (equivalent to HK$63,380,000) for acquisition of land parcels in Shunde, the PRC through acquisition of equity interest in an entity to be established in the PRC for holding the interest in those land parcels. The procedures for establishing the PRC entity and transferring the land titles are still in progress and accordingly, the amount paid is classified as "Deposit paid" under non-current assets in the consolidated statement of financial position.

(ii) During the year ended 31st December, 2015, the Group paid a deposit amounting to RMB273,426,000 (equivalent to HK$326,361,000) for acquisition of land parcels in Guangzhou, the PRC ("GZ Land") for property development. The procedures for transferring the land titles were still in progress as at 31st December, 2015 and accordingly, the amount paid was classified as deposits under current assets in the consolidated statement of financial position. During the year ended 31st December, 2016, the transfer of the legal title of these land parcels was completed and the land certificates were issued to the Group. Accordingly, the deposit paid had been capitalised as inventories of properties during the year ended 31st December, 2016.

28. AMOUNT(S) DUE FROM/TO ASSOCIATES/JOINT VENTURES/INVESTEES

The amounts due are unsecured, interest-free and repayable on demand.

Having considered the financial position of the counterparties, management assessed that a portion of the amounts due from investees cannot be recovered and accordingly, impairment provision in respect of the balances of HK$15,438,000 has been made as at 31st December, 2016 (2015: HK$15,631,000).

29. INVESTMENTS HELD FOR TRADING

	2016	2015
	HK$'000	HK$'000
Listed equity securities, at fair value	**68,179**	109,033
Listed debt securities, at fair value	**50,110**	38,493
	118,289	147,526

The fair values of the listed equity securities and listed debt securities are determined based on quoted market prices available on the relevant stock exchanges. Certain equity and debt securities are pledged as further detailed in note 45.

30. CASH AND BANK BALANCES/RESTRICTED BANK DEPOSIT/STRUCTURED BANK DEPOSITS

(a) Cash and bank balances

Cash and bank balances include the following:

	2016	2015
	HK$'000	HK$'000
Cash at banks, in hand and deposited with financial institutions	**394,829**	255,205
Short-term bank deposits	**40,488**	108,163
	435,317	363,368

Cash at banks earns interest at floating rates based on daily bank deposits rates.

Short-term time deposits are made for period depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates.

As at 31st December, 2016, the Group had time deposits of HK$34,732,000 (2015: HK$42,515,000) placed with banks with original maturity period ranged from more than three months to six months (2015: six to twelve months) and earn interest income at interest rates ranged from 0.50% to 2.25% (2015: 0.50% to 2.25%) per annum.

30. CASH AND BANK BALANCES/RESTRICTED BANK DEPOSIT/STRUCTURED BANK DEPOSITS *(Continued)*

(b) Restricted bank deposit

Restricted bank deposit represents a deposit placed in a designated bank account pursuant to the agreements entered by the Group in relation to the acquisition of land and buildings located in Guangzhou, the PRC (the "GZ Property").

On 30th October, 2013, the Group entered into a sale and purchase agreement (the "Master Agreement") with an independent third party vendor (the "Vendor") and a bank to which the GZ Property had been mortgaged (the "Mortgage Bank") for acquiring the GZ Property at consideration of RMB60,000,000. The GZ Property had been pledged by the Vendor to the Mortgage Bank before the Master Agreement was entered into. Pursuant to the Master Agreement and the supplementary agreements signed on the same date, the Group placed a deposit into the designated bank account operated by the Mortgage Bank which amounted to RMB89,000,000 (equivalent to HK$113,199,000) as at 31st December, 2013. Funds deposited to this designated bank account are subject to monitoring by the Mortgage Bank. Upon completion of transferring the legal title of GZ Property to the Group and settling the mortgage loan by the fund deposited into this designated bank account, the Mortgage Bank released the charge on the GZ Property.

The legal title of the GZ Property was transferred to the Group in September 2014. As at 31st December, 2016, the deposit outstanding in the designated bank account amounted to RMB19,330,000, equivalent to HK$21,609,000 (2015: RMB18,821,000, equivalent to HK$22,465,000) which is requested by the Mortgage Bank to secure for the potential liabilities arising from a litigation in relation to the GZ Property (note 48(b)). Upon clearing of all potential liabilities, the Mortgage Bank agreed to settle the mortgage loan by this bank deposit and released the charge on the GZ Property.

(c) Structured bank deposits

Structured bank deposits as at 31st December, 2016 amounting to RMB91,800,000, equivalent to HK$102,623,000 (2015: RMB146,700,000, equivalent to approximately HK$175,101,000) represented bank deposits carrying a minimum interest rate of 1.40% (2015: 1.25%) per annum which can be enhanced to a maximum interest rate of 3.40% (2015: 3.10%) per annum to be determined with reference to the London Inter-Bank Offered Rate during a pre-determined period of 90 days (2015: 14 days). The structured bank deposits contained embedded derivatives representing a return which would vary with prevailing market interest rate. The directors of the Company consider that the fair value of the derivatives embedded in these structured bank deposits is minimal and hence, no derivative financial instrument was recognised during the year.

As at 31st December, 2016, cash balances of the Group denominated in RMB amounted to approximately HK$273,121,000 (2015: HK$238,582,000). RMB is not freely convertible into other currencies.

31. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	HK$'000
Trade payables	**144,411**	120,662
Temporary receipts *(note (a))*	**143,841**	145,446
Other payables and accruals	**158,922**	172,644
Deposits received and receipt in advance *(note (b))*	**65,018**	61,692
	512,192	500,444

Notes:

(a) Balance as at 31st December, 2016 included a temporary receipt of HK$124,936,000 (2015: HK$124,936,000) received from a third party in relation to a proposed disposal of equity interest in a subsidiary of the Company. The transaction is subject to further negotiation with the third party at the end of the reporting period.

(b) Balance as at 31st December, 2016 included an amount of HK$25,680,000 (2015: HK$23,900,000) received from a third party in relation to a proposed disposal of land parcels. Further details of the transaction are set out in note 48(d).

32. AMOUNT DUE TO A RELATED PARTY/DIRECTOR

The amounts due are unsecured, interest-free and repayable on demand.

33. DERIVATIVE FINANCIAL INSTRUMENTS

	2016 HK$'000	2015 HK$'000
Current assets		
RMB/US$ forward contract	**5,059**	—
Current liabilities		
RMB/US$ forward contracts	**—**	11,147

The Group enters into foreign exchange forward contracts for investment purposes. The amount to be received/settled by the Group depends on the exchange rate of US$ against RMB on the settlement dates as stipulated in the contracts.

As at 31st December, 2016, the notional amount of the outstanding foreign exchange forward contract amounted to RMB200,000,000. This contract has a tenor of 12 months. The fair value of this foreign exchange forward contract that would mature in ten months after the end of the reporting period was estimated to be HK$5,059,000 (financial asset).

As at 31st December, 2015, the notional amount of the two outstanding foreign exchange forward contracts amounted to US$6,000,000 in aggregate. These contracts have a tenor of 24 months. The fair value of one of the foreign exchange forward contracts that would mature in one month after the end of last reporting period was estimated to be HK$1,694,000 (financial liability) and it was classified as a current liability. The fair value of the other foreign exchange forward contract that would mature in 13 months after the end of last reporting period was estimated to be HK$9,453,000 (financial liability). This contract is subject to a clause that it will be terminated on a valuation date if the settlement rate has fixed at or below the trigger rate, i.e. exchange rate of RMB6.35/US$1 on any ten previous valuation dates and accordingly, it was classified as a current liability. This contract was early terminated in January 2016 as the settlement rate was below the trigger rate and the Group recognised a loss amounting to HK$2,445,000 in the consolidated income statement for the current year.

