Tech Pro Technology Development Limited
德 普 科 技 發 展 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

Stock code : 03823

2016
ANNUAL REPORT

商界展關懷
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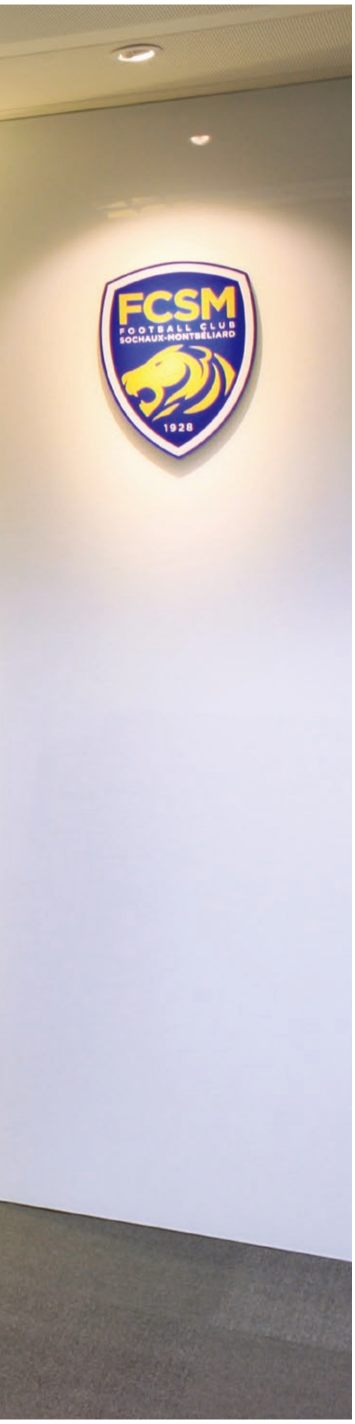

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Corporate information

Directors

Executive directors

Mr. Li Wing Sang *(Chairman of the board)*
Mr. Liu Xinsheng
Mr. Chiu Chi Hong
Mr. Lee Tsz Hang (appointed on 1 September 2016)

Independent non-executive directors

Mr. Ong King Keung (appointed on 8 March 2017)
Mr. Zhou Jing (appointed on 8 March 2017)
Ms. Wong Chi Yan (appointed on 17 March 2017)
Mr. Tam Tak Wah (resigned on 17 March 2017)
Mr. Ng Wai Hung (resigned on 17 March 2017)
Mr. Lau Wan Cheung (resigned on 2 March 2017)

Audit committees

Mr. Ong King Keung (Chairman of the committee, appointed on 17 March 2017)
Mr. Zhou Jing (appointed on 17 March 2017)
Ms. Wong Chi Yan (appointed on 17 March 2017)
Mr. Tam Tak Wah (resigned on 17 March 2017)
Mr. Ng Wai Hung (resigned on 17 March 2017)
Mr. Lau Wan Cheung (resigned on 2 March 2017)

Remuneration committees

Mr. Ong King Keung (Chairman of the committee, appointed on 17 March 2017)
Mr. Zhou Jing (appointed on 17 March 2017)
Ms. Wong Chi Yan (appointed on 17 March 2017)
Mr. Tam Tak Wah (resigned on 17 March 2017)
Mr. Ng Wai Hung (resigned on 17 March 2017)
Mr. Lau Wan Cheung (resigned on 2 March 2017)

Nomination committees

Mr. Li Wing Sang *(Chairman of the committee)*
Mr. Ong King Keung (appointed on 17 March 2017)
Ms. Wong Chi Yan (appointed on 17 March 2017)
Mr. Tam Tak Wah (resigned on 17 March 2017)
Mr. Ng Wai Hung (resigned on 17 March 2017)
Mr. Lau Wan Cheung (resigned on 2 March 2017)

Authorised representatives

Mr. Liu Xinsheng
Ms. Lee On Wing

Company secretary

Ms. Lee On Wing

Auditor

BDO Limited

Principal banker

The Hong Kong and Shanghai Banking Corporation Limited

Hong Kong branch share registrar and transfer office

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

Principal share registrar and transfer office

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

Registered office

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

Principal place of business

Unit 1402, 14/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Company website

http://www.techprotd.com

Stock code

03823

Chairman's statement

Mr. Li Wing Sang
Chairman

On behalf of Tech Pro Technology Development Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present this annual report for the year ended 31 December 2016.

This year was the most challenging year to the Company. The Group is principally engaged in three major business activities, (i) manufacture and sale of LED lighting products and accessories, provision of energy efficiency projects services; (ii) provision of property sub-leasing services and (iii) operating a professional football club. All three business segments faced different challenges in their own industry perspectives in 2016.

The management has used its best endeavor in the past few years to develop the businesses in the Company. In 2011, the Group has successfully transformed from electrolytic capacitor business, a declining industry, to LED lighting businesses, which is a new developing, more potential industry. With the efforts made, the Group's LED lighting products, "LEDUS", have been distributed to Europe, Asia and Africa markets, and experienced a rapid growth in the last few years. The Group has also completed the replacement of the traditional street lamps to LED street lamps in four municipals in Spain. The results are remarkable in these projects. The consumption of electricity has been substantially reduced; so that more energy has been saved. Furthermore, million dollars of Euro of electricity bills have been saved.

However, with the slow economic recovery in Europe and political uncertainty due to United Kingdom ("UK") leaving the Euro zone, the turnover in LED lighting business has decreased. In addition, even though Renminbi had depreciated, the costs of production kept on increasing deteriorated the gross profit margin of LED lighting segment. The results of LED lighting segment are not as good as expected.

Chairman's statement

On 30 May 2016, the Company announced that the Central Military Commission ("CMC") of the People's Republic of China ("PRC") issued a notice (the "Notice") on 27 March 2016 on the stopping of all paid services of the People's Liberation Army ("PLA") and the People's Armed Police Force ("APF") (關於軍隊和武警部隊全面停止有償服務活動的通知), pursuant to which, the PLA and the APF are set to stop providing all paid services, which is expected to be completed in three years. The Group has consulted its PRC legal advisers and the lessor, we were advised that the tenancy agreement remains valid and effective under the PRC law until its expiry and the CMC has not yet specified other measures regarding real estates of the military. Based on the above, the Group believes that the existing tenancy agreements will still remain valid and effective until its expiry.

The Group owns a French Ligue 2 football club, Football Club Sochaux-Montbéliard SA ("FCSM") since 2015 summer and experienced a challenging 2015/2016 football season. By the end of May 2016, FCSM had successfully retained in Ligue 2 after finishing the football season ranking number 15 out of 20 teams. In 2016 summer, the Group summarised the lessons from last season and evaluated FCSM in all aspects. There are many potential youth players in the club who are from its own football academy. Those youth players are potential, with skills, energetic and hardworking, but performance is not stable. FCSM, then, has recruited several experienced and good quality players into the current youth team. With the efforts of the coaches, management and players, the performance of FCSM has made an improvement. FCSM now ranks number 10 after 30 rounds.

Over the last year, there is a trend of activist short sellers, specifically targeting companies in Asia, often with allegations of corporate fraud, but always seemingly aimed at negatively impacting share prices for gain. They are commonly making allegations of financial impropriety against listed companies and subsequently have negative impacts on the share price.

On 1 June 2016, a report issued by GeoInvesting, LLC ("GeoInvesting"), which claimed itself was short selling the shares of the Company. In the report, GeoInvesting made several allegations and comments concerning the operation, financial and share prices of the Company. The report became available to the public by virtue of the internet. The Company had suspended its trade in The Stock Exchange of Hong Kong Limited on 7 June 2016 and published an announcement to deny, refute and clarify all the allegations. After the resumption of trade on 8 June 2016, there was no negative impact to the share prices of the Company as the short sellers expected. The Company started to note that we were their target and it was just the beginning.

The second wave of the short sellers was on 28 July 2016. A report issued by Glaucus Research Group California, LLC ("Glaucus"), which admitted that they are short sellers in the report. The report contained several allegations and comments concerning the operation, financial and share prices of the Company. The Company had published several detailed announcements, with the assistance of professional parties, to provide figures and proof, vigorously to deny, refute and clarify those allegations. The Company is of the view that the accusations and comments contained in the Glaucus report were made without due consideration of the underlying fact, and based on erroneous beliefs and misinterpretation of information, and are considered to be inappropriate and materially misleading. Despite the Company had responded to those allegations as quickly as possible, it could not quell the rising concerns amongst investors in the market. The damages soon became entrenched, causing a prolonged drop in the share price. The short sellers have achieved their objective-making gain from negatively impacting share prices, at the expenses of the investors including the shareholders of the Company, who did not participate in the short selling activity. At the same time, the reputation and corporate image of the Company were also affected.

The activist short-seller attacks did not affect the operations of the Group and investors are still confident to the Company. The Company had successfully raised new funding to support the operations of FCSM for the next football season. Furthermore, the Group entered into a sale and purchase agreement with Poly (China) Commercial Property Development Limited to acquire the entire interest of a property in Guangzhou. The property is situated in R&F YingXin Building (富力盈信大廈), a commercial building located in ZhuJiang New Town (珠江新城), a prime location in Guangzhou, the PRC, with a total gross floor area of approximately 2,580 sq.m.. It is currently leased to a tenant for the operation of a "Food City" named Cai Lan Food City (蔡瀾美食城) comprising various restaurants. The Company believes that the acquisition is a viable business opportunity to step forward in strengthening and to further expand the Group's property leasing and management business in the PRC and the rental income to be derived from the leasing of the property will broaden the source of income of the Group. In addition, upon completion subsequently on 28 February 2017, the Group owns the legal titles of the target property which will further enhance the assets of the Group. As the Group considers the future prospect of the property market in the PRC is positive, it may have the opportunity to benefit from the appreciation of property value in the long term.

LED lighting business is still the major focus of the Group. Despite the progress was hindered due to the attacks of the short-seller and other unfavorable conditions, the Group will continue to consider acquiring its own production plant and new equipment in order to consolidate the current rented factories in the PRC. After the entering into a cooperation agreement with Shenzhen City Poly Property Management Group Limited (深圳市保利物業管理集團有限公司) ("Shenzhen Poly") in June 2016, the Group intends to set up sale and marketing points in those estates under the management of Shenzhen Poly. European market is still our major market and the Group keeps on working with private and public sectors to explore business collaborations. In order to diversify the market risk, the Group will put resources to explore new markets such as USA. The Group will also, as before, to put resources in products and technology development in order to enhance its production and cost efficiency, so as to increase the competitiveness among others LED lighting manufacturers.

Looking forward, there will be still challenges ahead. Global economic uncertainties keep on arising due to the global political unclear factors such as the change of presidency in USA, UK leaving the Euro zone. Globalisation seems to be challenged by the localism. Facing these challenges, the Group will continue to take prudent and cautious steps in business development and seek for the interests of the Company and shareholders.

Li Wing Sang
Chairman

Hong Kong, 30 March 2017

Report of the directors

The board (the "Board") of directors of Tech Pro Technology Development Limited (the "Company") is pleased to present to the shareholders the annual report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016.

Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of the major subsidiaries are set out in note 20 to the financial statements and there were no significant changes in the nature of the Group's principal activities during the year.

Results and dividends

The results of the Group for the year ended 31 December 2016 and its state of affairs as at 31 December 2016 are set out on pages 46 to 121.

The Board does not recommend the payment of any dividend for the year ended 31 December 2016 (2015: RMBNil).

LEDUS booth – HKTDC Hong Kong International Lighting Fair 2016 (Autumn Edition), Hong Kong.

LEDUS booth – Lightec of Mataclec Fair 2016, Spain.

LED LIGHTING SEGMENT

Business Review

LED lighting business experienced a difficult year in 2016. The turnover of the LED lighting segment decreased by approximately 25.4% from approximately RMB184.8 million in 2015 to approximately RMB137.8 million in 2016. The reduced turnover of LED lighting segment was mainly attributed to the decreased turnover from the manufacture and sale of LED lighting products and accessories. It was mainly due to the keen competition among the LED lighting manufacturers and the unfavorable market environment which ultimately led to the decrease in prices of LED lighting products and accessories.

The decrease in LED lighting segment's turnover was narrowed by the increase in service incomes from energy efficiency projects. With the completion of the energy efficiency projects, the service incomes generated had increased about 115.6% to approximately RMB20.7 million. The Group started to provide maintenance services by its own in one of the projects so that it can maximise all the income from the project. Three out of four projects are 16-year contracts which will contribute stable income and cashflow to the Group. The Group is still working with other municipals to seek for the feasibility of energy efficiency projects.

In 2016, the Company has entered into a strategic cooperation framework agreement with Shenzhen City Poly Property Management Group Limited (深圳市保利物業管理集團有限公司) ("Shenzhen Poly") in June 2016. The agreement aimed at forming a strategic alliance in relation to the cooperation regarding the expansion of the LED lighting business of our brand "LEDUS" by leverage on the network of Shenzhen Poly in the People's Republic of China ("PRC").

In order to promote our brand, products, energy efficiency projects and exposure, the Group had participated various lighting exhibitions in Hong Kong and other countries such as Germany, Belgium, Spain, Malaysia and South Africa. In addition, the Group also sponsored some local communities activities in order to alert the public awareness of energy saving and promote its brand "LEDUS". It was the third year that the Company was awarded as the caring company in Hong Kong.

Business Outlook

Despite rising LED lighting market demands, and large scale replacements of traditional luminaries, the oversupply situation in the market has caused average selling prices of LED lighting to plunge. Some of the LED lighting manufacturers in the PRC may leave the industry and some of them may seek to acquire oversea companies in order to transform its business model and explore new sales channels.

Europe remains to be the major target market of the Group as the European customers are willing to pay more for higher quality LED lighting products. New markets such as USA and the countries with high electricity fee are also our major targets.

With the success of the projects the Group has completed in Spain, there are more municipal governments in Spain willing to work with us, looking for co-operation opportunities. The Group will make effort to promote the business collaboration in other countries in Europe such as France and Italy. The Group will also seek for opportunities to promote the energy efficiency projects to private enterprises.

Sponsor the Free Ride Day organised by Hong Kong General Chamber of Commerce, Hong Kong.

Advertisement on the bus, Hong Kong.

Report of the directors

The Group will keep on putting resources into the products and technology development, particularly the LED luminaries for non-residential customers. We will develop technology in LED modules, using the IC power supply chips, for the LED luminaries fixtures. The Group will also consider to acquire its own production plant and new equipment in advance to enhance the productivity and effectiveness.

As the LED lighting market competition is keen and most of the production cost increased cannot be shifted to the customers, we will use our best endeavor to take cost control measures. With effective cost control systems, our competitiveness can be enhanced and our costs of production can also be lowered. The Group understands there are different challenges and economic uncertainty situations ahead, we will, as usual, take prudence and cautious steps to develop our business.

Risks relating to the Group's business

(i) Risks in energy efficiency projects segment

One of the businesses in LED lighting segment is the provision of energy efficiency projects services to the regional government. Those projects are relied on our products quality, level of services and relationship with the regional governments. Those projects will be launched with the process of tendering and it normally takes months to process, excluding the preparation works. We have put substantial resources into brand building and the customer relationship in order to enhance our chance to award the tenders. However, there is no assurance that we will get the tenders successfully as there is competition from our competitors in Spain.

In addition, for three out of four projects working under 16-years service contracts, we need to provide our warranty to our products before the expiry of the contracts. We are confident to the quality of our products which are durable and energy cost saving. However, the Group is exposed to the risk to replace all the street lamps partly or entirely if there is any product failure.

The Group is currently operating energy efficiency projects in four cities, Tarancon, Jaen, Gandia and Cartaya, which are concentrated in Spain. It is

Sponsor the Carol Singing Festival 2016 organised by the Child Development Matching Fund, Hong Kong.

due to the Group had put substantial resources in developing the business in Spain. It makes the Group facing a risk that if there is any downturn in the economic conditions in Spain, it will affect the business development of energy efficiency projects in the country. However, the Group strives to explore LED lighting businesses in other countries in Europe in order to diversify the risks.

(ii) Competition from other LED lighting manufacturers

There are many LED lighting manufacturers in the PRC and other global brands among which competition is intense. The rapid growth of LED lighting products adoption will continue as prices for the technology fall. More LED lighting manufacturers will reduce their selling prices to capture the market share, particularly the prices of low-end products. The Group strives to develop high quality and innovative technology in LED lighting products, together with effective productivity and advance technology to control the cost of production. However, if the selling prices of LED lighting products slip precipitously, it may inevitably bring adverse effects to the income and the financial situation of the Group.

The Group has used its best endeavor to its brand building activities in order to differentiate its products with other competitors. If the brand building strategies are successful, it will enhance the sales of the Group's products.

(iii) Focuses on the mid-stream and down-stream of the LED lighting industry

The Group owns four factories in the PRC which are engaged in the manufacture and sale of LED lighting components and LED lighting finished products. The Group does not involve in the manufacturing of the LED chip (the source of light) which is the up-stream business of the industry. The production of LED chips requires huge capital investment, advance technologies, and intellectual patents, all of which are the major barriers and the Group is difficult to enter into. If the prices of the LED chips fluctuate volatility, it will bring adverse effects to the gross profit margin and the financial situation of the Group.

Sponsor the Walk Project Exhibition (Shatin & Sai Kung) 2016 organised by The Hong Kong Jockey Club Heritage x Arts x Design (H.A.D.), Hong Kong.