34. BANK BORROWINGS

	2016 HK$'000	2015 HK$'000
Bank borrowings		
Current liabilities	**596,898**	399,325
Non-current liabilities	**526,770**	622,110
	1,123,668	1,021,435
Bank borrowings		
Secured *(note 45)*	**622,110**	776,333
Unsecured	**501,558**	245,102
	1,123,668	1,021,435

34. BANK BORROWINGS *(Continued)*

The maturity of bank borrowings is as follows:

	2016	2015
	HK$'000	HK$'000
Current liabilities		
Due within one year	**596,898**	327,533
Due after one year which contain a repayment on demand clause	**–**	71,792
	596,898	399,325
Non-current liabilities		
Due in two to five years	**526,770**	622,110
	1,123,668	1,021,435

The analysis of bank borrowings by scheduled repayment is as follows:

	2016	2015
	HK$'000	HK$'000
Bank loans due for repayment within one year	**596,898**	327,533
Bank loans due for repayment after one year *(note)*		
After one year but within two years	**526,770**	137,584
After two years but within five years	**–**	556,318
	526,770	693,902
	1,123,668	1,021,435

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

The carrying amounts of the bank borrowings are denominated in the following currencies:

	2016	2015
	HK$'000	HK$'000
HK$	**849,110**	796,628
US$	**274,558**	224,807
	1,123,668	1,021,435

Among the Group's bank borrowings as at 31st December, 2016, HK$462,780,000 (2015: HK$245,102,000) were arranged at fixed annual interest rates of 1.65%–2.52% (2015: 1.20%–2.02%). The remaining balance of the Group's bank borrowings of HK$660,888,000 (2015: HK$776,333,000) were arranged at floating rates of 1.99%–3.37% (2015: 1.92%–4.50%) per annum.

The Group's interest-bearing bank borrowings, including the term loans repayable on demand, are carried at amortised cost. None of the portion of term loans due for repayment after one year which contain a repayment on demand clause and that are classified as current liabilities are expected to be settled within one year.

As at 31st December, 2016, the Group's bank borrowings amounted to HK$919,023,000 (2015: HK$845,434,000) were secured by personal guarantee provided by the director, Mr. Yung Kwok Kee, Billy.

35. LOAN FROM NON-CONTROLLING SHAREHOLDER

The loan is unsecured, interest-free and not repayable within 12 months from the end of the reporting period.

36. NON-CONTROLLING INTERESTS

The total non-controlling interests as at 31st December, 2016 was HK$57,653,000 (2015: HK$8,670,000), which is attributed to certain subsidiaries that are not 100% owned by the Group.

In the opinion of the directors, the non-controlling interests of PFC Device Inc. and Shunde Hua Feng Stainless Steel Welded Tubes Ltd ("Shunde Hua Feng") as at 31st December, 2016 are material.

Summarised financial information of PFC Device Inc., before intra-group eliminations, is presented below:

	2016 **HK$'000**	2015 HK$'000
Year ended 31st December		
Revenue	**177,264**	140,276
Loss for the year	**(625)**	(1,688)
Total comprehensive income for the year	**(5,446)**	(3,883)
Profit/(Loss) for the year attributable to non-controlling interests	**596**	(76)
Total comprehensive income for the year attributable to non-controlling interests	**(962)**	(175)
Dividend paid to non-controlling interests	**—**	—
Cash flows from/(used in) operating activities	**11,168**	(5,899)
Cash flows used in investing activities	**(12,859)**	(28,121)
Cash flows from financing activities	**66,488**	48,537
Net cash inflow/(outflow)	**64,797**	14,517
As at 31st December		
Current assets	**168,945**	89,758
Non-current assets	**75,488**	76,637
Current liabilities	**(33,297)**	(123,788)
Non-current liabilities	**(38,778)**	(111)
	172,358	42,496
Accumulated non-controlling interests	**50,673**	2,014

36. NON-CONTROLLING INTERESTS *(Continued)*

Summarised financial information of Shunde Hua Feng, before intra-group eliminations, is presented below:

	2016 HK$'000	2015 HK$'000
Year ended 31st December		
Revenue	–	15
Profit/(Loss) for the year	2,382	(4,869)
Total comprehensive income for the year	3,280	(3,989)
Profit/(Loss) for the year attributable to non-controlling interests	236	(482)
Total comprehensive income for the year attributable to non-controlling interests	325	(395)
Dividend paid to non-controlling interests	–	–
Cash flows (used in)/from operating activities	(6,458)	103
Cash flows from investing activities	6,101	237
Net cash (outflow)/inflow	(357)	340
As at 31st December		
Current assets	17,050	12,579
Non-current assets	27,243	29,076
Current liabilities	(1,163)	(1,381)
Non-current liabilities	(55,599)	(56,023)
	(12,469)	(15,749)
Accumulated non-controlling interests	6,980	6,656

37. DEFERRED TAX

Details of the deferred tax liabilities and assets recognised and movements thereon during the current and prior year are as follows:

	Accelerated tax depreciation HK$'000	Amortisation on intangible assets HK$'000	Allowance on other receivable HK$'000	Revaluation of properties HK$'000	Fair value change in equity securities HK$'000	Total HK$'000
At 1st January, 2015	724	51,683	(574)	451,529	29,576	532,938
Translation adjustment	—	(3,107)	—	(26,127)	(576)	(29,810)
Charged/(Credited) to profit or loss *(note 10)*	(42)	2,269	161	844	(29,000)	(25,768)
Credited to other comprehensive income *(note 15(a))*	—	—	—	(542)	—	(542)
Charged to equity *(note 15(b))*	—	—	—	(534)	—	(534)
At 31st December, 2015 and 1st January, 2016	**682**	**50,845**	**(413)**	**425,170**	**—**	**476,284**
Translation adjustment	**—**	**(3,224)**	**3**	**(30,030)**	**—**	**(33,251)**
Charged/(Credited) to profit or loss *(note 10)*	**42**	**(8)**	**(193)**	**78,676**	**—**	**78,517**
Charged to other comprehensive income *(note 15(a))*	**—**	**—**	**—**	**800**	**—**	**800**
At 31st December, 2016	**724**	**47,613**	**(603)**	**474,616**	**—**	**522,350**

Represented by:

	2016 HK$'000	2015 HK$'000
Deferred tax assets	**(201)**	—
Deferred tax liabilities	**522,551**	476,284
	522,350	476,284

As at 31st December, 2016, the Group has unused tax losses of approximately HK$338,591,000 (2015: HK$404,016,000) available for offset against future profits. No deferred tax assets in respect of these tax losses has been recognised in the financial statements due to the unpredictability of future profit streams.

The tax losses of the subsidiaries in Hong Kong may be carried forward indefinitely. The tax losses of the subsidiaries in other regions of the PRC and the USA may be carried forward for five years and twenty years respectively from the financial year when the corresponding loss was incurred.

Deferred tax liabilities of approximately HK$30,271,000 (2015: HK$29,028,000) have not been established for the withholding taxation that would be payable on the unremitted earnings of certain PRC subsidiaries as at 31st December, 2016, as in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. Such unremitted earnings amounted to approximately HK$365,597,000 as at 31st December, 2016 (2015: HK$348,729,000).

For the purposes of presentation of the financial statements, deferred tax assets and liabilities have been offset as they are related to income taxes levied by the same tax authority and the assets and liabilities are intended to be settled in net, or settled/realised simultaneously.

38. SHARE CAPITAL

	2016		2015	
	Number of shares '000	**Nominal value**	Number of shares '000	Nominal value
Authorised				
Ordinary share of US$0.00002 each				
Balance at the beginning and end of the year	**600,000**	**US$12,000**	600,000	US$12,000
Issued and fully paid				
Ordinary share of US$0.00002 each				
Balance at the beginning and end of the year	**523,485**	**US$10,470**	523,485	US$10,470
Shown in the financial statements as		**HK$82,000**		HK$82,000

The share capital of the Company comprises only of fully paid ordinary shares with a par value of US$10,470. All shares are equally eligible to receive dividends and to the repayment of capital and each share is entitled to one vote at shareholders' meeting of the Company.

39. RESERVES

The Group

Details of the movements in the Group's reserves are set out in the consolidated statement of changes in equity. The nature and purpose of the reserves are as follows:

Capital reserve

Capital reserve of the Group represents the capital contributions from the shareholders of the Company.

Available-for-sale financial assets revaluation reserve

Available-for-sale financial assets revaluation reserve comprises the cumulative net changes in the fair value of available-for-sale financial assets and is dealt with in accordance with the accounting policies in notes 4.13 and 4.14.

Share option reserve

Share option reserve comprises the cumulative expenses recognised on granting of share options over the vesting period and is dealt with in accordance with the accounting policy in note 4.24.

Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policy in note 4.17.

Asset revaluation reserve

Asset revaluation reserve has been set up in accordance with the accounting policies in notes 4.6 and 4.7.

Statutory reserve

In accordance with the relevant PRC rules and regulations, certain subsidiaries of the Company are required to appropriate certain percentages of their profits after tax to the respective statutory reserves. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to make good previous years' losses, if any, or to increase the paid-up capital of the respective subsidiaries, and may be used for capital expenditure on staff welfare facilities, as appropriate.

39. RESERVES *(Continued)*

The Company

Details of the movements in the Company's reserves during the current and prior year are as follows:

	Dividend reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January, 2015	2,617	896,524	447,464	1,346,605
Loss and total comprehensive income for the year	—	—	(12,075)	(12,075)
Dividend paid *(note 12(b))*	(2,617)	—	—	(2,617)
Proposed final dividend *(note 12(a))*	2,617	—	(2,617)	—
At 31st December, 2015 and 1st January, 2016	**2,617**	**896,524**	**432,772**	**1,331,913**
Loss and total comprehensive income for the year	**—**	**—**	**(11,999)**	**(11,999)**
Dividend paid *(note 12(b))*	**(2,617)**	**—**	**—**	**(2,617)**
Proposed final dividend *(note 12(a))*	**2,617**	**—**	**(2,617)**	**—**
At 31st December, 2016	**2,617**	**896,524**	**418,156**	**1,317,297**

Contributed surplus

Contributed surplus of the Company represents the capital contributions from the shareholders of the Company.

40. SHARE OPTION SCHEMES

The share option schemes adopted by the subsidiaries are detailed as follows:

(a) Netlink Assets Limited

Netlink Assets Limited ("Netlink"), a wholly-owned subsidiary of the Company, operates a share option scheme (the "Netlink Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of Netlink's operations. Eligible participants of the Netlink Scheme include the directors, employees and consultants of Netlink and any of its parent or subsidiaries. Netlink Scheme was adopted on 20th August, 2014 and will continue in effect for a term of 10 years from the later of (a) the effective date of Netlink Scheme, or (b) the earlier of the most recent approval from the board or shareholder of an increase in the number of shares received for issuance under Netlink Scheme.

The maximum aggregate number of shares of Netlink ("Netlink Shares") that may be subject to the grant of options under Netlink Scheme is 13,100,000 shares. The exercise price per Netlink Share to be issued pursuant to the exercise of the option will be determined by the administrator, but will be no less than 100% of the fair market value of the applicable Netlink Shares on the date of grant and subject to certain condition specified in Netlink Scheme.

The exercise period and the vesting schedule of the options is determined by the administrator. For those options granted during the year ended 31st December, 2015, the options shall vest as to 50% on the 2nd year anniversary of the vesting commencement date, and 50% in the following two years on the basis of one forty-eight (1/48th) shall vest each month thereafter on the same day of the month as the vesting commencement date.

40. SHARE OPTION SCHEMES *(Continued)*

(a) Netlink Assets Limited *(Continued)*

The movements of the share options granted under Netlink Scheme during the current and prior year are as follows:

Grantee	Date of grant	Exercisable period	Exercise price	As at 1st January, 2016	Granted during the year	Forfeited during the year	As at 31st December, 2016
				Number of options			
Directors of Netlink	20th August, 2014	From the date of vesting to 20th August, 2024	US$1	**6,188,921**	**—**	**(3,011,041)**	**3,177,880**
Employees	20th August, 2014	From the date of vesting to 20th August, 2024	US$1	**890,157**	**—**	**(890,157)**	**—**
	25th June, 2015	From the date of vesting to 25th June, 2025	US$1	**827,147**	**—**	**(827,147)**	**—**
				7,906,225	**—**	**(4,728,345)**	**3,177,880**

Grantee	Date of grant	Exercisable period	Exercise price	As at 1st January, 2015	Granted during the year	Forfeited during the year	As at 31st December, 2015
				Number of options			
Directors of Netlink	20th August, 2014	From the date of vesting to 20th August, 2024	US$1	6,188,921	—	—	6,188,921
Employees	20th August, 2014	From the date of vesting to 20th August, 2024	US$1	4,740,373	—	(3,850,216)	890,157
	25th June, 2015	From the date of vesting to 25th June, 2025	US$1	—	925,647	(98,500)	827,147
				10,929,294	925,647	(3,948,716)	7,906,225

During the year ended 31st December, 2016, no share option under Netlink Scheme was granted whereas the fair value of those share options granted during the year ended 31st December, 2015 was nil. No share option expense was recognised in profit or loss for the current and prior years.

The fair values of the options granted in prior years were estimated at the dates of grant using Black Scholes Model taking into account the terms and conditions which the options were granted. The following shows the significant inputs used in the model:

Date of grant	**25th June, 2015**	**20th August, 2014**
Dividend yield	0%	0%
Historical volatility	46.56%	45.57%
Risk-free interest rate	1.801%	1.859%
Expected life of option	10 years	10 years

The volatility of a combination of companies of similar nature and size were used to estimate the expected volatility of Netlink Shares. The expected life of the option is based on the historical data and is not indicative of the exercise patterns that may occur.

No option was exercised during the current and prior year. As at 31st December, 2016, there were 3,177,880 (2015: 7,906,225) outstanding share options under Netlink Scheme. The weighted average remaining contractual life of the outstanding options was eight years (2015: nine years). Out of the total number of options outstanding as at 31st December, 2016, 3,144,777 (2015: 6,017,659) options were vested and exercisable. The exercise in full of the outstanding share options would, under the present capital of Netlink, result in issue of additional 3,177,880 (2015: 7,906,225) Netlink Shares.

40. SHARE OPTION SCHEMES *(Continued)*

(b) PFC Device Holdings Limited

PFC Device Holdings Limited ("PFC Device Holdings"), a non wholly-owned subsidiary of the Company, operated a share option scheme (the "PFC Option Plan") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of its operations. Eligible participants of the PFC Option Plan include the directors, employees and consultants of PFC Device Holdings and any of its parents or subsidiaries. The PFC Option Plan was adopted on 8th December, 2014 and will continue in effect for a term of ten years from the later of (a) the effective date of PFC Option Plan, or (b) the earlier of the most recent approval from the board or shareholder of an increase in the number of shares reserved for issuance under PFC Option Plan.

The maximum number of common shares of PFC Device Holdings that may be subject to the grant of options under the PFC Option Plan is 4,895,000 shares. The exercise price per subscription share is determined by the administrator of the PFC Option Plan when options are granted. The exercise period, the vesting schedule and the vesting commencement date of the options are determined by the administrator.

On 7th January, 2015, an aggregate of 615,755 options (the "PFC Share Options") were granted under PFC Option Plan which shall vest based on the following mechanism: 25% on the 1st anniversary of the vesting commencement date, and one forty-eight (1/48th) shall vest each month thereafter, subject to the participants continuing to be a service provider through each such date. In effect, 25% of PFC Share Options shall vest by the end of the 1st year after the vesting commencement date, and 25% shall vest by the end of the 2nd year, the 3rd year and the 4th year respectively. Due to the vesting commencement date of most of the grantees had commenced before the grant date of the PFC Share Options, following the vesting mechanism as set out above, majority of the PFC Share Options were vested on the grant date.

The fair value of the PFC Share Options granted on 7th January, 2015 was US$99,000 (equivalent to HK$767,000), of which US$96,000 (equivalent to HK$746,000) was charged to profit or loss for the year ended 31st December, 2015 as share-based payment expense. Such fair value was estimated at the date of grant using Black Scholes Model taking into account the terms and conditions of the options granted. The following table shows the significant inputs used in the model:

	Lot 1	**Lot 2**
Dividend yield	0%	0%
Historical volatility	30.913%	38.331%
Risk-free interest rate	0.2566%	1.2226%
Expected life of option	1.12 years	3.73 years

The historical volatility of a combination of companies of similar nature were used to estimate the historical volatility of the shares of PFC Device Holdings.