Report of the directors

Further, if there is a shortage supply of LED chips in the market or a sudden increase in demand, the LED lighting manufacturers will offer higher prices to purchase sufficient stock. It may raise the cost of production to the Group, it will bring adverse effects to the gross profit margin and the financial situation of the Group.

(iv) Meet consumer preference or demands, and gain market acceptance and market share

The Group distributes a variety of LED lighting products under our own brand name. The success therefore depends, to a large extent, on the Group's ability to offer a diversified portfolio of LED lighting products that can meet changing consumer preference and needs. There is no assurance that the existing LED lighting products distributed by the Group will be able to satisfy changes in consumer preference and needs.

The Group may also fail to anticipate, identify or respond to changes in consumer preference and needs on a timely basis, and the Group cannot assure that the Group will be able to gain or increase market recognition and market share for the Group's LED lighting products.

Risks relating to the industry in which the Group business operate

(i) Substitutes of LED lighting products

Lighting is an innovative industry where LED lighting products are one of the new technologies among various competitive products. There could be a potential substitute for LED lighting products which has the same features and functions of brighter, energy saving and durable. The failure to successfully introduce new or enhanced LED lighting products on a timely and cost-competitive basis or the inability to continue to market existing LED lighting products on a cost-competitive basis could have a material adverse effect on our business. In addition, sale of new LED lighting products may replace sale of some of the Group's existing LED lighting products, mitigating the benefits of new products introductions and possibly resulting in excess level of inventory.

LED lighting project – Hotel, Malaysia.

Laws and regulations of our business

(i) No regulatory standards on LED lighting products' specification

There are currently no regulatory standards on LED lighting products' specification globally. As LED lighting is a new lighting technology of which products specifications vary from different manufacturers, there may be a risk that if there is a regulatory standards on LED lighting products' specifications, the current inventories of the Group may not be in compliance with the standards and those inventories cannot be sold in the markets. It will bring material adverse effects to the financial situation of the Group.

LED lighting project – Restaurant, PRC.

LED lighting project – Restaurant, PRC.

All electronics products, including LED lighting products, sold in the markets should be in compliance with certain safety standards such as CE, UL and RoHS etc which varies from different countries. Currently, the Group's LED lighting products are in compliance with the prevailing standards and requirements. However, those standards and requirements may be revised from time to time and may be updated with the development of technologies or related regulations. The Group may not be in compliance with the latest updated standards and requirements if there is a short notice of such changes. It will bring material adverse effects to the financial situation of the Group.

In addition, manufacturers are subject to various environmental regulations relating to disposal of wastes, without limitation. Compliance with these environmental regulations could increase the cost of production. If the Group were unable to comply with these regulations the Group may not be able to sell noncompliant products in certain markets.

Report of the directors

PROFESSIONAL FOOTBALL CLUB SEGMENT

Business Review

The Group owns a French Ligue 2 football club, Football Club Sochaux-Montbéliard ("FCSM"). FCSM experienced an extreme situation in 2016. In the first half of 2016, FCSM faced a risk of relegation to lower level competition for the 2015–2016 football season and the team struggled to retain in the competition in Ligue 2. Finally, FCSM was successfully positioned in 15 and could stay in Ligue 2 for the 2016–2017 football season. In April 2016, FCSM also finished at the semi-final in the French Cup (Coupe de France) and finally played against Marseille, a Ligue 1 football club. During this summer, FCSM learnt the lessons from the last season and started its preparation work earlier. Experienced and better quality players were recruited. In 2016–2017 football season, FCSM had a good start and ranked at the highest position of 5th on the table. Currently, FCSM ranks 10th with 11 points behind the top of the table. In January 2017, FCSM also finished at the quarter-final in the French Ligue Cup (Coupe de la Ligue) and finally played against Monaco, a Ligue 1 football club.

Pursuant to the sale and purchase agreement dated 18 May 2015 in relation to the acquisition of FCSM, the vendor undertakes to pay the Company a maximum total amount of €3,000,000 (equivalent to approximately RMB20,648,000) in the event that FCSM achieves the cumulative conditions for each of the financial years ending 30 June 2016 and 30 June 2017 respectively. As at 30 June 2016, all the cumulative conditions had been fulfilled and the vendor had paid to the Company a contingent consideration receivable of €1,500,000. As the current position of FCSM is 10th on the Ligue 2 table, it is most likely that FCSM will retain in Ligue 2 for the coming 2017–2018 football season. The Company is confident to fulfill all the cumulative conditions for the year ending 30 June 2017 and it is expected the final contingent consideration receivable of €1,500,000 will be received.

Team photo poster of FCSM for the football season 2016/2017.

Business Outlook

As a platform for "LEDUS" to enter into the LED lighting market in France, the Group will utilise the connections through the football club to look for business opportunities, not only with the regional governments, but also the French private enterprises. Energy efficiency projects will be introduced, together with our successful cases in Spain, to the regional governments in France.

Promotion back to Ligue 1 is always our target to FCSM. In 2016, Ligue de Football Professionnel ("LFP") has made a decision that starting from 2016–2017 football season, only the top two teams on the table can be promoted to Ligue 1 directly. The third best team will play two matches against the third lowest team of Ligue 1 in order to determine which team can play in Ligue 1 in the coming football season. Currently, FCSM ranks 10th with 8 points behind the team at third place. The Group and FCSM will use its best effort to get the best result as it can and will not let the chance of promotion be missed.

FCSM has its own football academy and many of the players in the squad are trained from the youth football academy. Some of them have been trained since their childhood. They are young, talented and determined who may be the future football stars in France. They are the valuable assets of the football club and the Group will keep on scouting and training potential youth players for long term development of the football club.

Risks relating to the Group's Business

(i) The performance and popularity of the football team

The revenues of the professional football club segment are dependent upon the performance and popularity of its football team. Significant sources of revenues are the result of strong performances in domestic competitions, specifically the French Ligue 2 and the French Ligue Cup (Coupe de la Ligue). The income of the professional football club segment varies significantly depending on its football team's participation and performance in these competitions. The performance of its football team affects all three primary areas of revenues of the professional football club segment, which include (i) matchday revenue through ticket sales; (ii) media revenue through the frequency of broadcast appearances and performance-based share of Ligue broadcast revenues and prize money; and (iii) commercial and sponsorship revenue through merchandising and sponsorship revenues.

The football team of the professional football club segment is currently playing in French Ligue 2. The revenues from matchday tickets, broadcasting and sponsorship and advertising of the professional football club segment may fall considerably if the football team is relegated from (or otherwise ceased to play in) the French Ligue 2. Relegation or a decline in the success of the football team, particularly in consecutive seasons, may negatively affect the ability of the football team to attract or retain talented players and coaching staff, as well as supporters and key sponsors, and may materially adversely affect the business, results of operations and financial condition of the professional football club.

(ii) Matchday supporters, who are concentrated in France

A significant amount of income of the professional football club segment derives from matchday ticket income to its supporters who attend football matches and its share of gate receipts from cup matches. In particular, the income generated from matchday ticket income will be highly dependent on the continued attendance at matches of its individual and corporate supporters. Match attendance is influenced by a number of factors, some of which are partly or wholly outside of its control. These factors include the success of the football team, ticket prices, broadcasting coverage and general economic conditions which affect personal disposable income and corporate marketing and hospitality budgets. A reduction in matchday attendance may have a material adverse effect on its matchday ticket income and its overall business.

The professional football club segment has a solid supporter base and the number of spectators is better than most of the teams in Ligue 2 and is satisfactory as compared with the teams in Ligue 1.

Report of the directors

(iii) Strong competition from other football clubs

The professional football club segment faces strong competition from other football clubs in France and Europe. In the French Ligue, recent investment from wealthy team owners has led to teams with strong financial backing. As the French Ligue continues to grow, the interest of wealthy potential owners may increase, leading to additional clubs substantially increasing their financial strength. Competition from European clubs also remains strong. Other European football clubs are spending substantial sums on transfer fees and costs for players. Competition from inside and outside the French Ligue has led to higher costs of players of FCSM as well as increased competition on the field. The increase in competition could result in the football team finishing lower ranking in the French Ligue than it has in the past. Competition within France could also cause the football team to fail to advance in the French Ligue Cup (Coupe de la Ligue). All of the above factors may materially adversely affect its matchday ticket, media and commercial revenues and its overall business.

Risks relating to the industry in which the Group business operate

(i) Ability to attract and retain key management and coaching staff

The professional football club segment is highly dependent on members of its management, coaching staff, including its manager and players. Its success is highly dependent on its performance and, to a lesser degree, the behaviour of players and staff on and off the pitch. Its ability to attract and retain the highest quality players and coaching staff is critical to the football team's success in Ligue and cup competitions and, consequently, critical to its financial performance. A downturn in the performance of the football team may adversely affect its ability to attract and retain such coaches and players.

While the professional football club segment enters into employment contracts with each of its key personnel with the aim of securing their services for the term of the contract, the retention of their services for the full term of the contract cannot be guaranteed.

Football players of FCSM.

Bonal Stadium, the home stadium of FCSM.

(ii) An increase in the relative size of costs or transfer fees of players and coaching staff

The success of the professional football club segment depends on its ability to employ and retain the highest quality players and coaching staff. As a result, it is obliged to pay salaries generally comparable to its main competitors in France and Europe. Over the past years, salaries for players and coaching staff have increased significantly. If there is a continued increase in the level of salaries paid to top players and coaching staff in general, it may be required to increase the salaries it pay to avoid losing key members of the playing and coaching staff. Further increases in salaries may adversely affect its results of operations.

Other factors, such as the proposed increase in the rate of income taxation or other changes to taxation in France and the relative strength of Euros, may make it more difficult to attract top players and coaching staff from Europe or require it to pay higher salaries to compensate for higher taxes or less favourable exchange rates. In addition, if its revenues fall and salaries remain stable (for example as a result of fixed player or coaching staff salaries over a long period), its staff costs would increase relative to its revenues, which may have a material adverse effect on its results of operations.

An increase in transfer fees would require the professional football club segment to pay more than budgeted for the acquisition of players' registrations in the future, although the effect of these increased costs may be mitigated by its ability to sell the registrations of existing players at increased prices. However, if the increase in transfer fees occurred at a time when it is looking to buy rather than sell players, there is a risk that net transfer fees could increase, resulting in a reduction in the amount of cash available for it to meet its obligations.

Laws and regulations of our business

(i) Compliance with the requirements incorporated by the National Directorate of Management Control

The National Directorate of Management Control is in charge of the legal and financial control of professional football clubs in France and ensures that all the football clubs comply with the applicable national and international regulations. It also acts as a supervisor of the accounting documents of the FCSM and is mostly in charge of ensuring the budget of FCSM is balances and that the investment/ expenses incurred by FCSM do not exceed its financial capacities. In case of non-compliance with applicable regulations, the National Directorate of Management Control is entitled to pronounce restrictive measures including fines, banning from participating in the football cups for the season and downgrading the football club to a lower Ligue.

Football players of FCSM.

Fans of FCSM.

Report of the directors

PROVISION OF PROPERTY SUB-LEASING SERVICES SEGMENT

Business Review

The Group started to operate the property sub-leasing and management business since the completion of the acquisition of 50% equity interest in 上海富朝物業管理有限公司 (Shanghai Fuchao Property Management Company Limited#) in March 2014, which is principally engaged in provision of sub-leasing a property located at 中國上海市靜安區萬航渡路3, 7, 9及11號環球世界大廈B座1–10樓 (1/F to 10/F, Block B, Universal Mansion, No. 3, 7, 9 and 11 Wanhuang Du Lu, Jing'an, Shanghai, the PRC), together with car parking spaces in the basement and LED signage on exterior wall, to tenants and provision of property management services for the property. The property sub-leasing services business has been generating a stable income and cashflow for the Group.

Despite the economy growth in the PRC was not as rapid as few years ago, the stable retail sales growth underpinned the city's retail property market in 2016, and the vacancy rate decreased while the average rent edged up. The Group expected that there will be a steady growth in the PRC property market in mid and long term. By the end of 2016, the Group had entered into a sale and purchase agreement with the vendor to acquire indirectly a property in Guangzhou, the PRC and the transaction was subsequently completed in February 2017. The Guangzhou property is with a total gross floor area of approximately 2,580 sq.m. and is situated in 富力盈信大廈 (R&F YingXin Building), a commercial building located in 珠江新城 (Zhujiang New Town), a prime location in Guangzhou, Guangdong Province, the PRC. The Guangzhou property is currently leased to an independent third party for the operation of a "Food City (美食城)" named "蔡瀾美食城 (Cai Lan Food City#)" comprising various restaurants. The Group expects it will bring a steady and stable income stream. In addition, the Group owns the legal titles of the Guangzhou property and this will enhance the quality of assets of the Group. The Group will also benefit if there is an appreciation in property value.

Business Outlook

The Group expects the PRC central government has no intention to sharply devalue its currency and will use its vast resources to fight speculation. Also the PRC central government targets there will be about 6.5% economic growth in 2017. Retail property market will continue to see steady development in the coming year. We believe it may improve the level of rent in the prime area of the first tier cities such as Shanghai, Guangzhou, the PRC to achieve a steady rental growth.

Risks relating to the Group's Business

(i) Competition from other landlords

The Group faces significant competition from various landlord companies and independent landlords who may lease out their properties from time to time. Those competitors of the Group may have the ability to offer better hire rates or deploy larger fleets. Some of the competitors of the Group may also have better market penetration in certain locations and greater financial resources than the Group does. As a consequence, the Group may have to lower hire rates in order to maintain and/or attract tenants, which in turn may reduce the revenue and profitability of the Group. The Group may also experience a loss of market share if it is unable to compete effectively.

(ii) Deterioration of out-dated facilities

The premise in Shanghai has been built for years and some of the facilities are not at the latest design and development. As more new commercial buildings with modern facilities have been built in recent years, some of the tenants may move to the more modern and new buildings. If the facilities of the premise are deteriorated and no renovation works have been done to upgrade its services, it may not attract new tenants and rental cannot reach to a more competitive level. Therefore, the Group may face a risk to put more resources to renovate the building and advance the facilities from time to time. The Group will expect those resource is from internal and may have impact to the financial situation of the Group.

Risks relating to the industry in which the Group business operate

(i) Changes in rental rates and occupancy rates

The rental rates and the occupancy rates will be affected by various factors, including but not limited to, prevailing supply and demand conditions, economic conditions as well as the quality of the properties. There is no assurance that the Group is able to look for new tenants within a short period of time or procure new leases or renew leases at the prevailing market rates.

(ii) Downturn of the PRC economy

The occupancy rate of the premises of the Group operating the sub-leasing business are high. It is due to their prime locations in the first tiers city such as Shanghai and Guangzhou, the PRC and strong economic growth experienced in the last decades which lead to a huge demand in the property market. It is expected that the PRC will experience a relatively lower economic growth in the coming years which may lead to a contraction in demand in the property market. It may lead to a pressure to the growth rates of rental and occupancy of the premise. It there is a high rate of vacancy or a reduction in rental may have as adverse effect to the income and the financial situation of the Group.

Laws and regulations of our Business

(i) Highly regulated and affected by the governmental policies

The rental leasing services are highly regulated and affected by the governmental policies. Any changes in legislative or regulatory requirements may render certain restrictions on the Group's business. In addition, the premise the Group operating its sub-leasing activities in Shanghai is owned by the Central Military Commission of the PRC. If there is any change in the government's policies or legal requirements on government-owned property leasing services, it may affect the sub-leasing business of the Group in Shanghai and there may be an adverse financial impact to the Group.

The Group may need to upgrade existing facilities to meet any new standards imposed by the relevant regulatory authorities from time to time. There is no guarantee that the Group can keep up with new regulatory standards, and significant capital investment may be required for the Group to comply with such requirement and to remain competitive. In the event that the Group is unable to keep up with such regulatory standards in a timely manner at reasonable costs, the Group may not be able to continue to operate and/or maintain its competitiveness and its profit may be adversely affected.

Appearance of premise in Shanghai, PRC.

Report of the directors

Financial review

Turnover

For the year ended 31 December 2016, the Group recorded a turnover of approximately RMB233.0 million (2015: approximately RMB220.0 million), representing an increase of approximately 5.9%.

The categories of the Group's turnover are shown in the following table:

	2016 RMB'000	%	2015 RMB'000	%
Sale of products and accessories	**120,840**	**51.9**	176,724	80.3
Service income from energy efficiency projects	**20,740**	**8.9**	9,617	4.4
Broadcasting income	**49,855**	**21.4**	19,002	8.6
Matchday ticket income	**17,210**	**7.4**	4,710	2.1
Sponsorship and advertising income	**24,335**	**10.4**	9,973	4.6
Total	**232,980**	**100.0**	220,026	100.0

The turnover of the Group remained stable as compared with 2015. The slightly increase in the Group's turnover was primarily attributed to the increase in turnover by professional football club segment since full year figures were recorded; but it was compensated by the decrease in turnover contributed from LED lighting segment.

The turnover from LED lighting segment decreased by approximately 25.4% from approximately RMB184.8 million in 2015 to approximately RMB137.8 million in 2016. Under the LED lighting segment, the turnover from the sale of LED lighting products and accessories was decreased by approximately 33.2%, which amounted from approximately RMB175.2 million in 2015 to approximately RMB117.0 million in 2016. However, the service income from energy efficiency projects was increased by approximately 115.6%, which amounted from approximately RMB9.6 million in 2015 to approximately RMB20.7 million in 2016, it was due to the full year service income of four energy efficiency projects was recorded in 2016, while the installation of the 3rd and 4th energy efficiency projects were completed in late 2015 and contributed insignificant amount of service income in 2015.