The movements of the share options granted under PFC Option Plan during the current and prior years are as follows:

			Number of options					
Grantee	**Date of grant**	**Exercise price**	**As at 1st January, 2016**	**Granted during the year**	**Exercised during the year**	**Forfeited during the year**	**Cancelled during the year**	**As at 31st December, 2016**
Directors of PFC Device Holdings	7th January, 2015	US$1	**144,556**	**–**	**(136,223)**	**–**	**(8,333)**	**–**
Employees	7th January, 2015	US$1	**421,199**	**–**	**(417,032)**	**–**	**(4,167)**	**–**
			565,755	**–**	**(553,255)**	**–**	**(12,500)**	**–**

40. SHARE OPTION SCHEMES *(Continued)*

(b) PFC Device Holdings Limited *(Continued)*

			Number of options					
Grantee	Date of grant	Exercise price	As at 1st January, 2015	Granted during the year	Exercised during the year	Forfeited during the year	Cancelled during the year	As at 31st December, 2015
Directors of PFC Device Holdings	7th January, 2015	US$1	—	144,556	—	—	—	144,556
Employees	7th January, 2015	US$1	—	471,199	—	(50,000)	—	421,199
			—	615,755	—	(50,000)	—	565,755

The exercise price of the options outstanding as at 31st December, 2015 was US$1 and their weighted average remaining contractual life was nine years. Out of the total number of options outstanding as at 31st December, 2015, 552,630 options were vested and exercisable (i) upon a change of control or an initial public offering, including such period of time prior to or following either event as determined by the administrator in its sole discretion, or (ii) at such other times as the administrator shall determine in its discretion.

On 15th February, 2016, PFC Device Holdings served a written notice to inform the eligible grantees to exercise the PFC Share Options not later than 19th February, 2016. As of 19th February, 2016, 553,255 vested PFC Share Options had been exercised and the eligible grantees had subscribed for an aggregate of 553,255 shares of PFC Device Holdings. The gross proceeds received by PFC Device Holdings amounted to US$553,000 (equivalent to HK$4,292,000) whereas the fair value attributable to those exercised PFC Share Options at the date of grant amounted to US$89,000 (equivalent to HK$691,000) of which HK$654,000 is attributable to the owners of the Company.

On 19th February, 2016, PFC Device Holdings entered into share repurchase agreements ("Share Repurchase Agreements") with certain shareholders who had exercised on the same date the PFC Share Options. Pursuant to the Share Repurchase Agreements, subject to certain conditions including the Listing, PFC Device Holdings shall repurchase the shares issued to those parties as a result of exercising their PFC Share Options. The Share Repurchase Agreements create an obligation on PFC Device Holdings and accordingly, PFC Device Holdings recognised a financial liability of US$553,000 (equivalent to HK$4,292,000). Such financial liability has been subsequently de-recognised in light of the Listing has become successful on 7th October, 2016.

Pursuant to the written resolutions passed by the board of directors of PFC Device Holdings dated 15th March, 2016, the PFC Option Plan has been terminated with effect from 19th February, 2016 and those options remained unexercised on 19th February, 2016 were cancelled and the recognition of share-based payment expense for those cancelled options amounting to US$2,000 (equivalent to HK$16,000) was accelerated in profit or loss during the year ended 31st December, 2016 with the corresponding amount being recognised in share option reserve. Upon termination of the PFC Option Plan, the balance of share option reserve attributable to owners of the Company amounting to US$2,000 (equivalent to HK$16,000) was transferred to retained profits.

As at 31 December, 2015, there were 565,755 outstanding options under the PFC Option Plan. The exercise in full of these outstanding share options would result in issue of additional 565,755 common shares of PFC Device Holdings. The PFC Option Plan was terminated on 19th February, 2016 and accordingly, there was no outstanding option under this plan as at 31st December, 2016.

(c) PFC Device Inc.

Pursuant to resolutions passed by the shareholder of PFC Device Inc. on 19th September, 2016, the adoption of the share option scheme of PFC Device Inc. (the "PFC Device Option Scheme") was approved to enable PFC Device Inc. to grant options to eligible persons as incentives or rewards for their contributions or potential contribution to PFC Device Inc. and its subsidiaries ("PFC Group"). Eligible participants of PFC Device Option Scheme include the directors, employees, executives or officers of PFC Group and any suppliers, consultants, agents, advisers and related entitles to PFC Group.

The PFC Device Option Scheme shall be valid and effective for a period of ten years commencing from the date on which the PFC Device Option Scheme becomes unconditional. The subscription price shall be such price as the board of directors of PFC Device Inc. in its absolute discretion shall determine, provided that such price will not be less than the highest of: (a) the closing price of the shares of PFC Device Inc. as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (b) the average of the official closing prices of the shares of PFC Device Inc. as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a share of PFC Device Inc. No share option has been granted under PFC Device Option Scheme since its adoption up to 31st December, 2016.

41. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	NOTES	As at 31st December, 2016 HK$'000	As at 31st December, 2015 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**92,250**	89,200
Property, plant and equipment		**4,982**	5,565
Prepayments for acquisition of property, plant and equipment		**—**	1,021
Interests in subsidiaries		**9,191**	9,191
Deposit paid		**63,380**	63,380
Available-for-sale financial assets		**380**	380
Other assets		**66,190**	66,190
		236,373	234,927
Current assets			
Other receivables, prepayments and deposits		**4,855**	3,865
Loans receivable		**3,354**	—
Amounts due from subsidiaries		**2,743,783**	2,474,010
Derivative financial instruments		**5,059**	—
Cash and bank balances		**22,586**	16,059
		2,779,637	2,493,934
Current liabilities			
Other payables and accruals		**147,949**	154,758
Amounts due to subsidiaries		**543,221**	288,273
Amount due to a director		**26,460**	31,485
Bank borrowings		**492,688**	300,084
		1,210,318	774,600
Net current assets		**1,569,319**	1,719,334
Non-current liabilities			
Bank borrowings		**487,992**	622,110
Deferred tax liabilities		**321**	156
		488,313	622,266
Net assets		**1,317,379**	1,331,995
CAPITAL AND RESERVES			
Share capital	38	**82**	82
Reserves	39	**1,317,297**	1,331,913
Total equity		**1,317,379**	1,331,995

On behalf of the directors

YUNG KWOK KEE, BILLY
Director

CHOW KAI CHIU, DAVID
Director

42. DISPOSAL OF SUBSIDIARIES/DEEMED DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY

(a) During the year ended 31st December, 2016, the directors of the Company applied to the Listing Committee of the Stock Exchange for a proposed listing of the Group's power discrete semiconductors business by way of placing of the shares of PFC Device Inc. on the GEM of the Stock Exchange. The Listing was achieved by capitalisation issue of 1,186,685,592 ordinary shares of PFC Device Inc. and placing of 400,000,000 ordinary shares of PFC Device Inc. at placing price of HK$0.20 per placing share (the "Placing"). The shares of PFC Device Inc. have been listed on the GEM of the Stock Exchange since 7th October, 2016. Upon completion of the Listing, the Group's equity interest in PFC Device Inc. is diluted from 94.1% to 70.6%.

	2016
	HK$'000
Net proceeds from the Placing shared by the Group	**50,420**
Deemed disposal of net assets of PFC Device Inc. arising from dilution of equity interest	**(23,697)**
Difference	**26,723**

PFC Device Inc. remains a subsidiary of the Company and the difference arising from the dilution of equity interest is accounted for as equity transaction and is dealt with in retained profits.

	2016
	HK$'000
Proceed from the Placing	**80,000**
Less: Share issue expense	**(8,583)**
Cash inflow in respect of the deemed disposal included in cash flows from investing activities	**71,417**

(b) On 25th April, 2016, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 100% equity interest in Charm Harvest Development Limited ("Charm Harvest"), an indirect wholly-owned subsidiary of the Company. The consideration of the disposal was HK$57,000,000. Charm Harvest is a limited company incorporated in Hong Kong and is principally engaged in property investment. The disposal was completed on 28th June, 2016.

The net gain arising from the disposal of Charm Harvest amounting to HK$4,248,000 was included in "Other gains or losses — Gain arising from disposal of subsidiaries" in the consolidated income statement and is calculated as follows:

	2016
	HK$'000
Consideration pursuant to agreement	**57,000**
Less: Consideration for debt settlement	**(171)**
Net consideration for transferring the equity interest in Charm Harvest	**56,829**
Net assets disposed of	**(51,829)**
Gain on disposal	**5,000**
Less: Transaction costs	**(752)**
Gain on disposal net of transaction costs	**4,248**

42. DISPOSAL OF SUBSIDIARIES/DEEMED DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY *(Continued)*

(b) (Continued)

The net assets of Charm Harvest on the date of disposal were as follows:

	2016
	HK$'000
Investment property	**52,000**
Prepayments and deposits	**21**
Other payables and accruals	**(188)**
Taxation liabilities	**(4)**
Net assets disposed of	**51,829**

	2016
	HK$'000
Cash consideration received during the year	**56,829**
Cash and bank balances disposed of	**—**
Net inflow of cash and cash equivalents in respect of the disposal included in cash flows from investing activities	**56,829**
Transaction costs of the disposal included in cash flows from operating activates	**(752)**
	56,077

(c) During the year ended 31st December, 2015, the Group disposed of its entire equity interest in Landwick Development Limited ("Landwick"), an indirect wholly-owned subsidiary of the Company. The cash consideration of the disposal was HK$35,750,000. Landwick is a limited company incorporated in Hong Kong and is principally engaged in property development. The disposal was completed on 5th August, 2015.