The turnover from the professional football club segment represented approximately 40.9% of total turnover of the Group in 2016. The broadcasting income, matchday ticket income and sponsorship and advertising income were increased by approximately 171.2%, which amounted from approximately RMB33.7 million in 2015 to approximately RMB91.4 million in 2016, it was due to the full year income was recorded in 2016, while 6-month income was recorded in 2015. As the performance and ranking of the football club in 2016 were improved as compared to that in 2015, it also led to an increase in various categories of income of the football club.

Gross profit margin

The gross profit margin (excluding the service income) of the Group was approximately 10.4% (2015: approximately 13.0%) during the year ended 31 December 2016. The decrease in gross profit margin was mainly attributed to the increase in costs of production such as material costs, labour costs and utilities costs in 2016, while the costs increased cannot be shifted to the customers.

Results for the year

The consolidated loss before income tax of the Group for the year ended 31 December 2016 was approximately RMB438.0 million (2015: approximately RMB282.0 million), representing an increase of approximately 55.3%. The increase in consolidated loss before income tax was primarily attributable to the following factors:

(i) increase in administrative and other operating expenses of approximately RMB89.4 million from approximately RMB146.7 million in 2015 to approximately RMB236.1 million in 2016;

(ii) increase in impairment loss on goodwill and other intangible assets of approximately RMB47.4 million from approximately RMB187.2 million in 2015 to approximately RMB234.6 million in 2016;

(iii) increase in impairment loss on property, plant and equipment of approximately RMB42.2 million from approximately RMBNil in 2015 to RMB42.2 million in 2016;

(iv) decrease in gain on bargain purchase from the acquisition of FCSM of approximately RMB62.0 million from approximately RMB62.0 million in 2015 to RMBNil in 2016; and

(v) decrease in share of results of a joint venture of approximately RMB7.3 million from approximately RMB17.2 million in 2015 to approximately RMB9.9 million in 2016.

However, these factors which led to an increase in consolidated loss before income tax were compensated by the following factors:

(vi) decrease in amortisation of other intangible assets of approximately RMB16.9 million from approximately RMB70.3 million in 2015 to approximately RMB53.4 million in 2016;

(vii) increase in fair value change on contingent consideration receivable of approximately RMB17.6 million from fair value loss of approximately RMB5.9 million in 2015 to fair value gain of approximately RMB11.7 million in 2016; and

(viii) decrease in finance costs of approximately RMB1.3 million from approximately RMB1.4 million in 2015 to approximately RMB0.04 million in 2016.

All of the above factors from (ii) to (vii) are non-cash and/or non-recurring items.

Impairment loss on other intangible assets and property, plant and equipment

The impairment loss on other intangible assets and property, plant and equipment of the Group for the year ended 31 December 2016 was approximately RMB234.6 million (2015: approximately RMB107.7 million) and approximately RMB42.2 million (2015: RMBNil) respectively and there was no impairment loss on goodwill of the Group for the year ended 31 December 2016 (2015: approximately RMB79.5 million). As in 2016, the turnover and/or gross profit margin of certain group of subsidiaries were reduced as compared to 2015, the reduction was mainly attributable to (i) selling prices of the LED lighting products and accessories have been decreased as there was keen competition in LED lighting products and accessories sectors; (ii) the costs of production were kept on rising such as the material cost, labour costs and utilities costs; (iii) the increased costs of production and operation cannot be shifted to the customers; and (iv) the deteriorated profitability of the football club.

Further, the managements expect that the selling prices of the LED lighting products and accessories will keep on decreasing as most of the LED lighting manufacturers will intend to capture more of their market share by reducing the selling prices.

Report of the directors

Administrative and other operating expenses

For the year ended 31 December 2016, administrative and other operating expenses were approximately RMB236.1 million (2015: approximately RMB146.7 million), which represents an increase of approximately 60.9%. This was mainly due to the (i) increase in operating expenses of approximately RMB79.1 million incurred by the professional football club segment from approximately RMB75.4 million in 2015 to approximately RMB154.5 million in 2016, as full year operating expenses were included in 2016; (ii) increase in allowance for impairment on trade and other receivables and bad debts written off of approximately RMB9.5 million from approximately RMB16.3 million in 2015 to approximately RMB25.8 million in 2016; and (iii) increase in rental expenses of approximately RMB0.9 million from approximately RMB4.9 million in 2015 to approximately RMB5.8 million in 2016, as addition office premises was rented for the expansion of the Hong Kong head office in late of 2015.

Finance costs

For the year ended 31 December 2016, finance costs of the Group were approximately RMB0.04 million (2015: approximately RMB1.4 million), which represents a decrease of approximately 97.1% as a result of full payment on bond in 2015.

Share of results and amount due from a joint venture

For the year ended 31 December 2016, share of results of a joint venture of the Group was approximately RMB9.9 million (2015: approximately RMB17.2 million), which represents a decrease of approximately 42.4%. This was mainly due to certain units were vacant for a short period of time during the year, as the management would like to locate famous brand name tenants in order to enhance the overall image of the building. In addition, the tenants of the LED signage on exterior wall relocated their advertisements to another advance media.

At 31 December 2016, there was a significant increase in the amount due from a joint venture of approximately RMB118,800,000 (2015: RMBNil) included in other non-current financial assets which is due to the dividend declared and receivable by the joint venture of the Group in Shanghai. As there are sufficient distributable reserves of the joint venture accumulated since the Group being the equity holder in 2014, both joint venture partner and the Company would like to realise the investment returns which should be in the interest of the Group. Such dividend payments will be made as long as it will not affect the daily operations of the joint venture as there may be potential expenses on repair and maintenance by the joint venture, it is expected the payment will take more than a year from 31 December 2016. The expected dividend repayment from joint venture is to be made in the second quarter of 2018.

Geographical information

The principal source of turnover of the Group was derived from the LED lighting segment in which sale of LED lighting products and accessories in the PRC accounted for approximately 38.8% (2015: approximately 42.9%) of the Group's total turnover for the year ended 31 December 2016.

Liquidity and financial resources

As at 31 December 2016, the Group had current assets of approximately RMB414.2 million (2015: approximately RMB445.7 million) and current liabilities of approximately RMB137.8 million (2015: approximately RMB124.0 million). The current ratio of the Group as at 31 December 2016 was approximately 3.0 (2015: approximately 3.6) where a decline in current ratio was recorded. The diminution is mainly due to the decrease in cash at banks and in hands and an increase in trade and bills payables in 2016.

As at 31 December 2016, the Group had cash and cash equivalents of approximately RMB98.7 million (2015: approximately RMB128.6 million), wholly representing cash at banks and in hand. There was no bank loan at 31 December 2016. At 31 December 2015, total bank loans were approximately RMB0.1 million and were denominated in Hong Kong Dollars, in which were short term borrowings and were subject to variable interest rates. As at 31 December 2016, the Group's obligations under finance leases were approximately RMB0.8 million (2015: approximately RMB1.2 million).

As at 31 December 2016, the gearing ratio (calculated by dividing total borrowings less cash and cash equivalent over total equity) of the Group was zero (2015: zero).

Exchange risk exposure

The Group's sales were principally denominated in Renminbi, Hong Kong Dollars, US Dollars and Euro, with the majority denominated in Renminbi and Euro. This may expose the Group to foreign currency exchange risks. The Group had not adopted formal hedging policies and no instruments had been applied for foreign currency hedging purposes during 2016. However, in view of the fluctuation of Renminbi and Euro against Hong Kong Dollars and US Dollars, the Group will adopt all applicable financial instruments to hedge against currency risks whenever necessary.

Contingent liabilities

As at 31 December 2016, the Group had contingent liabilities regarding the football players transfers to selling clubs and agents of approximately RMB5.2 million (2015: approximately RMB5.8 million) and performance bonus to football players and management staff of FCSM of approximately RMB2.3 million (2015: approximately RMB3.7 million).

Capital commitment

As at 31 December 2016, the capital commitments contracted but not provided for in respect of the acquisition of the entire issued shares of a subsidiary was approximately RMB81.9 million (2015: RMBNil) and there was no outstanding capital commitments authorised but not provided for in respect of property, plant and equipment as at 31 December 2016 (2015: Nil).

Charge on assets

As at 31 December 2016, pledged bank deposits of approximately RMB26.7 million (2015: approximately RMB0.5 million) were pledged to secure banking facilities granted to the Group. As at 31 December 2015, other current financial assets of approximately RMB24.3 million were also pledged to secure banking facilities granted to the Group.

Employee information

As at 31 December 2016, the Group had over 600 (2015: over 600) employees in which around 92% of who are full-time employees, the majority of whom stationed in the PRC. Total employee remuneration for the year ended 31 December 2016 amounted to approximately RMB139.3 million (2015: approximately RMB58.3 million). The Group adopts a competitive remuneration package and incentives for its employees. Promotion, salary increments and discretionary bonus are assessed based on a performance related basis. Share options may also be granted to staff with reference to individual's performance. Employees are encouraged to take training courses or seminars from time to time to enhance their knowledge and skills.

Significant investment, material acquisition and disposal of subsidiaries and associated companies

On 29 December 2016, Champion Miracle Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Poly (China) Commercial Property Development Limited (保利(中國)商業地產開發有限公司) ("Poly China") and Mr. Tam Kar Wai (譚家偉先生), pursuant to which the Group had conditionally agreed to acquire, and Poly China had conditionally agreed to sell, the entire issued share capital of Affluent State Holdings Limited (富國控股有限公司) (the "Target Company"), which would, upon completion of an internal corporate reorganisation, indirectly holds a property situated in R&F YingXin Building (富力盈信大廈), Guangzhou, the PRC with a total gross floor area of approximately 2,580 sq.m., at the aggregate consideration of HK$103,500,000 (equivalent to approximately RMB92,684,000). The acquisition of the Target Company was completed on 28 February 2017. Details of which please refer to the announcements of the Company dated 4 November 2016, 29 December 2016 and 28 February 2017 respectively.

Save as disclosed above, there was no significant investment, material acquisition or disposal of subsidiaries, joint ventures and associates by the Company during the year ended 31 December 2016.

Report of the directors

Environmental, social and corporate governance

The Group believes that effective environmental, social and corporate governance management policies are crucial to the sustainability of the Group's business. As such, the Group proactively enhances its understanding of the latest laws and regulations and the best practices, which are relevant to the Group's business, as well as its management approach and management systems. As a responsible corporation, the Group is also committed and dedicated to maintaining the highest environmental and social standards.

The Group has complied with all relevant laws and regulations in relation to its business, including but not limited to health and safety, workplace conditions, employment and the environment. The Group understands that a better future depends on everyone's participation and contribution. Towards that end, it has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole. The Group also maintains strong relationships with its employees, has enhanced corporation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

An environmental, social and governance report (the "ESG Report") is prepared with reference to Appendix 27 Environmental, Social and Governance Reporting Guide to the Listing Rules. The ESG report represents our wide commitment to sustainable development during the year ended 31 December 2016 and covers the major environmental and social policies of the Group and the achievements and performance of such policies.

The ESG report will be published on the website of the Stock Exchange and the website of the Company respectively in due course.

Relationship with employees, customers and suppliers

The Group establishes good working relationship with employees. The quality of the employer-employee relationship affects each employee's morale, productivity and ultimately, the Company's profitability. Each employee's ideal work environment varies and the expectations include a relationship that is mutually respect, encourages open communication and is free of hostile working conditions. Certain employees have worked for the Group for over 5 years.

A remuneration committee has been set up for reviewing the Group's emolument policy and structure for all remuneration of the directors of the Company, having regard to the Group's operating results, individual performance and comparable market practices.

The Company has adopted a share option scheme as incentive to directors of the Company and eligible employees of the Group, details of the scheme are set out in the section headed "Equity-linked agreements – Share option scheme" below.

The Group participates in a defined benefits plan which cover approximately 13.0% (2015: approximately 13.3%) of the Group's employees and several defined contribution retirement plans and operates a Mandatory Provident Fund scheme. Particulars of these retirement schemes are set out in note 32 to the financial statements.

The Group has built a solid track record for providing reliable and cost competitive products and has a good reputation with the customers. Over the years, the Group has built up customers loyalty of more than 5 years.

The Group puts strong emphasis on the reliability of suppliers to meet customer's needs. The Group's practice to make prompt payment to suppliers benefited the Group from negotiating a better price and maintaining long term relation with the suppliers.

Donation

Donations made by the Group during the year ended 31 December 2016 amounted to approximately RMB10,000 (2015: approximately RMB9,000).

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2016 are set out in note 14 to the financial statements.

Bank loans and other borrowings

Details of banks loans and other borrowings of Group as at 31 December 2016 are set out in notes 29 to 31 to the financial statements respectively.

Equity-linked agreements

Details of the equity-linked agreements entered into during the year or subsisting at the end of year are set out below:

Unlisted warrants

(i) Tranche 1 Unlisted Warrants issued on 7 December 2012

During the year ended 31 December 2012, the Company issued 89 tranche 1 unlisted warrants, as part of the consideration for the extinguishment of the then outstanding convertible notes, which entitle their holders to subscribe for a total of 29,666,637 ordinary shares of HK$0.01 each of the Company at an initial subscription price of HK$3.00 per share, subject to anti-dilutive adjustments in accordance with the terms of the unlisted warrant instruments ("Tranche 1 Unlisted Warrants"). During the year ended 31 December 2014, the number of shares can be subscribed and the subscription price was adjusted to 35,600,000 shares and HK$2.50 per share respectively as a result to the completion of the bonus issue. The Tranche 1 Unlisted Warrants are exercisable at any time during the period commencing from 7 December 2013 to 6 December 2017.

During the year ended 31 December 2015, 35,600,000 new ordinary shares of HK$0.01 each were issued, in accordance with the terms of the relevant unlisted warrants instrument, for cash at a subscription price of HK$2.50 per share, representing a discount ranged from 57.19% to 68.11% to the closing prices of the Company's shares on the respective issue dates. The subscription price was settled by (i) offset against the Group's bonds payable in the aggregate amount of RMB67,543,000 and (ii) cash of RMB2,742,000. The new ordinary shares were issued, in accordance with the terms of the relevant unlisted warrants instrument, under the specific mandate granted to the directors of the Company at the extraordinary general meeting of the Company held on 5 December 2012 and rank pari passu with the existing ordinary shares in issue in all respects. During the year ended 31 December 2015, the unlisted warrants were fully subscribed.

(ii) Tranche 2 Unlisted Warrants issued on 7 December 2012

During the year ended 31 December 2012, the Company issued 88 tranche 2 unlisted warrants as part of the consideration for the extinguishment of the convertible notes, which entitle their holders to subscribe for a total of 45,128,248 ordinary shares of HK$0.01 each of the Company at an initial subscription price of HK$1.95 per share, subject to anti-dilutive adjustments in accordance with the terms of the unlisted warrant instruments ("Tranche 2 Unlisted Warrants"). During the year ended 31 December 2014, the subscription price was adjusted to HK$1.63 per share as a result the completion of the bonus issue. The Tranche 2 Unlisted Warrant are exercisable at any time during the period commencing from 7 December 2012 to 6 December 2017.

During the year ended 31 December 2016, no (2015: no) Tranche 2 Unlisted Warrants was exercised to subscribe for ordinary shares of the Company. As at 31 December 2016, there are 0.01 (2015: 0.01) outstanding Tranche 2 Unlisted Warrants.

(iii) Unlisted warrants issued on 20 June 2014

During the year ended 31 December 2014, the Company entered into a placing agreement with the placing agent which was an independent third party, pursuant to which, the Company issued 100,000,000 unlisted warrants to individual, corporate and institutional investors at a placing price of HK$0.15 each, resulting in the net proceeds of HK$15,000,000, equivalent to approximately RMB12,042,000. Each unlisted warrant entitles the holder to subscribe for one ordinary share of HK$0.01 each of the Company at an initial subscription price of HK$3.95 per share, subject to anti-dilutive adjustments in accordance with the terms stipulated on the unlisted warrants instrument. The unlisted warrants were issued on 20 June 2014. Subsequently, the subscription price was adjusted to HK$3.29 per share as a result of the completion of the bonus issue and further adjusted to HK$0.82 per share as a result of the completion of the share subdivision. The proceeds were utilised by the Group as its general working capital and to finance the operation of the Company such as to purchase materials for manufacturing LED lighting products.

Report of the directors

During the year ended 31 December 2015, 42,000,000 new ordinary shares of HK$0.01 each and 50,000,000 new ordinary shares of HK$0.0025 each were issued, in accordance with the terms of the relevant unlisted warrants instrument, for cash at an adjusted subscription price of HK$3.29 and HK$0.82 per share respectively, representing a discount ranged from 42.98% to 60.82% to the closing prices of the Company's shares on the respective issue dates. The proceeds were used to finance the consideration of acquiring the entire equity interest of a company, to reduce the liabilities and to provide additional working capital of the Group such as to purchase materials for manufacturing LED lighting products and operation expenses. The new ordinary shares were issued, in accordance with the terms of the relevant unlisted warrants instrument, under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 26 May 2014 and rank pari passu with the existing ordinary shares in issue in all respects. At 31 December 2015, the unlisted warrants were fully subscribed.

Share Option Scheme

In order to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme on 26 July 2007 (the "Share Option Scheme") whereby the Board are authorised, at their absolute discretion and subject to the terms of the Share Option Scheme, to grant options to subscribe the shares of the Company (the "Shares") to, inter alia, any employees (full-time or part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group or any substantial shareholder of the Company. The Share Option Scheme became unconditional on 6 September 2007 and shall be valid and effective for a period of ten years commencing on 26 July 2007, subject to the early termination provisions contained in the Share Option Scheme.

An offer for the grant of options must be accepted within 7 days inclusive of the day on which such offer was made. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of option is HK$1.00. The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price at the discretion of the Board, provided that it shall be at the highest of: (i) the closing price of the Shares as stated in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") daily quotations sheet on the date of grant of the options; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the options; and (iii) the nominal value of the Shares on the date of grant of the options.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all outstanding options to be granted under the Share Option Scheme and any other share option scheme of the Company does not exceed 10% of the Shares in issue at the date when the Shares were first listed on the Stock Exchange. The Company may at any time refresh such limit, subject to in compliance with the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company does not exceed 30% of the Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

An option may be exercised at any time during a period which shall not exceed ten years from the date of grant subject to the provisions of early termination under the Share Option Scheme. There is no minimum period for which an option must be held before it can be exercised under the Share Option Scheme.

No share options were granted, exercised or cancelled by the Company under the Share Option Scheme during the year ended 31 December 2016 and there are no outstanding share options under the Share Option Scheme as at 31 December 2016. The total number of Shares available for issue under the Share Option Scheme as at the date of this report was 433,080,800 Shares which represented 6.32% of the issued share capital of the Company as at 31 December 2016.

In view of the impending expiration of the Share Option Scheme, an ordinary resolution will be proposed at the coming annual general meeting to terminate the Share Option Scheme and adopt a new share option scheme. Further details of the above proposal will be included in the Company's circular to be despatched to the shareholders before the coming annual general meeting.

Information on the accounting policy for share options granted and the weighted average value per option is provided in notes 3(u)(iii) and 34 to the financial statements.

Reserves

Loss attributable to owners of the Company, before dividends, of approximately RMB271,747,000 (2015: approximately RMB192,208,000) have been transferred to reserves. Other movements in the reserves of the Company and the Group during the year ended 31 December 2016 are set out in note 37 to the financial statements and in the consolidated statement of changes in equity on page 50 of this annual report respectively.

Distributable reserves of the Company

The Company's reserves available for distribution to owners was approximately RMB609,387,000 (2015: approximately RMB866,761,000) as at 31 December 2016.

Share capital

Details of movements in the Company's share capital is set out in note 35 to the financial statements. Shares were issued during the year upon completion of placing of ordinary shares of the Company on 9 December 2016. Details in connection to the issue of shares are also set out in note 35 to the financial statements.

The Company had not purchased, sold or redeemed any of its shares during the year. Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, 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.

Remuneration of directors and five highest paid individuals

Details of the emoluments of the directors of the Company and the top five highest paid individuals of the Group are set out in notes 10 and 11 to the financial statements respectively.

Major customers and suppliers

During the year, sales to the Group's five largest customers accounted for approximately 24.8% of the Group's total turnover. In particular, sales to the largest customer of the Group accounted for approximately 9.5% of the Group's total turnover for the year.

During the year, purchases from the Group's five largest suppliers accounted for approximately 35.9% of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 15.5% of the Group's total purchases for the year.

To the best knowledge of the directors of the Company, none of the directors of the Company, their associates (as defined in the Listing Rules) or any shareholder (which to the knowledge of the directors of the Company own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers or suppliers.

Report of the directors

Material related party transactions

The material related party transactions for the year ended 31 December 2016 are set out in note 42 to the financial statements. None of these material related party transactions fall under the definition of connected transactions or continuing connected transactions as defined in chapter 14A of the Listing Rules.

Significant events after the reporting period

Details of the significant events after the reporting period of the Group are set out in note 45 to the financial statements.

Group financial summary

A five year summary of the results and of the assets and liabilities of the Group as at 31 December is set out on page 122 of this annual report.

Directors and directors' service contracts

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

Executive directors

Mr. Li Wing Sang *(Chairman)*
Mr. Liu Xinsheng
Mr. Chiu Chi Hong
Mr. Lee Tsz Hang (appointed on 1 September 2016)

Independent non-executive directors

Mr. Ong King Keung (appointed on 8 March 2017)
Mr. Zhou Jing (appointed on 8 March 2017)
Ms. Wong Chi Yan (appointed on 17 March 2017)
Mr. Tam Tak Wah (resigned on 17 March 2017)
Mr. Ng Wai Hung (resigned on 17 March 2017)
Mr. Lau Wan Cheung (resigned on 2 March 2017)

In accordance with the Company's articles of association, Mr. Chiu Chi Hong, shall retire and being eligible, offer himself for re-election at the forthcoming annual general meeting and Mr. Lee Tsz Hang, Mr. Ong King Keung, Mr. Zhou Jing and Ms. Wong Chi Yan will hold the office and being eligible, will offer themselves for re-election.

The Company has received the annual confirmations of independence, pursuant to Rule 3.13 of the Listing Rules, from each of the independent non-executive directors of the Company and as at the date of this report still considers them to be independent.

Each of the above executive directors of the Company, except for Mr. Lee Tsz Hang, has entered into a service contract for a term of three years, which may be terminated by either party giving the other party not less than six months' prior notice in writing, whereas, Mr. Lee Tsz Hang has entered into a service contract for a term of one year, which may be terminated by either party giving the other party not less than one month's prior notice in writing. Each of the above independent non-executive directors has entered into a service contract for a term of one year, all of which may also be terminated by either party by giving the other party at least one month's prior notice in writing.

All directors of the Company are subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the articles of association of the Company.

Save as disclosed above, none of the directors of the Company has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Director's interest in transactions, arrangement and contracts

No transactions, arrangement or contracts of significance in relation to the Group's business to which the Company, any of its holding company, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as the end of the year or at any time during the year.

Indemnity of directors

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout this year.

Biographical details of directors and senior management

Executive directors

Mr. Li Wing Sang (李永生), aged 59, was appointed as an executive director and the chairman of the Board of the Company on 11 December 2009 and 1 March 2011 respectively. He has extensive marketing and management experience in the fields of electrical household appliance which are in senior management positions. He holds a bachelor degree from Kobe University of Commerce, Japan. Mr. Li is currently the directors of certain subsidiaries of the Company.

Mr. Liu Xinsheng (劉新生), aged 48, is an executive director of the Company. He is responsible for the Board's general affairs. Mr. Liu graduated from Nanjing Audit College (南京審計學院) specialising in accounting in 1991. He is a registered international internal auditor, a registered tax agent of the PRC and an accounting professional. Mr. Liu has over 10 years' experience in the field of accounting and auditing. Prior to joining the Group in February 2006, he worked in the auditing department of Panda Electronics Group Company (熊貓電子集團公司) from July 1991 to December 1998, was the manager of the auditing department of Jiangsu Technology Import and Export Company (江蘇技術進出口公司) from January 1999 to February 2003, the general manager of auditing and legal department and cost control department of Nanjing Chixia Development Company Limited (南京棲霞建設股份有限公司) from February 2003 to February 2006. Mr. Liu is currently the director of certain subsidiaries of the Company.

Mr. Chiu Chi Hong (招自康), aged 52, was appointed as an executive director of the Company on 11 July 2011. He holds a bachelor degree from Griffith University, Australia. He has over 15 years' experience in business development, corporate management, finance and accounting fields. Mr. Chiu is currently the director of certain subsidiaries of the Company.

Mr. Lee Tsz Hang (李子恆), aged 42, was appointed as an executive director of the Company on 1 September 2016. Mr. Lee holds a bachelor degree in Economics from the University of Winnipeg, Canada. He has over 15 years of securities and financial markets, and corporate finance experience, including securities investment, initial public offerings, mergers and acquisitions, corporate and capital restructuring, business projects evaluation, and equity and debt fund raising. He is currently an executive director of Man Sang Jewellery Holdings Limited (stock code: 1466), which is a company listed on the Main Board of the Stock Exchange. Mr. Lee is currently the director of certain subsidiaries of the Company.

Report of the directors

Independent non-executive directors

Mr. Tam Tak Wah (譚德華), aged 51, was appointed as an independent non-executive director of the Company on 7 January 2011. He is a fellow member of the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. Mr. Tam is appointed to membership of Disciplinary Panel of the HKICPA for the period from February 2014 to January 2018. Mr. Tam has over 25 years of experience in accounting, corporate finance and corporate development. He is currently an executive director of International Standard Resources Holdings Limited (stock code: 91), a non-executive director of Kingbo Strike Limited (stock code: 1421) and an independent non-executive director of Future World Financial Holdings Limited (stock code: 572), all are companies listed on the Main Board of the Stock Exchange. Mr. Tam was an executive director of Skyway Securities Group Limited (stock code: 1141) which is a company listed on the Main Board of the Stock Exchange and an independent non-executive director of Goldenway, Inc (stock code: GWYI) which is a company whose common stock were traded in the OTCQB of the United States of America and Siberian Mining Group Company Limited (stock code: 1142) which is a company listed on the Main Board of the Stock Exchange, and resigned in November 2016, August 2013 and February 2014 respectively. Mr. Tam resigned as an independent non-executive director of the Company on 17 March 2017.

Mr. Ng Wai Hung (吳偉雄), aged 53, was appointed as an independent non-executive director of the Company on 8 April 2011. He is a practising solicitor and a partner in Iu, Lai & Li, a Hong Kong firm of solicitors. Mr. Ng practises in the areas of securities law, corporate law and commercial law in Hong Kong. Mr. Ng is also an independent non-executive director of another seven companies listed on the Main Board and one company listed on the Growth Enterprise Market ("GEM") of the Stock Exchange, namely Fortune Sun (China) Holdings Limited (stock code: 352), Gome Electrical Appliances Holding Limited (stock code: 493), Sustainable Forest Holdings Limited (stock code: 723), Trigiant Group Limited (stock code: 1300), On Time Logistics Holdings Limited (stock code: 6123), Kingbo Strike Limited (stock code: 1421), Lajin Entertainment Network Group Limited (stock code: 8172) and Xinyi Automobile Glass Hong Kong Enterprises Limited (stock code: 868). Mr. Ng was also an independent non-executive director of Perception Digital Holdings Limited (stock code: 1822) and Qingdao Holdings International Limited (stock code: 499), both of which are the company listed on the Main Board of the Stock Exchange and resigned in August 2014 and September 2014 respectively. Mr. Ng resigned as an independent non-executive director of the Company on 17 March 2017.

Mr. Lau Wan Cheung (劉雲翔), aged 52, was appointed as an independent non-executive director of the Company on 8 June 2011. He holds a master degree in Information Technology from the National University of Ireland, Ireland and a bachelor degree in Accounting from the University of Hull, England. Mr. Lau has over 20 years of experience in accounting, finance and business management. Mr. Lau resigned as an independent non-executive director of the Company on 2 March 2017.

Mr. Ong King Keung (王競強), aged 41, was appointed as an independent non-executive director of the Company on 8 March 2017. He holds a bachelor degree in accountancy from The Hong Kong Polytechnic University and a master degree in corporate finance from the City University of Hong Kong. He is a member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is currently a director of a professional audit firm in Hong Kong. He has over 15 years of experience in auditing and accounting industry. Mr. Ong is also an independent non-executive director of another one company listed on the Main Board and three companies listed on the GEM of the Stock Exchange, namely China Water Affairs Group Limited (stock code: 855), Bingo Group Holdings Limited (stock code: 8220), China Candy Holdings Limited (stock code: 8182) and Sunrise (China) Technology Group Limited (stock code: 8226). Mr. Ong had also been an independent non-executive director of Deson Construction International Holdings Limited (stock code: 8268), which is the company listed on the GEM of the Stock Exchange, since December 2014 and has been subsequently re-designated as a non-executive director since December 2015. Mr. Ong was also an independent non-executive director of China Environmental Energy Investment Limited (stock code: 986), which is a company listed on the Main Board of the Stock Exchange and resigned in August 2014.

Mr. Zhou Jing (周晶), aged 57, was appointed as an independent non-executive director of the Company on 8 March 2017. He holds a bachelor degree in engineering from Wuhan Institute of Building Materials (武漢建築材料工業學院), now known as Wuhan University of Technology) in December 1982 and subsequently obtained a master degree in technology from Wuhan University of Technology in July 1987. Thereafter, Mr. Zhou had worked in various departments in the Central People's Government, the PRC between 1987 to 1994. Mr. Zhou had served as a factory manager, vice general manager and general manager in various state-owned enterprises in the PRC from May 1994 to August 2004. Between August 2004 to April 2013, Mr. Zhou held various positions in China Zhong Heng Tai Investment Company Limited (北京中恒泰投資有限公司), a company established with the approval of the National Development and Reform Commission of the PRC (中華人民共和國國家發展改革委員會) and from February 2006 to April 2013, Mr. Zhou held a concurrent post of general manager of China Zhong Heng Tai Investment (Suriname) N.V. (中國中恒泰投資（蘇里南）有限公司), a company established by China Zhong Heng Tai Investment Company Limited, in Suriname. Mr. Zhou has more than 10 years' experience in cultivation, processing technology research and investment management in the field of agriculture and forestry. Mr. Zhou is also the chairman and the executive director of China Demeter Financial Investments Limited (stock code: 8120) which is the company listed in the Main Board of the Stock Exchange, and an independent non-executive director of DX.com Holdings Limited (stock code: 8086) which is the company listed in the GEM of the Stock Exchange.

Ms. Wong Chi Yan (黃志恩), aged 35 was appointed as an independent non-executive director of the Company on 17 March 2017. She holds a bachelor of business administration degree in accounting from Hong Kong Baptist University and a master degree of laws in international corporate and financial law from The University of Wolverhampton, UK. She is an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. She is currently an executive director and authorised representative of Aurum Pacific (China) Group Limited (stock code: 8148) which is a company listed on the GEM of the Stock Exchange. She is also an executive director, company secretary and authorised representative of Elegance Optical International Holdings Limited (stock code: 907) and the company secretary and authorised representative of Flyke International Holdings Limited (stock code: 1998), both of which are the companies listed on the Main Board of the Stock Exchange. She was also an independent non-executive director of Prosten Health Holdings Limited (stock code: 8026) which is a company listed on the GEM of the Stock Exchange, an independent non-executive director of Co-Prosperity Holdings Limited (stock code: 707) which is a company listed on the Main Board of the Stock Exchange, company secretary and authorised representative of U-RIGHT International Holdings Limited (stock code: 627) which is a company listed on the Main Board of the Stock Exchange, an executive director, company secretary and authorised representative of PPS International (Holdings) Limited (stock code: 8201) which is a company listed on the GEM of the Stock Exchange and executive director of China Taifeng Beddings Holdings Limited (stock code: 873), a company listed on the Main Board of the Stock Exchange and resigned in October 2015, January 2016, April 2016, July 2016 and August 2016 respectively.

Senior management

Ms. Lee On Wing (李安穎), aged 42, is the company secretary and authorised representative of the Company. Ms. Lee joined the Company as the finance manager since 2011. Ms. Lee holds a bachelor degree of accounting from the City University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants of the United Kingdom. She has over 10 years of experience in auditing, accounting, finance and company secretarial fields. Prior joining the Company, Ms. Lee has worked as a senior auditor in an international accounting firm from 2007 to 2011.

Report of the directors

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any of its associated corporations

At 31 December 2016, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which required notification pursuant to Division 7 and 8 of XV of the SFO, or which are required, pursuant to section 352 of the Part XV of the SFO, to be entered in the register kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(i) Interests in the issued shares of the Company

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Executive directors:			
Mr. Li Wing Sang	Beneficial owner	589,699,200 (Long position)	8.60%
Mr. Chiu Chi Hong	Beneficial owner	67,276,000 (Long position)	0.98%
Mr. Liu Xinsheng	Beneficial owner	68,470,400 (Long position)	1.00%
Mr. Lee Tsz Hang	Beneficial owner	64,370,000 (Long position)	0.94%

(ii) Interests in the issued shares of associated corporation

At 31 December 2016, none of the directors or any of their associates or chief executive of the Company, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests of substantial shareholders in shares, underlying shares and debentures of the Company

At 31 December 2016, so far as is known to the directors of the Company, there is no person (other than the directors or chief executive of the Company), who had interests of 5% in the shares or underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Directors' rights to acquire shares, underlying shares or debentures

Save as disclosed under the section headed "Directors' and chief executive's interests in shares, underlying shares and debentures of the Company and its associated corporations" above, at no time during the year was the Company, or any its holding company, subsidiaries a party to any arrangement to enable the directors or the chief executive of the Company or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Competing interests

None of the directors, and the substantial shareholders had any interests in any business, which competed with or might compete with the business of the Group.

Corporate governance

Details of the corporate governance are set out in the section headed "Corporate Governance Report" in this report.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, there is sufficient public float of more than 25% of the issued share capital of the Company as required under the Listing Rules.

Closure of register of members

The register of members of the Company will be closed from 24 May 2017 to 29 May 2017 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to quality for attending the annual general meeting of the Company to be held on 29 May 2017, unregistered holders of shares of the Company should ensure that all transfer of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investors Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 23 May 2017.