The gain arising from the disposal of Landwick amounting to HK$21,010,000 was included in "Other gains or losses — Gain arising from disposal of subsidiaries" in the consolidated income statement and is calculated as follows:

	2015
	HK$'000
Consideration pursuant to agreement	35,750
Net assets disposed of	(14,610)
Gain on disposal	21,140
Less: Transaction costs	(130)
Gain on disposal	21,010

The net assets of Landwick disposed of were as follows:

	2015
	HK$'000
Inventories of properties	14,623
Taxation liabilities	(13)
	14,610

	2015
	HK$'000
Cash consideration received	35,620
Cash and bank balances disposed of	—
Net inflow of cash and cash equivalents in respect of the disposal included in cash flows from investing activities	35,620

43. ACQUISITION OF SUBSIDIARIES

On 29th December, 2016, Appeon Corporation entered into a share buyback agreement (the "Agreement") with the joint venture partners holding an aggregate of 48.82% equity interest of Appeon Corporation (the "Venturers") for acquiring their equity interests in Appeon Corporation (the "Acquisition"). Before the Acquisition, the issued share capital of Appeon Corporation was held as to 51.18% by the Group and 48.82% by the Ventuers and Appeon Corporation was accounted for as a joint venture by the Group. Upon completion of the Acquisition, the Group's equity interest in Appeon Corporation has increased from 51.18% to 100% and Appeon Corporation becomes an indirect wholly-owned subsidiary of the Company. Appeon Corporation is a limited liability company incorporated in Hong Kong and is principally engaged in investment holding and sale of software licence. The Acquisition was completed on 30th December, 2016.

The consideration for the Acquisition is HK$6,984,000, which is determined with reference to the net assets value of Appeon Corporation at the completion date.

The following table summarises the consideration payable for Appeon Corporation, the fair value of assets acquired, liabilities assumed at the completion date and gain arising from the acquisition of Appeon Corporation.

	2016 **HK$'000**
Aggregate of consideration transferred and fair value of previously held equity interest:	
Consideration pursuant to the Agreement	**6,984**
Fair value of previously held 51.18% equity interest	**7,425**
	14,409

	2016 **HK$'000**
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	**716**
Intangible assets	**2,587**
Trade and other receivables, prepayments and deposits	**2,592**
Cash and bank balances	**15,167**
Trade and other payables	**(6,653)**
Total identifiable net assets acquired	**14,409**

	2016 **HK$'000**
Gain arising from acquisition of subsidiaries	
Gain on re-measuring the previously held 51.18% equity interest at fair value	**479**

43. ACQUISITION OF SUBSIDIARIES *(Continued)*

	2016 HK$'000
Consideration paid during the year	—
Cash and bank balances acquired	**15,167**
Net inflow of cash and cash equivalents included in cash flows from investing activities	**15,167**

The fair value of the intangible assets at the date of the completion have been determined by the directors of the Company with reference to valuation conducted by Roma Appraisals Limited, independent professionally qualified valuer.

The fair value of trade and other receivables amounted to HK$2,592,000, which represented their gross contractual amounts.

The acquisition-date fair value of the Group's 51.18% equity interest in Appeon Corporation before the Acquisition amounted to HK$7,425,000. The Group recognised a gain of HK$479,000 as a result of re-measuring such previously held equity interest which is included in "Other gains or losses—Gain arising from acquisition of subsidiaries" in the consolidated income statement.

As at 31st December, 2016, the consideration amounting to HK$6,984,000 remained unpaid and is included in trade and other payables in the consolidated statement of financial position. The consideration was subsequently settled in January 2017.

For the year ended 31st December, 2016, Appeon Corporation and its subsidiaries ("Appeon Group") did not contribute any revenue to the Group but has contributed profit amounting to HK$1,847,000 to the Group.

44. RETIREMENT BENEFITS SCHEMES

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme is a defined contribution retirement benefits scheme and contributions to the scheme are made based on percentage of the employees' relevant income 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 employees of the subsidiaries of the Company which operate in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These PRC subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The total expenses recognised in profit or loss of HK$8,121,000 (2015: HK$7,856,000) represent contributions paid/payable to these schemes by the Group in the current year.

45. PLEDGE OF ASSETS

Other than the negative pledges disclosed in notes 14 and 15, the Group has pledged the following assets and assigned rental income from leasing of its investment properties to secure for the general banking and other loan facilities granted to the Group:

	2016	2015
	HK$'000	HK$'000
Investment properties	**1,555,603**	1,732,432
Property, plant and equipment	**2,348**	2,984
Prepaid lease rental on land	**7,176**	7,662
Investments in equity securities	**89,920**	104,118
	1,655,047	1,847,196

The issued share capital of a subsidiary held by the Company were pledged to banks to secure for the banking facilities granted to the Group. The aggregate net asset value of the subsidiary as at 31st December, 2016 was approximately HK$1,122 million (2015: HK$1,188 million).

46. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its manufacturing plants and office properties under operating leases arrangements. Leases of these properties are negotiated for period ranging from one to five years (2015: one to five years), and rentals are fixed over the contracted period. At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises payable as follows:

	2016	2015
	HK$'000	HK$'000
Within one year	**3,574**	4,427
In the second to fifth year, inclusive	**2,687**	8,291
	6,261	12,718

As lessor

The Group leases its investment properties (note 14) under operating lease arrangements with leases negotiated for period ranging from one year to twenty-four years (2015: one year to twenty-four years). At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments receivable as follows:

	2016	2015
	HK$'000	HK$'000
Within one year	**81,636**	87,674
In the second to fifth year, inclusive	**59,399**	99,555
Over five years	**5,206**	341
	146,241	187,570

47. OTHER COMMITMENTS

At the end of the reporting period, the Group had other significant commitments as follows:

	2016	2015
	HK$'000	HK$'000
Contracted for but not provided in the financial statements:		
Acquisition of property, plant and equipment	**10,803**	6,123
Acquisition of equity interest	**167,685**	179,040
Property development	**44,459**	6,858

48. CONTINGENT LIABILITIES

(a) A lawsuit brought by a party (the "Party") in 2014 alleging that the registration of the legal titles of the GZ Property passed to the Group as mentioned in note 30(b) being illegal and requesting the PRC land bureau to revoke the certificates of the GZ Property issued by it to the Group. The lawsuit is still in progress at the end of the reporting period. Based on the advice from a PRC legal counsel, the transfer and the registration of the titles of the GZ Property are proper and the Group has legal titles and all relevant rights over the GZ Property since the transfer of titles is completed. Accordingly, the directors are of the opinion that the lawsuit would not result in significant financial impact to the Group.

(b) The Group has undertaken to bear the legal and professional fees as well as any economic obligation arising from the lawsuit initiated by the Mortgage Bank as referred to in note 30(b) against the Party as mentioned in note (a) above regarding the termination of the sale and purchase agreement entered into by the Mortgage Bank and the Party in 2007. A deposit amounting to RMB19,330,000 (equivalent to HK$21,609,000) as at 31st December, 2016 (2015: RMB18,821,000 (equivalent to HK$22,465,000)) has been placed by the Group in the bank account designated by the Mortgage Bank to secure for the undertaking. Based on the advice from a PRC legal counsel, the director are of the opinion that such undertaking would not result in significant financial impact to the Group.

(c) During the year ended 31st December, 2015, the Group acquired the GZ Land as mentioned in note 27(d)(ii) for property development and the GZ Land has been occupied by certain tenants. To prepare for the property development project, lawsuits were brought by the Group to request those tenants to move out of the GZ Land and certain tenants claim the Group for compensation. Based on the advice from a PRC legal counsel, the Group has legal title over the GZ Land upon the completion of the transfer of the title of the relevant land. Accordingly, the Group should have right to request those tenants to return the GZ Land to the Group and the Group has no obligation to pay compensation to those tenants. Based on the aforementioned legal advice, the directors are of the opinion that these lawsuits would not result in significant financial impact to the Group.