Auditor

BDO Limited ("BDO") was first appointed as auditor of the Company in 2014 upon filling the vacancy following the resignation of Crowe Horwath (HK) CPA Limited which acted as auditor of the Company in 2013.

BDO shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO as auditor of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Li Wing Sang
Chairman

Hong Kong, 30 March 2017

Corporate governance report

The board (the "Board") of director (the "Directors") of Tech Pro Technology Development Limited (the "Company", together with its subsidiaries the "Group") is committed to achieving and maintaining high standards of corporate governance to ensure that all decisions are made in good faith, in the best interest of shareholders and in long-term shareholders value.

Code on corporate governance practices

The Board is responsible for the corporate governance functions of the Group. The Company has applied the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in appendix 14 to the Rules (the "Listing Rules") Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company has complied with the code provisions of the Code for the year ended 31 December 2016, save for the exceptions explained in this report under the section headed "Chairman and chief executive officer" and "Communication with shareholders".

The Board as a whole is responsible for performing the corporate governance duties. The Board reviews, monitors and improves the corporate governance practices and standards of the Company, including the Company's policies and practices of corporate governance, the practices in compliance with legal and regulatory requirements and the training and continuous professional development and code of conduct of the Directors and senior management, with a view to continuously improve the Company's corporate governance practices by assessing their effectiveness with evolving standards to meet changing circumstances and needs.

Board of directors

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The management was delegated the authority and responsibility by the Board to the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the board committees. Further details of these committees are set out below in this report. All Board members have separate and independent access to the Company's management to fulfil their duties, and upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. All Directors also have access to the company secretary who is responsible for ensuring that the Board procedures, and all applicable rules and regulations, are followed. An agenda and the accompanying relevant documents are distributed to the Directors or members of the board committees with reasonable notice in advance of the meetings. Minutes of Board meetings and meetings of board committees, which recorded in sufficient details the matters considered by the Board or the board committees and decisions reached, including any concerns raised by the Directors or dissenting views expressed, are kept by the company secretary and open for inspection by the Directors.

The Company has received from each of the independent non-executive directors ("INEDs") an annual confirmation of their independence and considers that all the INEDs are independent under the guidelines set out in rule 3.13 of the Listing Rules.

The members of the Board during the year 2016 and as at the date of this report are:

Executive directors:

Mr. Li Wing Sang
Mr. Liu Xinsheng
Mr. Chiu Chi Hong
Mr. Lee Tsz Hang (appointed on 1 September 2016)

Independent non-executive directors:

Mr. Ong King Keung (appointed on 8 March 2017)
Mr. Zhou Jing (appointed on 8 March 2017)
Ms. Wong Chi Yan (appointed on 17 March 2017)
Mr. Tam Tak Wah (resigned on 17 March 2017)
Mr. Ng Wai Hung (resigned on 17 March 2017)
Mr. Lau Wan Cheung (resigned on 2 March 2017)

Brief biographical details of the Directors are set out in the "Biographical details of directors and senior management" section in the Report of the directors on pages 27 to 29 of this annual report.

Board meetings and attendance

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, in addition to the meetings for reviewing and approving the Group's annual and interim results. During the year 2016, nine Board meetings were held and attendance of each Director at the Board meeting is set out as follows:

Name of Director	Attendance/ Meeting held
Executive directors	
Mr. Li Wing Sang	9/9
Mr. Liu Xinsheng	9/9
Mr. Chiu Chi Hong	9/9
Mr. Lee Tsz Hang	4/4
Independent non-executive directors	
Mr. Tam Tak Wah	9/9
Mr. Ng Wai Hung	7/9
Mr. Lau Wan Cheung	9/9

Chairman and chief executive officer

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer". This deviates from the code provision A.2.1 of the Code.

Mr. Li Wing Sang, who acts as the chairman of the Board during the year 2016, is also responsible for overseeing the general operations of the Group. As the Board will meet or discuss regularly to consider major matters affecting the operations of the Company, the Board considers that this structure will not impair the balance of the power and authority between the Board and the management of the Company. The roles of the respective executive directors and senior management, who are in charge of different functions, complement the roles of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership which enables the Group to operate efficiently.

Corporate governance report

The Board understands the importance to comply with the code provision A.2.1 of the Code and will continue to consider the feasibility of compliance. If compliance is determined, appropriate person will be nominated to take up the different roles of chairman and chief executive officer.

Independent non-executive director

Pursuant to the rule 3.10(1) of the Listing Rules, the number of INED should be a least three. Upon the resignation of Mr. Lau Wan Cheung on 2 March 2017, the Board included two INEDs. Pursuant to Rule 3.11 of the Listing Rules, the Company shall appoint a sufficient number of INED to meet the minimum number as required under Rule 3.10(1) of the Listing Rules within three months after failing to meet the requirement. Following the appointment of Mr. Ong King Keung and Mr. Zhou Jing on 8 March 2017, the Company has fulfilled the requirements regarding the number of INED under rule 3.10(1) of the Listing Rules.

Appointment, re-election and removal of directors

Each of the executive directors of the Company, except for Mr. Lee Tsz Hang, has entered into a service contract with the Company for a term of three years, which may be terminated by either party giving the other party not less than six months' prior notice in writing, whereas, Mr. Lee Tsz Hang has entered into a service contract with the Company for a term of one year, which may be terminated by either party giving the other party not less than one month's prior notice in writing. Each of the independent non-executive directors has entered into a service contract with the Company for a term of one year, all of which may also be terminated by either party by giving the other party at least one month's prior notice in writing.

In accordance with article 87 of the Articles of Association (the "Articles") of the Company, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at an annual general meeting at least once every three years. Any directors appointed pursuant to articles 86(3) of the Articles shall not be taken into account in determining which director or the number of directors who are to retire by rotation in accordance with article 87 of the Articles.

Mr. Chiu Chi Hong shall retire from office as Director by rotation at the forthcoming annual general meeting, and being eligible, offer himself for re-election. Mr. Lee Tsz Hang, Mr. Ong King Keung, Mr. Zhou Jing and Ms. Wong Chi Yan will hold the office, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Model code set out in appendix 10 to the Listing Rules

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transaction. The Company has also adopted the Model Code for the relevant employees.

Having made specific enquiry of all Directors by the Company, all Directors, save as disclosed below, confirmed that they had complied with the Model Code during the year 2016. Moreover, no incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

During the period commencing on 28 July 2016 to 10 August 2016 (the "Relevant Period"), certain shares of the Company held by each of the chairman and executive Director, Mr. Li Wing Sang and executive Directors, Mr. Chiu Chi Hong and Mr. Liu Xinsheng which were deposited with securities firms (the "Brokers") as collaterals to secure their respective margin financing (the "Margin Securities"), were sold (the "Disposals") by certain Brokers without prior notice as a result of a decrease in share price of the Company during the Relevant Period. After the Relevant Period, the shareholding interests in the Company of Mr. Li Wing Sang, Mr. Chiu Chi Hong and Mr. Liu Xinsheng reduced from approximately 21.07% to approximately 11.68%, approximately 5.28% to approximately 1.10% and approximately 2.69% to approximately 1.05% respectively. The Directors, who are not interest in the Disposals, satisfied that the Disposals were exceptional circumstance under code provision C.14 of the Model Code.

Responsibilities of directors

All newly appointed Directors received comprehensive, formal training on the first occasion of their appointments and were ensured to have a proper understanding of the businesses and development of the Group and that they were fully aware of their responsibilities under statue and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company.

To facilitate the Directors to discharge their responsibilities, they are encouraged to participate in relevant training course and seminars held by the regulatory bodies or professional institutions in respective of regulatory development, business and market changes and the strategic development of the Group. Information obtained will be shared and discussed among the Directors.

Supply of and access to information

In respect of regular Board meeting, and so far as practicable in all other cases, an agenda and accompanying relevant documents are sent in full to all Directors in a timely manner and at least three days before the intended date of a Board meeting.

All Directors are entitled to have access to the Board minutes and related materials.

Company Secretary

Ms. Lee On Wing ("Ms. Lee") was appointed as the company secretary of the Company on 1 August 2013. The biographical details of Ms. Lee are set out under the section headed "Biographical details of directors and senior management" section in the Report of the directors on pages 27 to 29 of this annual report. According to the rule 3.29 of the Listing Rules, Ms. Lee has taken no less than 15 hours of relevant professional training during the year 2016.

Continuous professional development

According to the code provision A.6.5 of the Code, the Company recommends Directors to attend relevant seminars or courses to develop and refresh their knowledge and skills. The company secretary reports from time to time the latest changes and development of the Listing Rules and other corporate governance requirements with written materials. During the year 2016, the continuous professional development taken by respective Directors are as follows:

Name of Director	Type of Trainings
Executive directors	
Mr. Li Wing Sang	A, B
Mr. Liu Xinsheng	A, B
Mr. Chiu Chi Hong	A, B
Mr. Lee Tsz Hang	A, B
Independent non-executive directors	
Mr. Tam Tak Wah	A, B
Mr. Ng Wai Hung	A, B
Mr. Lau Wan Cheung	A, B

A reading materials in relation to regulatory update

B attending seminars/courses/conferences to develop professional skill and knowledge

Corporate governance report

Audit committee

The Company established an audit committee (the "Audit Committee") on 26 July 2007 with written terms of reference in compliance with the code provisions of the Code as set out in appendix 14 to the Listing Rules. The primarily duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of the Group. During the year 2016, the Audit Committee comprises three INEDs, namely Mr. Tam Tak Wah, Mr. Ng Wai Hung and Mr. Lau Wan Cheung.

Following the resignation and appointment of Directors on 2 March 2017, 8 March 2017 and 17 March 2017 (details of which are set out in the announcements of the Company dated 2 March 2017, 8 March 2017 and 17 March 2017 respectively), as at the date of this report, the Audit Committee comprises Mr. Ong King Keung, Mr. Zhou Jing and Ms. Wong Chi Yan, who are INEDs, and Mr. Ong King Keung is the chairman of the Audit Committee. In compliance with the rule 3.21 of the Listing Rules, the Audit Committee currently comprises three members who are INEDs only and Mr. Ong King Keung and Ms. Wong Chi Yan possess professional accounting qualifications and relevant accounting experience.

The written terms of reference of the Audit Committee adopted by the Board are in line with the code provisions of the Code and are available upon request and on the websites of the Company and the Stock Exchange.

During the year 2016, the Audit Committee had met two times with the Board, senior management of the Company and the Company's external auditor. The Audit Committee has also reviewed the Group's risk management and internal controls systems. The Group's interim financial report for the six months ended 30 June 2016 and the annual report for the year ended 31 December 2016 have been reviewed by the Audit Committee before submission to the Board for approval. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditor.

The Audit Committee held two meetings during the year 2016. Details of the attendance of the Audit Committee meetings are as follows:

Name of member	Attendance/ Meeting held
Mr. Tam Tak Wah	2/2
Mr. Ng Wai Hung	2/2
Mr. Lau Wan Cheung	2/2

Auditor's remuneration

The Company has appointed BDO Limited as an auditor of the Company since 2014. During the year 2016, the fee incurred for audit and non-audit services provided by the auditor to the Group is set out as follows:

Type of services	Fee paid/ payable RMB'000
Audit services	1,380
Non-audit services	271
	1,651

The non-audit services mainly consisted of the reporting on the agreed-upon-procedures in relation to the interim report and certain announcements.

Nomination committee

The Company established a nomination committee (the "Nomination Committee") pursuant to a resolution of the Directors passed on 26 July 2007 in compliance with the code provisions of the Code as set forth in appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of Board succession and ensure that the candidates to be nominated as Directors are experienced, high caliber individuals. During the year 2016, the Nomination Committee consists of Mr. Li Wing Sang, an executive Director and two INEDs, namely Mr. Ng Wai Hung and Mr. Lau Wan Cheung. Mr. Li Wing Sang is the chairman of the Nomination Committee. Upon the resignation of Mr. Lau Wan Cheung and Mr. Ng Wai Hung, Mr. Ong King Keung and Ms. Wong Chi Yan are appointed as members of Nomination Committee to fill the casual vacancy respectively.

The Nomination Committee shall meet at least once every year for reviewing the structure, size, composition and diversity of the Board, assessing the independence of INEDs of the Company and other related matters.

The written terms of reference of the Nomination Committee adopted by the Board are in line with the code provisions of the Code and are available upon request and on the websites of the Company and the Stock Exchange.

The Nomination Committee held two meetings during the year 2016. Details of the attendance of the Nomination Committee meetings are as follows:

Name of member	Attendance/ Meeting held
Mr. Li Wing Sang	2/2
Mr. Ng Wai Hung	2/2
Mr. Lau Wan Cheung	2/2

At the meetings, the Nomination Committee reviewed the structure, size, composition and diversity of the Board, assessing the independence of INEDs and other related matters of the Company.

Remuneration committee

The Company established a remuneration committee (the "Remuneration Committee") pursuant to a resolution of the Directors passed on 26 July 2007 in compliance with the code provisions of the Code as set forth in appendix 14 to the Listing Rules. The primarily duties of the Remuneration Committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management. During the year 2016, the members of the Remuneration Committee are Mr. Tam Tak Wah, Mr. Ng Wai Hung and Mr. Lau Wan Cheung who are the INEDs of the Company. Mr. Tam Tak Wah is the chairman of the Remuneration Committee. Upon the resignation of Mr. Lau Wan Cheung, Mr. Tam Tak Wah and Mr. Ng Wai Hung, Mr. Ong King Keung, Mr. Zhou Jing and Ms. Wong Chi Yan are appointed as the chairman and members of Nomination Committee to fill the casual vacancy respectively.

The Remuneration Committee shall meet at least once every year to discuss remuneration-related matters. No executive Director is allowed to be involved in deciding his or her own remuneration.

The written terms of reference of the Remuneration Committee adopted by the Board are in line with the code provisions of the Code and are available upon request and on the websites of the Company and the Stock Exchange.

Corporate governance report

The Remuneration Committee held two meetings during the year 2016. Details of the attendance of Remuneration Committee meetings are as follows:

Name of member	Attendance/ Meeting held
Mr. Tam Tak Wah	2/2
Mr. Ng Wai Hung	2/2
Mr. Lau Wan Cheung	2/2

At the meetings, the Remuneration Committee reviewed the remuneration policies of the Directors and senior management and reviewed the remuneration packages and performance of the Directors.

The remuneration of the Directors and senior management by band for the year ended 31 December 2016 are as follows:

Remuneration band (HK$)	Number of individuals
Nil to HK$1,000,000	5
HK$2,000,001 to HK$2,500,000	2
HK$2,500,001 to HK$3,000,000	1

Further particulars regarding Directors' emolument and the five highest paid employees are set out in notes 10 and 11 to the financial statements.

Directors' and auditor's responsibility for financial statements

All Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2016. The auditor of the Company acknowledges their reporting responsibilities in the independent auditor's report on the financial statements for the year ended 31 December 2016. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern therefore the Directors continue to adopt the going concern approach in preparing the financial statements.

Risk management and internal control

The Directors are responsible for the evaluation and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objective, and to establish and maintain a sound and effective risks management and internal control systems in order to safeguard the shareholders' investments and the Company's assets. The Company reviews the effectiveness of its risk management and internal control systems regularly.

The Group establishes the risk management and internal control systems for its subsidiaries, but it is recognised that there is no system will preclude all the errors, irregularities and risks. These systems are designed to manage and mitigate rather than eliminate the risks to achieve the Company's strategic objectives. It aims to reduce and mitigate the risks and not absolute assurance against any material misstatement or loss. The systems are designed to cover the controls over business operations, financial and compliance aspects and to provide reasonable, but not absolute, assurance on the shareholders' investments and the Company's assets.

The Directors assume the responsibility of the risk management and internal controls function. The Audit Committee is delegated to oversee and evaluate the Company's financial reporting system, risk management and internal control systems under the terms of reference of the committee. The operational members of the Group are responsible for identifying the potential risks in operations, financial and compliance aspects and reporting, together with their considered views and recommendations for risks mitigation, to the management. The management is required to analysis and evaluate the identified risks, then further developing the risks mitigation plans and the implementation of the risks reduction strategies.

The Directors had conducted regular reviews on the effectiveness of the system of the internal controls of the Group, covering all material controls including financial, operational, compliance controls and risks management functions during the year. The Directors had also considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting and financial reporting functions during the evaluation the effectiveness of system of the internal control. Results and findings arising from the reviews were discussed in the Audit Committee meetings.

The Group does not have the risk management committee but have established an internal audit function team. In order to enhance the internal control of the Company, the Company has engaged an independent professional consultant to conduct an internal control review (the "Review") during the year 2016. The Review was conducted with reference to the requirements of the appendix 14 to the Listing Rules to evaluate risks and control weaknesses. A report on the Review has been prepared by the independent professional consultant and been sent to the Audit Committee for their review. From the report, no material findings are noted and certain recommendations have been made to the Company. The Company accepted the recommendations and corresponding actions have been enforced.

Based on the periodical reviews with the management and the Review from the independent professional consultant, to the best knowledge and belief of the Directors, the Directors believe that the Group's risk management and internal control systems are effective and adequate in addressing the risks of the Group in operation, financial and compliance so that provides a reasonable assurance against material misstatement or material loss to safeguarding the Company's assets.

Shareholders' rights

Convening an extraordinary general meeting

Pursuant to article 58 of the Articles of the Company, extraordinary general meetings of the Company (the "EGM(s)") shall be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the company secretary at the head office of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. If within twenty one days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s), as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting enquiries to the Board

To ensure effective communication between the Board and the shareholders, the Company has adopted a shareholders' communication policy (the "Policy") on 30 March 2012. Under the Policy, the Company's information is communicated to the shareholders mainly through general meetings, including annual general meeting and extraordinary general meeting, the Company's financial reports (interim and annual reports), and other corporate publications on the websites of the Company and the Stock Exchange. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

The shareholders may direct their questions about their shareholdings to the Company's share registrar, the contact details of which are set out as follows:

Tricor Investors Services Limited
Address: Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
Telephone: (852) 2980-1888
Facsimile: (852) 2890-9350

The shareholders, the potential investors and the media may at any time make a request for the Company's information to the extent such information is publicly available and make enquiries to the Company through the following means:

Address: Unit 1402, 14/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong
Facsimile: (852) 3908-1223
Attention: Company Secretary

Corporate governance report

Right to propose a person for election as a director at general meetings

Pursuant to the article 88 of the Articles of the Company, a shareholder may propose a person other than a retiring Director or recommended by the Directors by validly lodging the following documents within the period hereinafter mentioned at the head office of the Company:

– a notice in writing of the intention to propose that person for election as a director, which must state the full name of the person, include the person's biographical details as required by rule 13.51(2) of the Listing Rules and be signed by a shareholder; and

– a notice in writing signed by that person of his/her willingness to be elected as a director together with his/her written consent to the publication of his/her personal data. Such documents shall be lodged with the head office of the Company within the period of seven days after the despatch of the notice of the general meeting.

Upon receipt of such documents, the Company shall verify the documents and, if the proposal is found to be in order, publish an announcement and/or issue a supplemental circular in respect of the proposal in accordance with Rule 13.70 of the Listing Rules.

Investor relations

To enhance its transparency, the Company encourages dialogue with institutional investors and analysts. Extensive information about the Company's activities is provided in its interim and annual reports, which are sent to shareholders, analysts and interested parties respectively. The Company also maintains regular communication with the media. The Company's news releases, announcements and publications are circulated timely, to all major news media. The same materials are also available on the websites of the Company and the Stock Exchange. Media briefings are organised from time to time to relay details of the Group's latest business initiatives and market development plans. Regular meetings are also held with institutional investors and analysts to disseminate financial and other information related to the Group and its business. These activities keep the public aware of the Group's activities and foster effective communication.

Communication with shareholders

The Company endeavours to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

Code provision A.6.7 of the Code requires that INEDs and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. In addition, under code provision E.1.2 of the Code, the chairman of the Board, as well as the chairman of Audit Committee, Nomination Committee and Remuneration Committee, or in their absence, other members of the respective committees, will make themselves available at the annual general meeting to meet with shareholders.

Due to the other business engagements, Mr. Ng Wai Hung, an INED, could not attend the annual general meeting of the Company held on 25 May 2016. However, all other executive directors and independent non-executive directors of the Company and the representative of the Company's independent auditor, BDO Limited were present to answer any question of the shareholders.

The 2016 annual general meeting of the Company will be held on 29 May 2017.

The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on its business in a timely manner, subject to relevant regulatory requirements.

Independent auditor's report

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香港
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永安中心25樓

To the Shareholders of Tech Pro Technology Development Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Tech Pro Technology Development Limited (the "Company") and its subsidiaries (hereafter referred to as the "Group") set out on pages 46 to 121, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, 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 31 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 ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Independent auditor's report

KEY AUDIT MATTERS (Continued)

Impairment of property, plant and equipment and other intangible assets

Refer to Notes 3, 5, 14, 16 and 17 in the consolidated financial statements.

Key Audit Matter

The carrying value of the Group's property, plant and equipment and other intangible assets before current year impairment amounted to RMB64,253,000 and RMB267,624,000 respectively as at 31 December 2016. The Group sustained a loss for the year ended 31 December 2016 and accordingly, management considered that there were indicators of impairment of property, plant and equipment and other intangible assets.

Following a detailed impairment review of the Group's related cash-generating units ("CGUs"), the management has estimated impairment loss on the Group's property, plant and equipment and other intangible assets in the amount of RMB42,153,000 and RMB234,635,000 respectively for the year ended 31 December 2016.

This conclusion was based on a value-in-use model that required significant management judgment with respect to the methodology and assumptions adopted in the valuation.

Our response:

During our audit, we conducted the following audit procedures, amongst others, to address this key audit matter:

(i) Evaluating and checking the composition of the Group's future cash flow forecasts in the CGUs, and the process by which they were drawn up, including testing the underlying value-in-use calculations and comparing them to the latest approved budgets;

(ii) Checking the key assumptions including by comparing the current year actual results with the 2016 figures included in the prior year forecast, by reference to future plans and by performing independent market analysis; and

(iii) Utilising our own valuation specialists' work when considering the appropriateness of the methodology and assumptions adopted in the valuation.

Independent auditor's report

KEY AUDIT MATTERS (Continued)

Impairment of trade receivables and other receivables

Refer to Notes 3, 5, 24 and 25 in the consolidated financial statements.

Key Audit Matter

The carrying value of the Group's net trade receivables and net other receivables amounted to RMB121,858,000 and RMB122,992,000 respectively as at 31 December 2016.

Management has accumulated impairment losses on trade receivables and other receivables as at 31 December 2016 in the amount of RMB37,178,000 and RMB5,616,000 respectively. The impairment loss was estimated based on management impairment assessment on the Group's trade receivables and other receivables on individual basis, mainly reference to each debtor's repayment history and subsequent settlement information.

Our response:

During our audit, we conducted the following audit procedures, amongst others, to address this key audit matter:

(i) Obtaining an understanding of the basis of management's judgements about the recoverability of all overdue balances and evaluating, on a sample basis, whether management had performed credit assessments of the related debtors by examining underlying documentation, which included evidence of the debtors' financial condition, correspondence with the debtors, the ageing of overdue balances, historical repayment records and repayments after the reporting date; and

(ii) Discussing the status of the long outstanding balance of trade and other receivables with management and obtaining documentation on recoverability.

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.

Independent auditor's report

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, 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.

Independent auditor's report

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

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

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

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

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

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

BDO Limited
Certified Public Accountants

Lam Siu Fung
Practising Certificate Number: P05308

Hong Kong, 30 March 2017

Consolidated statement of profit or loss

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Turnover	6	**232,980**	220,026
Cost of sales		**(108,306)**	(153,848)
Gross profit		**124,674**	66,178
Other revenue and income	7	**14,750**	15,156
Selling and distribution costs		**(29,710)**	(28,767)
Administrative and other operating expenses		**(236,096)**	(146,670)
Impairment loss on property, plant and equipment	14	**(42,153)**	–
Impairment loss on goodwill and other intangible assets	15 & 17	**(234,635)**	(187,240)
Amortisation of other intangible assets	17	**(53,392)**	(70,303)
Fair value gain/(loss) on contingent consideration receivables	19	**11,669**	(5,941)
Net realised and unrealised loss on other current financial assets, net		**(2,957)**	(2,209)
Gain on bargain purchase	38	**–**	61,996
Finance costs	8(a)	**(39)**	(1,397)
Share of results of a joint venture	21(a)	**9,855**	17,153
Loss before income tax	8	**(438,034)**	(282,044)
Income tax	9	**73,469**	43,819
Loss for the year		**(364,565)**	(238,225)
Loss attributable to:			
Owners of the Company		**(271,747)**	(192,208)
Non-controlling interests		**(92,818)**	(46,017)
		(364,565)	(238,225)
		2016	2015
Loss per share (RMB cents)	13		
– Basic and diluted		**(4.14 cents)**	(2.99 cents)

The notes on pages 53 to 121 form an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Loss for the year	**(364,565)**	(238,225)
Other comprehensive income for the year		
Item that will not be reclassified to profit or loss:		
Actuarial gain/(loss) on pension obligations	**1,021**	(155)
Item that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**18,450**	13,382
Total comprehensive income for the year (net of tax)	**(345,094)**	(224,998)
Attributable to:		
Owners of the Company	**(252,331)**	(178,955)
Non-controlling interests	**(92,763)**	(46,043)
	(345,094)	(224,998)

The notes on pages 53 to 121 form an integral part of these financial statements.

Consolidated statement of financial position

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	14	22,100	68,562
Goodwill	15	–	–
Other intangible assets	17	32,989	321,018
Other non-current financial assets	18	124,525	5,179
Contingent consideration receivables	19	–	3,669
Deferred tax assets	33(a)	2,252	–
Interest in a joint venture	21(a)	257,696	366,641
Deposit	25(c)	10,746	–
		450,308	765,069
Current assets			
Other current financial assets	22	4,298	30,789
Inventories	23	30,536	30,396
Trade and bills receivables	24	122,703	142,981
Other receivables and prepayments	25	131,306	112,468
Pledged bank deposits	26	26,656	487
Cash at banks and in hand	26	98,689	128,579
		414,188	445,700
Current liabilities			
Trade and bills payables	27	36,683	25,658
Other payables and accruals	28	79,421	76,606
Bank loans	29	–	132
Obligations under finance leases	31	527	494
Income tax payable		21,153	21,153
		137,784	124,043
Net current assets		276,404	321,657
Total assets less current liabilities		726,712	1,086,726
Non-current liabilities			
Obligations under finance leases	31	264	741
Defined benefit obligations	32(b)	1,244	2,051
Deferred tax liabilities	33(a)	6,882	78,222
		8,390	81,014
NET ASSETS		718,322	1,005,712

The notes on pages 53 to 121 form an integral part of these financial statements.

Consolidated statement of financial position

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	35	**14,974**	14,267
Reserves	37	**696,567**	891,901
		711,541	906,168
Non-controlling interests		**6,781**	99,544
TOTAL EQUITY		**718,322**	1,005,712

Approved and authorised for issue by the board of directors on 30 March 2017.

Li Wing Sang
Director

Chiu Chi Hong
Director

The notes on pages 53 to 121 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2016

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000 (Note 37(a))	Warrant reserve RMB'000 (Note 37(b))	Other reserve RMB'000 (Note 37(c))	Actuarial reserve RMB'000 (Note 37(d))	Exchange reserve RMB'000 (Note 37(e))	Accumulated losses RMB'000	Total reserves RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	13,541	1,361,005	43,367	12,344	–	(460)	(565,767)	850,489	145,587	1,009,617
Issue of new shares upon exercise of unlisted warrants	726	258,859	(43,360)	–	–	–	–	215,499	–	216,225
Share-based payment for a share transaction	–	4,868	–	–	–	–	–	4,868	–	4,868
Loss for the year	–	–	–	–	–	–	(192,208)	(192,208)	(46,017)	(238,225)
Actuarial loss on pension obligations	–	–	–	–	(155)	–	–	(155)	–	(155)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	13,408	–	13,408	(26)	13,382
Total comprehensive income for the year	–	–	–	–	(155)	13,408	(192,208)	(178,955)	(46,043)	(224,998)
At 31 December 2015 and 1 January 2016	14,267	1,624,732	7	12,344	(155)	12,948	(757,975)	891,901	99,544	1,005,712
Issue of new shares upon completion of placing	707	51,851	–	–	–	–	–	51 851	–	52,558
Share-based payment for a share transaction	–	5,146	–	–	–	–	–	5,146	–	5,146
Loss for the year	–	–	–	–	–	–	(271,747)	(271,747)	(92,818)	(364,565)
Actuarial gain on pension obligations	–	–	–	–	1,021	–	–	1,021	–	1,021
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	18,395	–	18,395	55	18,450
Total comprehensive income for the year	–	–	–	–	1,021	18,395	(271,747)	(252,331)	(92,763)	(345,094)
At 31 December 2016	14,974	1,681,729	7	12,344	866	31,343	(1,029,722)	696,567	6,781	718,322

The notes on pages 53 to 121 form an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Operating activities			
Loss before income tax		**(438,034)**	(282,044)
Adjustments for:			
Amortisation of other intangible assets	17	**53,392**	70,303
Impairment loss on property, plant and equipment	14	**42,153**	–
Impairment loss on goodwill and other intangible assets	15 & 17	**234,635**	187,240
Share of results of a joint venture	21(a)	**(9,855)**	(17,153)
Finance costs	8	**39**	1,397
Fair value change on contingent consideration receivables	19	**(11,669)**	5,941
Depreciation of property, plant and equipment	8	**13,955**	12,703
Bad debt written-off	8	**–**	4,591
Allowance for impairment on trade and other receivables, net	8	**25,847**	11,703
Loss on disposal of property, plant and equipment	8	**2,042**	3,793
Interest income	7	**(994)**	(913)
Dividend income from other current financial assets	7	**–**	(260)
Net realised and unrealised loss on financial assets at fair value through profit or loss, net		**2,957**	2,209
Write-down of inventories	8	**3,167**	1,239
Gain on bargain purchase	38	**–**	(61,996)
Gain on disposal of players' registration rights	7	**(7,471)**	–
Share-based payment	8	**5,146**	4,868
Net cash flows before working capital changes		**(84,690)**	(56,379)
Increase in inventories		**(3,307)**	(12,316)
Increase in trade and bills receivables		**(2,915)**	(44,891)
(Increase)/decrease in other receivables and prepayments		**(16,702)**	4,287
Increase/(decrease) in trade and bills payables		**11,025**	(5,685)
Increase in other payables and accruals		**2,815**	24,129
Cash used in operations		**(93,774)**	(90,855)
Income tax (paid)/refund		**(74)**	6,716
Net cash used in operating activities		**(93,848)**	(84,139)

The notes on pages 53 to 121 form an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Investing activities			
Interest received		994	913
(Increase)/decrease in pledged bank deposits		(26,169)	23,448
Increase in deposit		(10,746)	–
Acquisition of property, plant and equipment		(10,141)	(16,863)
Acquisition of players' registration rights		(734)	(4,371)
Acquisition of other financial assets		–	(326)
Acquisition of financial assets at fair value through profit or loss		(4,433)	(31,749)
Net cash inflow from acquisition of a subsidiary	38	–	59,075
Proceeds from disposal of property, plant and equipment		15	252
Proceeds from disposal of players' registration rights		8,337	–
Proceeds from disposal of financial asset at fair value through profit or loss		3,716	–
Release of pledged certificate of deposits		25,039	–
Contribution to regulatory loans		(462)	–
Refund from regulatory loans		98	–
Repayment of contingent consideration receivable		11,249	–
Net cash (used in)/generated from investing activities		(3,237)	30,379
Financing activities			
Payment of interest element of finance lease obligations		(39)	(35)
Payment of capital element of finance lease obligations		(444)	(619)
Interest paid		–	(187)
Repayment of bank loans		(132)	(11,161)
Proceeds from issue of unlisted warrants		–	148,682
Proceeds from issue of new shares upon completion of placing		52,558	–
Net cash generated from financing activities		51,943	136,680
Net (decrease)/increase in cash and cash equivalents		(45,142)	82,920
Cash and cash equivalents at beginning of year		128,579	33,351
Effect of foreign exchange rate changes		15,252	12,308
Cash and cash equivalents at end of year		98,689	128,579

The notes on pages 53 to 121 form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2016

1. GENERAL INFORMATION

Tech Pro Technology Development Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its principal place of business is located at Unit 1402, 14/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2016

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

Except as explained below, the adoption of these amendments has no material impact on the Group's financial statements.

Annual Improvements 2012-2014 Cycle
The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear.

Amendments to HKAS 1 – Disclosure Initiative
The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

Included in the clarifications is that an entity's share of other comprehensive income from equity accounted interests in associates and joint ventures is 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 impact on these financial statements.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 January 2016 (Continued)

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not previously used revenue-based depreciation methods.

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 10, HKFRS 12 and HKAS 28 – Investment Entities: Applying the Consolidation Exception
The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all of its subsidiaries are measured at fair value through profit or loss ("FVTPL") should provide the disclosures related to investment entities as required by HKFRS 12. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Company is neither an intermediate parent entity nor an investment entity.

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. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

The following new/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	Statement of cash flows: Disclosure initiative[1]
Amendments to HKAS 12	Income taxes: 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]
Amendments to HKFRS 2	Share-based payment: Classification and measurement of share-based payment transactions[3]
HKFRS 16	Leases[3]
Amendments to HKFRS10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue 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 of 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.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

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 ("FVTOCI") 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 FVTOCI. All other debt and equity instruments are measured at FVTPL.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL 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 FVTPL, 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.

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-step approach to revenue recognition:

– Step 1: Identify the contract(s) with a customer
– Step 2: Identify the performance obligations in the contract
– Step 3: Determine the transaction price
– Step 4: Allocate the transaction price to 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.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

Amendments 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 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 Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The Group has so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

Notes to the financial statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs"), and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of preparation of the financial statements

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Hong Kong Dollars ("HK$"). The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand except specified otherwise, which reflects the primary economic environment in which the majority of entities with the Group operate.

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

– Contingent consideration receivables

– Financial assets at fair value through profit or loss

– Defined benefit obligations

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 5.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and non-controlling interests

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

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

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

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

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

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

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

Notes to the financial statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Joint arrangements

Joint Venture

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of comprehensive income. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investments in the joint venture.