(d) During the year ended 31st December, 2015, the Group entered into sale and purchase agreement with an independent third party to dispose of certain land parcels in Hong Kong which have been held by the Group for property development. The consideration for the disposal of those land parcels amounted to HK$26,600,000. However, the directors of the Company have come to know that there may have potential legality issue in respect of the titles of those land parcels which may therefore render the sale and purchase agreement ineffective. As assessed by the directors, it is uncertain as to when the legality issue of those land titles can be addressed. Accordingly, the Group has written down the net carrying amount of the concerned land parcels during the year ended 31st December, 2015 which amounted to HK$17,417,000 and recorded the consideration paid by the buyer as deposit received under "Trade and other payables". Consideration paid by the buyer amounted to HK$25,680,000 as at 31st December, 2016 (2015: HK$23,900,000). Based on the current assessment of the directors, it is still uncertain as to when potential legality issue of the land parcels can be addressed, which is subject to latest development of government policies and related legislation. As assessed by the directors, claims, if any, airing from this potential land legality issue would not result in material effect to the financial statements of the Group.

49. RELATED PARTY TRANSACTIONS

Transactions between the entities among the Group have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties including key management personnel are disclosed below.

(a) Save as disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties:

	2016	2015
	HK$'000	HK$'000
Service fee paid to a director	**5,025**	10,050

Service fee was paid to Mr. Yung Kwok Kee, Billy, director of the Company, for providing personal guarantee to banks in respect of the banking facilities granted to the Group, which is charged at the rate of 0.38% (2015: 0.75%) on the amount of facilities granted.

(b) Compensation of key management personnel:

The remuneration of members of key management were as follows:

	2016	2015
	HK$'000	HK$'000
Salaries, allowances and other benefits	**27,209**	38,288
Contributions to defined contribution retirement plan	**749**	1,219
	27,958	39,507

50. EVENTS AFTER THE REPORTING PERIOD

(a) On 6th June, 2017, a subsidiary of the Company entered into a conditional sales and purchase agreement with an independent third party to dispose of certain investment properties located in the PRC at a consideration of RMB83,480,000 (equivalent to HK$93,322,000). The carrying amount of the subject properties as at 31st December, 2016 is RMB24,370,000 (equivalent to HK$27,243,000). The transaction has not yet been completed before the date of approval of these financial statements.

(b) On 22nd March, 2017, PFC Device Inc. granted an aggregate of 41,794,191 share options under the PFC Device Option Scheme as set out in note 40(c) to certain directors and members of senior management to subscribe for the shares of PFC Device Inc. Further details of the grant of options under the PFC Device Option Scheme are set out in the announcement published by PFC Device Inc. on 22 March 2017.

51. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to support the Group's financial stability and growth.

The Group monitors its capital structure on the basis of gearing ratio i.e. net debt to equity. Net debt includes borrowings less cash and bank balances and restricted bank deposit. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

51. CAPITAL MANAGEMENT *(Continued)*

The gearing ratios of the Group as at 31st December, 2016 and 2015 were as follows:

	2016	2015
	HK$'000	HK$'000
Debts	**1,123,668**	1,021,435
Less: cash and bank balances and restricted bank deposit	**(456,926)**	(385,833)
Net debts	**666,742**	635,602
Capital represented by total equity	**3,010,275**	3,066,342
Gearing ratio	**22.1%**	20.7%

The Group targets to maintain a gearing ratio of not higher than 50% which is in line with the expected changes in economic and financial conditions. The Group's overall strategy on capital management remains unchanged throughout the current year.

52. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

52.1 Categories of financial instruments

	2016	2015
	HK$'000	HK$'000
Financial assets		
Financial assets at fair value through profit or loss		
— investments held for trading	**118,289**	147,526
— derivative financial instruments	**5,059**	—
Loans and receivables#	**862,527**	827,035
Available-for-sale financial assets	**256,458**	223,570
Financial liabilities		
Financial liabilities at fair value through profit or loss		
— derivative financial instruments	**—**	11,147
Financial liabilities at amortised cost^	**1,528,580**	1,474,361

\# *including trade and bills receivables, other receivables, loans receivable, finance lease receivables, amounts due from associates, joint ventures and investees, bank balances including restricted bank deposit and structured bank deposits*

^ *including trade payables, other payables and accruals, refundable deposits received, amounts due to a joint venture, an investee, a related party and a director, bank borrowings and loan from non-controlling shareholder*

52. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

52.2 Financial results by financial instruments

	2016 HK$'000	2015 HK$'000
Fair value gain/(loss) on:		
Financial assets at fair value through profit or loss		
— investments held for trading	**(3,363)**	(2,521)
Derivative financial instruments	**2,405**	(8,296)
Decrease in fair value of:		
Available-for-sale financial assets (recognised in other comprehensive income)	**13,736**	7,088
Interest income or (expenses) on:		
Loans and receivables	**3,685**	2,304
Financial assets at fair value through profit or loss	**6,440**	9,473
Available-for-sale financial assets	**5,487**	34
Financial liabilities at amortised cost	**(25,759)**	(26,842)
Dividend income from:		
Financial assets at fair value through profit or loss		
— investments held for trading	**2,281**	4,255
Available-for-sale financial assets	**7,542**	11,405
Impairment loss on:		
Loans and receivables	**2,688**	1,772
Available-for-sale financial assets (recycled from other comprehensive income)	**16,348**	—

52. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

(Continued)

52.3 Fair value of financial instruments

(a) Financial instruments measured at fair value

The following table presents the carrying value of financial instruments measured at fair value as at 31st December, 2016 and 2015 across the three levels of the fair value hierarchy defined in HKFRS 13 *Fair Value Measurement*, with the fair value of each financial instruments categorised in its entirety based on the lowest level of input that is significant to the fair value measurement. The levels are defined as follows:

— Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

— Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

— Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31st December, 2016				
Financial assets				
Available-for-sale financial assets				
— Listed equity securities	**41,075**	**—**	**—**	**41,075**
— Unlisted equity securities	**—**	**—**	**133,813**	**133,813**
— Listed debt securities	**81,190**	**—**	**—**	**81,190**
Investments held for trading				
— Listed equity securities	**68,179**	**—**	**—**	**68,179**
— Listed debt securities	**50,110**	**—**	**—**	**50,110**
Derivative financial instruments	**—**	**5,059**	**—**	**5,059**
As at 31st December, 2015				
Financial assets				
Available-for-sale financial assets				
— Listed equity securities	53,252	—	—	53,252
— Unlisted equity securities	—	—	145,619	145,619
— Listed debt securities	24,319	—	—	24,319
Investments held for trading				
— Listed equity securities	109,033	—	—	109,033
— Listed debt securities	38,493	—	—	38,493
Financial liabilities				
Derivative financial instruments	—	11,147	—	11,147

During the years ended 31st December, 2016 and 2015, there were no transfers between instruments in Level 1, Level 2 and Level 3.

The fair values of the derivative financial instruments, being foreign exchange forward contracts, were determined with reference to the valuation provided by the reputable, high credit rating third party financial institution with which the contracts were entered into. Such valuation was measured using valuation techniques which incorporate market observable inputs including foreign exchange spot and forward rates and credit quality of counterparty.

52. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

52.3 Fair value of financial instrument *(Continued)*

(a) Financial instruments measured at fair value *(Continued)*

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (i.e. Level 3), being unlisted equity securities, are as follows:

	2016	2015
	HK$'000	HK$'000
Unlisted equity securities		
At 1st January	**145,619**	150,718
Translation difference	**(9,235)**	(8,799)
Changes in fair value	**(2,571)**	3,700
At 31st December	**133,813**	145,619

The fair values of the unlisted equity securities as at 31st December, 2016 and 2015 were estimated with reference to the valuation carried out by Asset Appraisal Limited, an independent professional valuer, valuation multiple derived from observable market data. The valuation also requires the directors to make estimates and assumptions that are not supported by observable market prices or rates, including operating margin and discount for lack of marketability. The higher the operating margin, the higher the fair values of the investments. The marketability discount represents the amount of premium or discount determined by the directors that market participants would take into account when pricing the investments. The higher the marketability discount, the lower the fair values of the investments. Had the marketabilities discount been increased by 10%, the fair value of the instruments would reduce by HK$16,900,000.

(b) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade and bills receivables, other receivables, balances due from/to associates, joint ventures, investees, a related company and a director, bank balances including restricted bank deposit and structured bank deposits, trade payables, other payables and accruals as well as the current portion of loans receivable, finance lease receivables and bank borrowings. Due to their short-term nature, their carrying values approximate their fair values.