Unrealised profits or losses resulting from transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in the former investee at the date when the control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Joint ventures (Continued)

Joint operation
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

– its assets, including its share of any assets held jointly;

– its liabilities, including its share of any liabilities held jointly;

– its revenue from the sale of its share of the output arising from the joint operation;

– its share of the revenue from the sale of the output by the joint operation; and

– its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

When a group entity sells or contributes assets to a joint operation in which a group entity is a joint operator, the Group is considered to be selling or contributing assets to the other parties to the joint operation, and gains and losses resulting from the sale or contribution are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity purchases assets from a joint operation in which a group entity is a joint operator, the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

(e) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values, except that:

– a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carry-forwards of an acquiree that existed at the acquisition date or arise as a result of the acquisition are recognised and measured in accordance with HKAS 12 Income Tax;

– assets or liabilities relating to employee benefit arrangements are recognised and measured in accordance with HKAS 19 Employee Benefits;

Notes to the financial statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Business combination (Continued)

– liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identified assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as "measurement period" adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 Financial Instruments: Recognition and Measurement, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if those interests were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts that are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained within one year about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Notes to the financial statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. If some or all of the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

(g) Segment reporting

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

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

Notes to the financial statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment

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

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Plant and machinery	9%
Operating assets for energy efficiency projects	Over the shorter of estimated useful lives and the unexpired term of the projects
Furniture and office equipment	18%
Motor vehicles	9%
Leasehold improvements	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between these parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Intangible assets (other than goodwill)

Intangible assets with finite useful lives that are acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are stated at cost less accumulated amortisation and impairment loss. Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Players' registration rights

Players' registration rights are recognised at acquisition cost, including any auxiliary expenses, when the contract enters into force, i.e. when the transfer agreement is homologated by the French Football Ligue. The capitalised auxiliary expenses include the cost of the intermediation services rendered by the players' agents for their work in the acquisition of the player, except if the transfer is with suspending conditions or is a temporary transfer, in such cases fees paid to player's agents are expensed as incurred. Under the conditions of certain transfer agreements, further costs are payable to the vendors in the event the player makes a certain number of first team (the top-level team in the club) appearances or on the occurrence of certain other specified future events. Costs related to such contingent considerations are not capitalised as they cannot be estimated reliably. These costs are recorded as expenses and accrued, when it becomes probable that the specified future events will occur. Indemnities paid to the training centre that initially trained the player are also capitalised.

When the players' contract is renewed, after the term of its initial contract, additional remuneration for services performed by the player's agent is capitalised.

Players' registration rights are amortised on a straight-line basis over the term of each player's contract. Where a contract life is renegotiated, the unamortised costs, together with the new costs relating to the contract extension, are amortised over the term of the new contract. When a decision is taken to discontinue a contract before its initial term (for example, dismissal of a player), the unamortised costs are amortised over the residual term of the contract.

The Group considers that the players' registration rights do not have separate cashflows but are part of a cash-generating unit as a football team. As a consequence, the football team is considered as one cash-generating unit and the related intangible and tangible assets are tested for impairment as the assets of a single cash-generating unit.

In some instances, an individual player is considered to be no longer part of the professional players' team (a player held for sale or unavailable for the long term) and consequently not contributing to the future cash flows earned by the cash-generating unit. The players' registration rights are assessed for impairment by considering the individual fair value less costs to sell. The individual fair value is assessed based on available information from external appraisals and on a combination of specific sports and financial parameters.

Players' registration rights are derecognised at the date of disposal, transfer, cancellation of the contract, or expiry of the contractual rights over players.

The fair value of the consideration receivable, less the unamortised cost of the asset represents the profits or losses on the disposal of the intangible assets.

Notes to the financial statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Intangible assets (other than goodwill) (Continued)

Other intangible assets

Other intangible assets include customer relationships, patents, trademarks and tradenames, which are stated at cost less any impairment losses. Amortisation of other intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the shorter of the assets' estimated useful lives and the remaining contractual periods as follow:

Customer relationships	9.42 (2015: 10.42) years
Patents	0.67 to 3.75 (2015: 1.67 to 4.75) years
Trademarks and tradenames	5.92 (2015: 6.92) years

Both the periods and method of amortisation are reviewed annually.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in the property, plant and equipment and the corresponding liabilities, net of payments, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset. Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Notes to the financial statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leased assets (Continued)

(iii) Operating leases

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property or is held for development for sale.

Where the Group is a lessor, assets held by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms.

(k) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

(i) Impairment of investments in equity securities and other receivables (Continued)

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

– For investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

– For unquoted equity securities carried at cost, impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade receivables and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period, the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– investments in subsidiaries in the Company's statement of financial position;

– property, plant and equipment;

– goodwill;

– other intangible assets;

– other financial assets; and

– Interest in a joint venture.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the higher of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable.

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

(iii) Interim financial reporting and impairment

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

Impairment losses recognised in an interim period in respect of goodwill carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

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 is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Notes to the financial statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions and short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(q) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is re-measured. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(r) Warrants

Warrants issued by the Company that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as an equity instrument.

For warrants issued to subscribers of the Company's shares, the fair value of warrants on the date of issue is recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium upon exercise of the warrants. Where the warrants remain unexercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to the retained profits/accumulated losses.

(s) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Notes to the financial statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

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.

According to the legislation applicable in France, the Group's subsidiary in France contributes to defined contribution government pension schemes through the payment of the social charges on a quarterly basis.

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

(ii) Defined benefit plan

In respect of the Group's subsidiary in France, the only supplementary pension scheme payable to retirees is related to retirement bonuses representing one-off payments made at the time of retirement according to the collective employment agreement. This obligation is treated as a defined benefit plan. The liability is measured at present value of the defined benefit obligation at the reporting date using the projected unit credit method. This method requires calculating the present value of the defined benefit obligations and the related services cost. It also considers each period of service giving rise to an additional unit of benefit entitlement, and measures each unit separately to build up the final obligation.

The Group's subsidiary in France operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit pension plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to equity through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group's subsidiary in France recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, if applicable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Employee benefits (Continued)

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where the forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium) or the option expires (when it is released directly to retained profits).

The Group also granted equity instruments to persons other than employees and others providing similar services. The fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition of assets. A corresponding increase in equity is recognised.

(iv) Termination benefits

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

(v) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

Notes to the financial statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Income tax (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    – the same taxable entity; or

    – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Notes to the financial statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Provisions and contingent liabilities

(i) Contingent liabilities assumed in business combinations

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

(ii) Other provisions and contingent liabilities

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

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

(x) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of primary economic environment in which the entity operates (the "functional currency").

Foreign currency transactions during the year are translated at the foreign exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into presentation currency at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, are translated into presentation currency at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

Notes to the financial statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts and returns.

(ii) Energy efficiency service income

Energy efficiency service income is recognised with reference to the energy efficiency service which are taken to be the point when the customer has accepted it over the service period.

(iii) Broadcasting income

Broadcasting income comprises a fixed part and a variable part. The fixed part of television and broadcasting income is recognised over the duration of the football season. The variable part includes three elements which depend on the final ranking at the end of the football season of the football club; the average ranking over the past five football seasons of the football club; and the television live coverage and the football club's reputation. The variable portion of the broadcasting income that depends on the final ranking at the end of the football season is not recognised at any interim period because the amount cannot be measured reliably.

(iv) Matchday ticket income

Matchday ticket income is recognised based on matches played throughout the year with revenue from each match being recognised only after the match to which the ticket sales related have been played. Matchday ticket income which is received in advance of a period end but relating to future periods (mainly the sale of seasonal tickets) are treated as deferred revenue. The deferred revenue is then released to revenue as the matches are played.

(v) Sponsorship and advertising income

Sponsorship and advertising income is recognised over the duration of the respective contracts.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest rate.

(vii) Rental income

Rental income from leasing of property, plant and machinery is recognised in accordance with the terms of the lease agreement.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

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

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

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

Close family members 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.

Notes to the financial statements

For the year ended 31 December 2016

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's major financial instruments include bank and cash and cash equivalents, trade and other receivables, trade and other payables, contingent consideration receivables, bank loans, obligations under finance leases, other financial assets and financial assets at fair value through profit or loss. The Group's activities expose it to a variety of finance risks, including credit risk, liquidity risk, interest rate risk and currency risk. These risks are limited by the Group's financial management policies and practices described below:

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. The Group has established credit control policies with credit limits, credit approvals and other monitoring procedures for debts recovery are in place to minimise the credit risk. In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account the information specific to the customer as well as pertaining to the economic environment to which the customer operates. These receivables are due from 90 to 365 days from the date of billing. In addition, management reviews the recoverable amount of each individual receivable regularly to ensure that adequate impairment allowances are made for irrecoverable amounts. With such policies in place, the Group has been able to maintain its bad debts at minimal level. The Group's trade receivables related to a large number of diversified customers, and the concentration of credit risk is not significant.

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutes to meet its liquidity requirements in the short and longer term.

Notes to the financial statements

For the year ended 31 December 2016

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

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

	2016				
	Carrying amount RMB'000	**Total contractual undiscounted cash flow RMB'000**	**Within 1 year or on demand RMB'000**	**More than 1 year but less than 2 years RMB'000**	**2 years but less than 5 years RMB'000**
Trade and bills payables	**36,683**	**36,683**	**36,683**	**–**	**–**
Other payables and accruals	**40,963**	**40,963**	**40,963**	**–**	**–**
Obligations under finance leases	**791**	**815**	**547**	**268**	**–**
	78,437	**78,461**	**78,193**	**268**	**–**

	2015				
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	2 years but less than 5 years RMB'000
Trade and bills payables	25,658	25,658	25,658	–	–
Other payables and accruals	41,764	41,764	41,764	–	–
Bank loans	132	132	132	–	–
Obligations under finance leases	1,235	1,294	531	543	220
	68,789	68,848	68,085	543	220

Notes to the financial statements

For the year ended 31 December 2016

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk

The Group's interest rate risk primarily derives from bank loans and time deposits and cash at banks. The Group did not use derivative financial instruments to hedge its debt obligations.

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest-generating financial assets and interest-bearing financial liabilities at the end of the reporting period:

	2016		2015	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000
Fixed rate:				
Obligations under finance leases	2.65% – 4.15%	791	3.52% – 4.24%	1,235
Variable rate:				
Bank loans	N/A	–	3%	132
Total borrowings		791		1,367
Net fixed-rate borrowings as a percentage of total borrowings		100%		90%
Variable rate:				
Cash at banks	0.001% – 0.35%	98,689	0.001% – 0.35%	128,579
Pledged bank deposits	0.001%	26,656	0.001%	487
		125,345		129,066

(ii) Sensitivity analysis

At 31 December 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease the Group's loss after income tax for the year and accumulated losses by approximately RMB1,253,000/RMB Nil (2015: RMB1,289,000/RMB1,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the financial instruments exposed to interest rate risk for variable-rate interest-bearing financial instruments as if they had been in existence at the beginning of the year. The 100-basis-point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period.

Notes to the financial statements

For the year ended 31 December 2016

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through its trade receivables and bank deposits that are denominated in currencies other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily the United State dollars ("US$") and Euro ("EUR").

(i) Exposure to currency risk

The following table details the Group's major exposure at the end of the reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entities within the Group to which they relate.

	2016 RMB'000	2015 RMB'000
Cash and cash equivalents		
US$	**2**	772
EUR	**79,179**	95,674

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after income tax and accumulated losses and other components of equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period. Other components of equity would not be affected by changes in the foreign exchange rates:

	2016			2015		
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after income tax and accumulated losses RMB'000**	**Effect on other components of equity RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on loss after income tax and accumulated losses RMB'000	Effect on other components of equity RMB'000
US$	**5%**	**–**	**–**	5%	(39)	–
	(5%)	**–**	**–**	(5%)	39	–
EUR	**5%**	**(3,959)**	**–**	5%	(2)	–
	(5%)	**3,959**	**–**	(5%)	2	–

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual end of reporting period. The analysis is performed on the same basis for 2015.

Notes to the financial statements

For the year ended 31 December 2016

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair values

(i) Financial instruments measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2016 and 2015:

	Level 1 RMB'000	**Level 2** RMB'000	**Level 3** RMB'000
2016			
Assets			
– Contingent consideration receivables	–	–	10,088
– Other current financial assets	4,298	–	–
2015			
Assets			
– Contingent consideration receivables	–	–	8,967
– Other current financial assets	6,453	24,336	–

During the years ended 31 December 2016 and 2015, there were no transfers between instruments in Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

As at 31 December 2015, the fair value of the other current financial assets under Level 2 fair value measurement was estimated by the present value of the estimated future cash flows.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair values (Continued)

(i) Financial instruments measured at fair value (Continued)

As at 31 December 2016 and 2015, the fair value of the contingent consideration receivables is a Level 3 fair value measurement and is estimated by applying probability weighted discounted cash flows method. The determination of fair value is based on discount rate which is unobservable. The significant unobservable input and relationship of this input to fair value of the contingent consideration receivables are shown as below:

Significant unobservable input	Relationship of unobservable input to fair value
Probability of staying in Ligue 2 of 99.7% (2015: probability in staying in Ligue 2 of 42.0%)	The higher the probability, the higher the fair value
Discount rate of 11.27% (2015: discount rate of 11.13% – 11.16%)	The higher the discount rate, the lower the fair value

The movements of contingent consideration receivables during the years in the balance of Level 3 fair value measurements are as follows:

	2016 RMB'000	2015 RMB'000
Contingent consideration receivables		
At 1 January	8,967	–
At completion date of acquisition of a subsidiary	–	14,908
Repayment	(11,249)	–
Change in fair value recognised in profit or loss during the year	11,669	(5,941)
Exchange realignment	701	–
At 31 December	10,088	8,967

Decrease in probability of staying in Ligue 2 by 10% would decrease the fair value of the contingent consideration receivables by RMB1,009,000. Increase in probability of staying in Ligue 2 by 0.3% would increase the fair value of the contingent consideration receivables by RMB30,000.

(ii) Financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2016 and 2015.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair values (Continued)

(iii) Transferred financial assets that are derecognised in their entirety

During the years ended 2016 and 2015, the Group endorsed certain bills receivable accepted by banks in the PRC (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amount of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flow to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair value of the Group's Continuing Involvement in the Derecognised Bills are not significant.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(a) Estimated recoverable amount of the cash-generating units with goodwill, intangible assets and property, plant and equipment

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill have been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and an appropriate discount rate in order to calculate the present value where the expected future cash flows arising from the relevant cash-generating units differ from the cash-generating units containing goodwill using an appropriate discount rate. Details of the recoverable amount calculations are disclosed in Note 16.

At 31 December 2016, the estimated recoverable amount of cash-generating units were lower than their carrying amounts, impairment loss on goodwill and other intangible assets of approximately RMB234,635,000 (2015: RMB187,240,000) and impairment loss on property, plant and equipment of RMB42,153,000 (2015: RMBNil) have been recognised in profit or loss for the year ended 31 December 2016.

Had the parameters for the projected future cash flows of the cash-generating units of the goodwill and the discount rates been different, the estimated recoverable amount of goodwill and other assets attributable to the respective cash-generating units would have been significantly different and further impairment may arise.

(b) Impairment of trade receivables and other receivables

The Group made allowance for impairment on trade and other receivables based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history and subsequent settlements of each debtor of the Group up to the date of approval of the financial statements. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Useful lives and residue values of property, plant and equipment and other intangible assets

Useful lives of the Group's property, plant and equipment and other intangible assets are defined as the period over which they are expected to be available for use by the Group. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and other intangible assets of similar nature and functions. Management will increase the depreciation or amortisation charge where useful lives are less than previously estimated lives, and it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; and actual residual values may differ from estimated residual values. Periodic review could result in a change in useful lives and residual values and therefore depreciation or amortisation expense in future periods.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are made with reference to the aged inventories analyses, projection of expected sales volume and management experience and judgment. Based on this review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable value. Due to changes in market conditions, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

(e) Income taxes

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(f) Determination and classification of lease arrangements

In assessing whether the Group's arrangements contain a lease, the Group's management takes into consideration the key terms of each arrangement with reference to HK(IFRIC) – Int 4. The Group's management further assess whether a lease arrangement shall be classified as a finance lease or an operating lease based on the key terms of the lease arrangement with reference to HKAS 17. The Group's energy efficiency projects are determined as lease arrangements under HK(IFRIC) – Int 4 and are classified as operating leases under HKAS 17.

Notes to the financial statements

For the year ended 31 December 2016

6. TURNOVER AND SEGMENT REPORTING

(a) Turnover and revenue

Turnover represents the net invoiced value of goods supplied to customers less returns and allowance, service income from energy efficiency projects, broadcasting income, matchday ticket income and sponsorship and advertising income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2016 RMB'000	2015 RMB'000
Sale of products and accessories	120,840	176,724
Service income from energy efficiency projects	20,740	9,617
Broadcasting income	49,855	19,002
Matchday ticket income	17,210	4,710
Sponsorship and advertising income	24,335	9,973
	232,980	220,026

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the senior management for the purposes of resources allocation and performance assessment, the Group has engaged in three reporting segments.

– LED lighting

– Professional football club

– Provision of property sub-leasing services

The manufacture and sale of LED lighting products and accessories segment and energy efficiency projects segment have been aggregated into one segment named as "LED lighting". As the reported revenue, the amount of the reported profit or loss and the total assets of the energy efficiency projects segment have not exceeded the quantitative thresholds, no separate operating segments have been presented.