For disclosure purpose, the fair values of non-current portion of loans receivable, finance lease receivables and bank borrowings as well as loan from non-controlling shareholder are not materially different from their carrying values. Those fair values have been determined by using discounted cash flow models and are classified as level 3 in the fair value hierarchy. Significant inputs include expected future cash flows and discount rate used to reflect the credit risks of the Group and the counterparties, where appropriate.

53. FINANCIAL RISK MANAGEMENT

53.1 Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks which comprise market risk (including foreign currency risk, price risk, and interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors and senior management of the Group meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

53.2 Market risk

(i) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong and the PRC. The functional currency of the Company and its subsidiaries are mainly HK$ and RMB with certain of their business transactions being settled in US$ and RMB. The Group is thus exposed to currency risk arising from fluctuations on foreign currencies, primarily US$ and RMB, against the functional currency of the Company and the group entities. Currently the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

53. FINANCIAL RISK MANAGEMENT *(Continued)*

53.2 Market risk *(Continued)*

(i) Foreign currency risk *(Continued)*

The Group continues to conduct its sales mainly in US$ and RMB and make payments either in US$, HK$ or RMB. In addition, the Group's bank borrowings were denominated in HK$ and US$. The directors considered that a natural hedge mechanism existed. The Group would, however, closely monitor the volatility of the RMB exchange rate. All in all, the Group's risk exposure to foreign exchange rate fluctuations remain minimal.

The overall exposure in respect of the carrying amounts of the Group's foreign currency denominated financial assets and liabilities in net position as at 31st December, 2016 and 2015 were as follows:

	2016	2015
	HK$'000	HK$'000
Net financial assets/(liabilities)		
HK$	**(66,371)**	2,050
US$	**369,713**	242,232
RMB	**242,787**	(68,391)

As HK$ is pegged to US$, the Group does not have material exchange risk exposure on such currencies. The following sensitivity analysis, determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year, demonstrates the Group's exposure to a reasonably possible change in RMB exchange rate against the HK$ on the Group's net asset position denominated in RMB as at the end of the reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	Increase/(Decrease) in profit for the year and retained profits	
	2016	2015
	HK$'000	HK$'000
RMB against HK$		
— strengthen by 5% (2015: 5%)	**10,651**	2,855
— weaken by 5% (2015: 5%)	**(10,651)**	(2,855)

The change in the exchange rate do not affect the Group's other components of equity.

(ii) Price risk

The Group is mainly exposed to equity price risk arising from equity securities classified as financial assets at fair value through profit or loss i.e. investments held for trading (note 29) and the available-for-sale financial assets (note 21) as prices of those investments in future are uncertain.

The Group's investments in listed equity securities are traded mainly in the stock exchange of Hong Kong. The Group also invested in unlisted equity securities which are classified as available-for-sale financial assets. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the equity securities, the Group maintains a portfolio of diversified investments in terms of industry distribution. Also, the Group has appointed a special team to monitor the price risk and will consider hedging of the risk if necessary. The policies to manage price risk have been followed by the Group since prior years and are considered to be effective.

53. FINANCIAL RISK MANAGEMENT *(Continued)*

53.2 Market risk *(Continued)*

(ii) Price risk *(Continued)*

Management's best estimate of the effect on the Group's results in respect of those listed equity securities due to a reasonably possible change in the relevant stock market index or interest rate, with all other variables held constant, at the end of the reporting period are as follows (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	Increase/(Decrease) in profit for the year and retained profits	
	2016	2015
	HK$'000	HK$'000
Equity securities listed in Hong Kong — Hang Seng Index		
+12% (2015: +14%)	**6,832**	12,746
–12% (2015: –14%)	**(6,832)**	(12,746)

The above sensitivity illustrates the potential effect for listed equity securities classified as financial assets at fair value through profit or loss. If the prices of the listed equity securities classified as available-for-sale financial assets had been 12% (2015: 14%) higher, available-for-sale financial assets revaluation reserve would increase by HK$4,929,000 (2015: HK$7,455,000). If the prices of these listed equity securities had been 12% (2015: 14%) lower, available-for-sale financial assets revaluation reserve would decrease by HK$1,409,000 (2015: HK$7,455,000) and the Group's profit for the year would decrease by HK$3,520,000 (2015: nil).

In respect of the unlisted equity investments with carrying amount of HK$133,813,000 as at 31st December, 2016 (2015: HK$145,619,000), had the value of those investments classified as available-for-sale financial assets been 20% (2015: 20%) higher/lower, available-for-sale financial assets revaluation reserve would increase/decrease by HK$26,763,000 (2015: HK$21,843,000).

(iii) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from bank borrowings and investments in debt securities. Bank borrowings arranged at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. As at 31st December, 2016, approximately 59% (2015: 76%) of the bank borrowings bore interest at floating rates. The interest rates and repayment terms of the bank borrowings outstanding at the end of reporting date are disclosed in note 34.

The Group's investments in debt securities with carrying value of HK$131,300,000 as at 31st December, 2016 (2015: HK$59,212,000) are listed securities and bear interest at fixed rate which expose the Group to fair value interest rate risk.

The Group's bank balances also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on the bank balances. The directors consider the Group's exposure on bank deposits and bank borrowings to fair value interest rate risk is not significant as interest-bearing bank deposits and borrowings at fixed rate are within short maturity periods in general.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

53. FINANCIAL RISK MANAGEMENT *(Continued)*

53.2 Market risk *(Continued)*

(iii) Interest rate risk *(Continued)*

The following sensitivity demonstrates the Group's exposure to a reasonably possible change in interest rates on its floating rate bank borrowings with all other variables held constant at the end of the reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	Increase/(Decrease) in profit for the year and retained profits	
	2016	2015
	HK$'000	HK$'000
Change in basis point ("bp")		
+50 bp (2015: +50 bp)	**(2,759)**	(3,270)
–10 bp (2015: –10 bp)	**552**	586

The change in interest rates do not affect the Group's other components of equity.

The above sensitivity analysis is prepared based on the assumption that the bank borrowings outstanding at the end of the reporting period would be outstanding in the next financial year.

As to the investments in debt securities, the increase/decrease in market interest rate by 1% would result in the decrease/increase in fair value of the debt securities by HK$6,751,000, which thereby reduce/increase profit by HK$3,230,000 and reduce/increase available-for-sale financial assets revaluation reserve by HK$3,521,000.

53.3 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities.

The Group limits its exposure to credit risk by rigorously selecting the counterparties and to deal with credit worthy counterparties. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Credit terms are granted to new customers after credit worthiness assessment. The Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually and collectively at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Credit risk on cash and bank balances and restricted bank deposit (note 30) is mitigated as cash is deposited in banks of high credit rating. As to investment strategies, usually investments are liquid securities quoted on recognised stock exchanges. As to investments in debt securities and unlisted securities, investment is made after credit assessment by investment team. The credit and investment policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

Concentration of credit risk is managed by the customer or counterparty. At 31st December, 2016, 37% (2015: 21%) of the total trade receivables was due from the Group's largest customer (determined by sale) within the business segment of electrical appliances.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables, and other receivables are disclosed in note 27.

53.4 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain a prudent liquidity risk management which is to maintain sufficient cash and cash equivalents as well as to make available of fund through adequate amounts of committed credit facilities and the ability to close out market positions. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risk.

53. FINANCIAL RISK MANAGEMENT *(Continued)*

53.4 Liquidity risk *(Continued)*

The table below analyses the remaining contractual maturities of the Group's financial liabilities at the end of the reporting period which are based on contractual undiscounted cash flows and the earliest date the Group may be required to pay:

	Repayable on demand or less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
As at 31st December, 2016						
Non-derivative financial liabilities						
Interest-bearing bank borrowings *(note)*	**615,797**	**528,321**	**—**	**—**	**1,144,118**	**1,123,668**
Trade payables	**144,411**	**—**	**—**	**—**	**144,411**	**144,411**
Other payables and accruals	**216,260**	**—**	**—**	**—**	**216,260**	**216,260**
Amount due to associates	**121**	**—**	**—**	**—**	**121**	**121**
Amount due to a related party	**291**	**—**	**—**	**—**	**291**	**291**
Amount due to a director	**38,460**	**—**	**—**	**—**	**38,460**	**38,460**
Loan from non-controlling shareholder	**—**	**—**	**—**	**5,369**	**5,369**	**5,369**
	1,015,340	**528,321**	**—**	**5,369**	**1,549,030**	**1,528,580**
As at 31st December, 2015						
Non-derivative financial liabilities						
Interest-bearing bank borrowings *(note)*	416,724	626,581	—	—	1,043,305	1,021,435
Trade payables	120,662	—	—	—	120,662	120,662
Other payables and accruals	283,019	—	—	—	283,019	283,019
Amounts due to joint venture	60	—	—	—	60	60
Amount due to an investee	8	—	—	—	8	8
Amount due to a related party	291	—	—	—	291	291
Amount due to a director	43,484	—	—	—	43,484	43,484
Loan from non-controlling shareholder	—	—	—	5,402	5,402	5,402
	864,248	626,581	—	5,402	1,496,231	1,474,361
Derivatives settled net:						
Forward exchange contracts	1,694	9,453	—	—	11,147	11,147

Note:

For certain term loans which contain a repayment on demand clause which can be exercised at the lender's sole discretion, the analysis above shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

The following table summaries the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks or financial institutions will exercise their discretion to demand immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Within 1 year HK$'000	*In 2 to 5 years HK$'000*	*Over 5 years HK$'000*	*Total contractual undiscounted cash outflows HK$'000*	*Carrying amount HK$'000*
Bank borrowings subject to repayment on demand clause					
31st December, 2016	***520,421***	***542,889***	***—***	***1,063,310***	***1,028,668***
31st December, 2015	*306,163*	*631,858*	*—*	*938,021*	*886,435*

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The particulars of the principal subsidiaries as at 31st December, 2016 are as follows:

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Percentage of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
China Dynasty Development Ltd	British Virgin Islands	Ordinary	1,000 shares of US$1 each	—	100%	Property investment
Extra-Fund Investment Limited	Hong Kong	Ordinary	HK$2	100%	—	Securities trading
Famous Union Limited	Hong Kong	Ordinary	HK$10,000	—	100%	Property development
Fast-Gain Overseas Limited	British Virgin Islands	Ordinary	1 share of US$1	—	100%	Property investment
Fortress Link Investment Limited	Hong Kong	Ordinary	HK$1	—	100%	Property development
Full Revenue Inc.	Samoa	Ordinary	1 share of US$1	100%	—	Investment holding
Fushan Shunde Guo Run Investment Limited** 佛山市順德區國潤投資有限公司	PRC^	Paid up capital	RMB600,000	—	100%	Investment holding
Fushan Shunde Hua Feng Stainless Steel Welded Tubes Limited** 佛山市順德區華豐不銹鋼焊管廠有限公司	PRC*	Paid up capital	US$6,792,000	—	90.1%	Property investment
Fushan Shunde SMC Multi-Media Products Company Limited** 佛山市順德區蜆華多媒體製品有限公司	PRC^	Paid up capital	US$20,870,000	—	100%	Manufacturing and trading of electrical appliances
Galactic Computing Corporation	British Virgin Islands	Ordinary	23,861,240 shares of US$0.01 each	—	100%	Investment holding
Grand Sea Development Limited	Hong Kong	Ordinary	HK$1	—	100%	Investment holding
Guangdong Hui Hong Investment Limited ** 廣東匯泓投資有限公司	PRC#	Paid up capital	RMB11,160,000	—	100%	Investment holding
Guangdong PFC Device Limited 廣東普福斯節能元件有限公司	PRC^	Paid up capital	US$13,000,000	—	70.6%	Manufacturing and sales of power discrete semiconductors
Guangzhou Hua Huang Property Development Limited** 廣州華皇房地產開發有限公司	PRC^	Paid up capital	HK$166,000,000	—	100%	Property development
Guangzhou Hui Liang Property Management Limited** 廣州匯朗物業管理有限公司	PRC#	Paid up capital	RMB101,000,000	—	100%	Property investment and development
Guangzhou Parklane Car Leasing Limited** 廣州市百聯汽車租賃有限公司	PRC#	Paid up capital	RMB5,000,000	—	100%	Private car rental business
Guangzhou SMC Car Rental Company Limited 廣州蜆富出租汽車有限公司	PRC^	Paid up capital	HK$145,000,000	—	100%	Taxi operations
Guangzhou Xian Di Property Management Limited** 廣州蜆地物業管理有限公司	PRC^	Paid up capital	HK$1,000,000	—	100%	Property investment
New Style Development Limited	Hong Kong	Ordinary	HK$1	—	100%	Property development
PFC Device Corporation	British Virgin Islands/Taiwan	Preferred	4,956,153 shares of US$5,522,820	—	70.6%	Research and development and sales of power discrete semiconductors
		Common	105,000 shares of US$105,000			

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

The particulars of the principal subsidiaries as at 31st December, 2016 are as follows: (Continued)

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Percentage of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
PFC Device Holdings Limited	British Virgin Islands/ Hong Kong	Preferred	12,656,153 shares of US$13,222,820	—	70.6%	Investment and trade mark holding
		Common	658,255 shares of US$658,255			
PFC Device (HK) Limited	Hong Kong	Ordinary	HK$1	—	70.6%	Sales of power discrete semiconductors
PFC Device Inc.	Cayman Islands	Ordinary	1,600,000,000 shares of HK$0.01 each	—	70.6%	Investment holding
Quanta Global Limited	British Virgin Islands/ Hong Kong	Ordinary	1 share of US$1	—	100%	Trading of electric fans
Shell Electric Mfg. (China) Company Limited	British Virgin Islands	Ordinary	100 shares of US$10 each	—	100%	Trading of electric fans
Shell Electric Mfg. (H.K.) Company Limited	Hong Kong	Ordinary	HK$10,000	100%	—	Trading of electric fans
Silvergate Global Limited	British Virgin Islands	Ordinary	1 share of US$1	—	100%	Investment holding
SMC Investments Limited	Hong Kong	Ordinary	HK$2	—	100%	Property investment
SMC Marketing Corp.	USA	Ordinary	10,000 shares of US$1,021 each	100%	—	Investment holding
SMC Multi-Media Products Company Limited	British Virgin Islands	Ordinary	1 share of US$1	100%	—	Investment holding
SMC Multi-Media (H.K.) Limited	Hong Kong	Ordinary	HK$2	—	100%	Contract manufacturing for optics and imaging
SMC Multi-Media Trading Company Limited	Hong Kong	Ordinary	HK$1	—	100%	Contract manufacturing for optics and imaging
SMC Property Investment Limited	Hong Kong	Ordinary	HK$2	100%	—	Investment holding
Speed Power Limited	Hong Kong	Ordinary	HK$2	—	100%	Trading of electric fans
Sunny Resource Limited	Hong Kong	Ordinary	HK$1	100%	—	Holding trade mark and patent of the Group
Sybond Venture Limited	Cayman Islands	Ordinary	1 share of US$1	100%	—	Investment holding
Timely Hero Limited	Samoa	Ordinary	1 share of US$1	100%	—	Investment holding
Vineyard Management Company	USA	Ordinary	1,000 shares of US$10 each	—	100%	Property investment
Ye Ying Real Estate Development (Shenzhen) Limited** 業盈置業（深圳）有限公司	PRC^	Paid up capital	HK$10,000,000	—	100%	Property investment

^ *The companies are incorporated in the PRC as wholly-owned foreign enterprises.*

* *The company is incorporated in the PRC as sino-foreign equity joint ventures.*

\# *The companies are incorporated in the PRC as limited liability companies.*

** *The English translation of the company name is for reference only. The official names of these companies are in Chinese.*

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

The financial statements for the above subsidiaries were audited by BDO Limited for statutory purpose and/or for the purpose of Group consolidation.

None of the subsidiaries had any debt securities outstanding during the year.

55. PARTICULARS OF ASSOCIATES

The particulars of the associates as at 31st December, 2016 are as follows:

Name of associates	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Percentage of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
Hong Kong Construction SMC Development Limited	Hong Kong	Ordinary	HK$10,000,000	—	20%	Investment holding
Kumagai SMC Development (Guangzhou) Limited** 熊谷蜆壳發展(廣州)有限公司	PRC^	Paid up capital	US$59,000,000	—	20%	Property development

^ *The company is incorporated in the PRC as a wholly-owned foreign enterprise.*

** *The English translation of the company name is for reference only. The official name of this company is in Chinese.*