Notes to the financial statements

For the year ended 31 December 2016

6. TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Information regarding the Group's reportable segments as provided to the senior management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2016 and 2015 is set out below:

	2016			
	LED lighting RMB'000	Professional football club RMB'000	Property sub-leasing services RMB'000	Total RMB'000
Turnover	137,754	97,429	–	235,183
Inter-segment revenue	–	(2,203)	–	(2,203)
Reportable segment revenue from external customers	137,754	95,226	–	232,980
Reportable segment results	(374,936)	(48,105)	9,855	(413,186)
Other information:				
Interest income	419	575	–	994
Depreciation of property, plant and equipment	(12,454)	(494)	–	(12,948)
Amortisation of other intangible assets	(50,672)	(2,720)	–	(53,392)
Impairment on property, plant and equipment	(40,457)	(1,696)	–	(42,153)
Impairment loss on other intangible assets	(227,496)	(7,139)	–	(234,635)
Allowance for impairment on trade and other receivables, net	(25,847)	–	–	(25,847)
Fair vale gain on contingent consideration receivables	–	11,669	–	11,669
Net realised and unrealised gain on other current financial assets, net	125	–	–	125
Loss on disposal of property, plant and equipment	(2,042)	–	–	(2,042)
Share of results of a joint venture	–	–	9,855	9,855
Reportable segment assets	320,569	125,408	376,496	822,473
Reportable segment liabilities	62,369	49,153	–	111,522

Notes to the financial statements

For the year ended 31 December 2016

6. TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

	2015			
	LED lighting RMB'000	Professional football club RMB'000	Property sub-leasing services RMB'000	Total RMB'000
Turnover	184,840	36,226	–	221,066
Inter-segment revenue	–	(1,040)	–	(1,040)
Reportable segment revenue from external customers	184,840	35,186	–	220,026
Reportable segment results	(300,965)	22,666	17,153	(261,146)
Other information:				
Interest income	366	547	–	913
Interest expenses	(1,362)	–	–	(1,362)
Depreciation of property, plant and equipment	(11,855)	(71)	–	(11,926)
Amortisation of other intangible assets	(68,800)	(1,503)	–	(70,303)
Impairment loss on goodwill and other intangible assets	(187,240)	–	–	(187,240)
Allowance for impairment on trade and other receivables, net and bad debt written off	(16,294)	–	–	(16,294)
Fair vale loss on contingent consideration receivables	–	(5,941)	–	(5,941)
Net realised and unrealised loss on other current financial assets	(343)	–	–	(343)
Loss on disposal of property, plant and equipment	(3,793)	–	–	(3,793)
Gain on bargain purchase	–	61,996	–	61,996
Share of results of a joint venture	–	–	17,153	17,153
Reportable segment assets	671,765	139,098	366,641	1,177,504
Reportable segment liabilities	47,557	54,310	–	101,867

6. TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Reconciliations of reportable segment profit or loss, assets and liabilities:

	2016 RMB'000	2015 RMB'000
Profit or loss		
Reportable segment results	(413,186)	(261,146)
Unallocated interest expenses	(39)	(35)
Unallocated depreciation of property, plant and equipment	(1,007)	(777)
Dividend income from other current financial assets	–	260
Net realised and unrealised loss on other current financial assets	(3,082)	(1,866)
Unallocated corporate administrative expenses	(20,720)	(18,480)
Consolidated loss before income tax	(438,034)	(282,044)

	2016 RMB'000	2015 RMB'000
Assets		
Reportable segment assets	822,473	1,177,504
Deferred tax assets	2,252	–
Other current financial assets	4,298	6,453
Unallocated head office and corporate assets	35,473	26,812
Consolidated total assets	864,496	1,210,769

	2016 RMB'000	2015 RMB'000
Liabilities		
Reportable segment liabilities	111,522	101,867
Income tax payable	21,153	21,153
Deferred tax liabilities	6,882	78,222
Unallocated head office and corporate liabilities	6,617	3,815
Consolidated total liabilities	146,174	205,057

Notes to the financial statements

For the year ended 31 December 2016

6. TURNOVER AND SEGMENT REPORTING (Continued)

(c) Geographic information

The following table provides an analysis of the Group's revenue from external customers by location of delivery of goods and/or services to the customers and information about the Group's non-current assets (other than financial instruments, deferred tax assets and post-employment benefit assets) by geographical locations of assets:

	Revenue from external customers		Non-current assets	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
The People's Republic of China (the "PRC")	**90,370**	94,403	**269,917**	688,895
France	**96,600**	40,618	**–**	11,274
Hong Kong (place of domicile)	**9,485**	60,320	**26,600**	32,433
Spain	**28,384**	14,060	**27,014**	23,619
Other countries	**8,141**	10,625	**–**	–
	232,980	220,026	**323,531**	756,221

(d) Major customers

During the year ended 31 December 2016, there is no revenue from transactions with a single external customer which amounts to 10% or above of the total revenue of the Group.

During the year ended 31 December 2015, revenue from a customer of the Group amounted to RMB51,258,000.

7. OTHER REVENUE AND INCOME

	2016 RMB'000	2015 RMB'000
Bank interest income	**994**	913
Rental income from property, plant and equipment	**–**	400
Scrap sales	**2,430**	4,489
Dividend income from other current financial assets	**–**	260
Gain on disposal of players' registration rights	**7,471**	4,725
Others	**3,855**	4,369
	14,750	15,156

Notes to the financial statements

For the year ended 31 December 2016

8. LOSS BEFORE INCOME TAX

This is arrived at after charging:

	2016 RMB'000	2015 RMB'000
(a) Finance costs		
Interests on bank loans	–	187
Interest on bonds	–	1,175
Finance charges on obligations under finance leases	39	35
Total finance costs	39	1,397
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	109,707	49,433
Contributions to retirement plans	29,591	8,868
Total staff costs	139,298	58,301
(c) Other items		
Auditor's remuneration	1,651	1,243
Cost of inventories sold	105,139	152,609
Depreciation of property, plant and equipment	13,955	12,703
Allowance for impairment on trade and other receivables, net and bad debt written off	25,847	16,294
Write-down of inventories	3,167	1,239
Loss on disposal of property, plant and equipment	2,042	3,793
Share-based payment	5,146	4,868
Operating lease charges in respect of land and buildings	18,165	11,209
Research and development expenditures	294	709

Notes:

(i) Cost of inventories sold includes staff costs of RMB10,097,000 (2015: RMB9,187,000) and depreciation of RMB4,584,000 (2015: RMB5,047,000) as disclosed in staff costs and depreciation of property, plant and equipment above.

(ii) Research and development expenditures includes staff costs of RMB191,000 (2015: RMB374,000) and materials of RMB60,000 (2015: RMB269,000) incurred by the research and development department which are included in the staff costs and cost of inventories sold as disclosed above.

Notes to the financial statements

For the year ended 31 December 2016

9. INCOME TAX

(a) Income tax in the consolidated statement of profit or loss represents:

	2016 RMB'000	2015 RMB'000
PRC Enterprise Income Tax		
Current year	**74**	1,524
Deferred tax (Note 33(a))	**(73,543)**	(45,343)
Income tax	**(73,469)**	(43,819)

(i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI.

(ii) No provision for Hong Kong Profits Tax is provided as there are no estimated assessable profits for the current and prior years.

(iii) The domestic tax rate of the Group's principal subsidiaries in the PRC is used as it is where the operations of these subsidiaries are substantially based. Except for a PRC subsidiary which entitles a preferential tax rate of 15% for the three years ended 31 December 2014, 2015 and 2016 as it is certified as a high and new technology enterprise, the standard enterprise income tax rate of 25% (2015: 25%) is applicable to the rest of the Group's principal subsidiaries in the PRC.

(iv) No provision for France Corporate Income Tax is provided as there are no estimated assessable profits for the current and prior years.

(v) No provision for Spain Company Tax is provided as there are no estimated assessable profits for the current and prior years.

(b) Reconciliation between income tax and accounting loss at applicable tax rates:

	2016 RMB'000	2015 RMB'000
Loss before income tax	**(438,034)**	(282,044)
Notional tax on loss before income tax, calculated at the rates applicable in the tax jurisdictions concerned	**(106,032)**	(63,488)
Tax effect of non-deductible expenses	**15,813**	6,669
Tax effect of non-taxable income	**(10,107)**	(5,517)
Tax effect of tax losses not recognised	**26,304**	18,007
Tax effect of share of results of a joint venture	**553**	510
Income tax	**(73,469)**	(43,819)

Notes to the financial statements

For the year ended 31 December 2016

10. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 383(1) of the Hong Kong Companies Ordinance (Cap. 622) and Part 2 of the Companies (disclosure of Information about Benefits of Directors) Regulation are as follows:

2016

Name of director	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Share-based payments RMB'000	Other benefits RMB'000	Retirement scheme contributions RMB000	2016 RMB'000
Executive Directors							
Li Wing Sang	360	2,135	189	–	–	16	2,700
Liu Xinsheng	360	583	1,300	–	–	5	2,248
Chiu Chi Hong	360	1,672	146	–	–	16	2,194
Lee Tsz Hang	120	–	–	–	–	–	120
Independent non-executive Directors							
Tam Tak Wah	206	–	–	–	–	–	206
Ng Wai Hung	206	–	–	–	–	–	206
Lau Wan Cheung	206	–	–	–	–	–	206
	1,818	4,390	1,635	–	–	37	7,880

2015

Name of director	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Share-based payments RMB'000	Other benefits RMB'000	Retirement scheme contributions RMB000	2015 RMB'000
Executive Directors							
Li Wing Sang	329	1,606	207	–	–	15	2,157
Liu Xinsheng	329	–	–	–	–	–	329
Chiu Chi Hong	329	1,314	170	–	–	15	1,828
Independent non-executive Directors							
Tam Tak Wah	183	–	–	–	–	–	183
Ng Wai Hung	183	–	–	–	–	–	183
Lau Wan Cheung	183	–	–	–	–	–	183
	1,536	2,920	377	–	–	30	4,863

No director waives any emolument during the years ended 31 December 2015 and 2016.

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For the year ended 31 December 2016

11. INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, no director (2015: two directors) of the Company is involved, whose emoluments are disclosed in Note 10. During the year, the emoluments of the five highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and other benefits	13,415	3,366
Contributions to defined contribution retirement schemes	4,484	1,238
	17,899	4,604

The emoluments of five (2015: three) individuals above with the highest emoluments are within the following bands:

	2016 Number of individuals	2015 Number of individuals
HK$1,000,001 to HK$1,500,000	–	2
HK$1,500,001 to HK$2,000,000	–	1
HK$3,500,001 to HK$4,000,000	3	–
HK$4,000,001 to HK$4,500,000	1	–
HK$5,000,001 to HK$5,500,000	1	–

12. DIVIDEND

No dividend was paid or proposed during the year, nor has any dividend been proposed since 31 December 2016 (2015: RMBNil).

13. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the share subdivision effected during the prior year.

	2016 RMB'000	2015 RMB'000
Loss attributable to owners of the Company	271,747	192,208

	2016	2015
Weighted average number of shares in issue	6,556,900,400	6,417,680,127

(b) Diluted loss per share

The computation of diluted loss per share does not assume the subscription of the Company's outstanding potential dilutive ordinary shares in the calculation as they are anti-dilutive. Therefore, the diluted loss per share was the same as the basic loss per share for the years ended 31 December 2015 and 2016.

14. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery RMB'000	Operating assets for energy efficiency projects RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost						
At 1 January 2015	65,492	16,682	3,457	4,985	4,632	95,248
Additions	4,848	3,785	2,035	3,021	4,272	17,961
Disposals	(9,620)	–	–	–	–	(9,620)
Exchange realignment	–	–	53	149	67	269
At 31 December 2015 and 1 January 2016	**60,720**	**20,467**	**5,545**	**8,155**	**8,971**	**103,858**
Additions	**2,166**	**6,820**	**834**	**–**	**321**	**10,141**
Disposals	**(5,663)**	**–**	**–**	**–**	**–**	**(5,663)**
Exchange realignment	**–**	**1,538**	**131**	**250**	**128**	**2,047**
At 31 December 2016	**57,223**	**28,825**	**6,510**	**8,405**	**9,420**	**110,383**
Accumulated depreciation and impairment loss						
At 1 January 2015	20,551	2,192	1,885	1,860	1,548	28,036
Charge for the year	6,283	2,964	796	1,338	1,322	12,703
Written back on disposal	(5,575)	–	–	–	–	(5,575)
Exchange adjustments	–	–	14	85	33	132
At 31 December 2015 and 1 January 2016	**21,259**	**5,156**	**2,695**	**3,283**	**2,903**	**35,296**
Charge for the year	**6,031**	**3,971**	**1,242**	**1,362**	**1,349**	**13,955**
Impairment loss recognised (Note 16)	**33,480**	**–**	**1,651**	**2,628**	**4,394**	**42,153**
Written back on disposal	**(3,606)**	**–**	**–**	**–**	**–**	**(3,606)**
Exchange realignment	**–**	**188**	**47**	**183**	**67**	**485**
At 31 December 2016	**57,164**	**9,315**	**5,635**	**7,456**	**8,713**	**88,283**
Carrying amount						
At 31 December 2016	**59**	**19,510**	**875**	**949**	**707**	**22,100**
At 31 December 2015	39,461	15,311	2,850	4,872	6,068	68,562

Notes:

(a) The operating assets mainly represented the costs of LED lighting products installed in relation to energy efficiency projects. The costs of these operating assets are capitalised and depreciated, on a straight-line basis, over the shorter of the useful lives of these assets and the remaining contractual periods of the respective contracts.

(b) At 31 December 2016, the carrying amounts of motor vehicles of the Group held under finance leases were RMB750,000 (2015: RMB1,499,000).

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15. GOODWILL

	2016 RMB'000	2015 RMB'000
Cost		
At 1 January and 31 December	**372,627**	372,627
Impairment		
At 1 January	**372,627**	293,088
Impairment loss recognised	**–**	79,539
At 31 December	**372,627**	372,627
Carrying amount		
At 31 December	**–**	–

The Group's goodwill was arising from business combinations in prior years in connection with the acquisition of (i) Giga-World Industry Company Limited and its subsidiary (collectively referred to as the "Giga-World Group"), (ii) Shine Link Technology Limited and its subsidiaries (collectively referred to as the "Shine Link Group"), (iii) Kings Honor Technology Limited and its subsidiaries (collectively referred to as the "Kings Honor Group"), (iv) Pacific King Technology Limited and its subsidiaries (collectively referred to as the "Pacific King Group"), (v) Starry View Investments Limited and its subsidiaries (collectively referred to as the "Starry View Group") and (vi) Mega Wide Investments Limited and its subsidiaries (collectively referred to as the "Mega Wide Group"), which represented their respective workforce, expected future profitability and synergies with the then existing LED lighting related businesses.

16. IMPAIRMENT TESTING ON GOODWILL AND OTHER ASSETS ALLOCATED TO CASH-GENERATING UNITS

For the purpose of impairment testing, goodwill has been allocated to six cash-generating units (the "LED Lighting CGUs") attributable to the above groups of subsidiaries which are engaged in manufacture and sales of LED lighting products and accessories, and provision of energy efficiency projects. In addition, the Group's professional football club also constituted a CGU, namely Football Club CGU.

Regarding the six LED Lighting CGUs, the recoverable amounts of the CGUs are determined by the directors of the Company based on value-in-use calculations with reference to professional valuations performed by Integrated Professional Appraisals Limited ("IPA"), an independent firm of professionally qualified valuers. These calculations used cash flow projections based on the financial budgets approved by the management covering a five-year period. The cash flows beyond the five-year period are extrapolated using a steady growth rate of 3%, which is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the business in which the individual CGU operates. The pre-tax discount rates as presented below are determined using the Capital Assets Pricing Model ("CAPM").

	2016		2015	
	Pre-tax discount rate	**Growth rate beyond 5 years**	Pre-tax discount rate	Growth rate beyond 5 years
LED Lighting CGUs:				
Giga-World Group	**22.81%**	**3%**	21.16%	3%
Shine Link Group	**26.88%**	**3%**	21.09%	3%
Kings Honor Group	**18.44%**	**3%**	20.01%	3%
Pacific King Group	**22.62%**	**3%**	21.17%	3%
Starry View Group	**19.24%**	**3%**	20.94%	3%
Mega Wide Group	**26.53%**	**3%**	26.47%	3%

In addition to the above six LED Lighting CGUs, and for the purpose of impairment assessment, the recoverable amount of the Football Club CGU is determined by the directors of the Company based on value-in-use calculation with reference to professional valuation performed by Peak Vision Appraisals Limited ("Peak Vision"), an independent firm of professionally qualified valuers. The calculation used cash flow projection based on the financial budget approved by the management covering a three-year period. The cash flows beyond the three-year period are extrapolated using a steady growth rate of 1.32%, which is based on the customer price index of France and does not exceed the average long-term growth rate for the business in which the Football Club CGU operates. The pre-tax discount rate as presented below is determined using the CAPM. As at 31 December 2015, the directors of the Company were of the view that no impairment assessment is necessary for the Football Club CGU.

	2016	
	Pre-tax discount rate	**Growth rate beyond 3 years**
Football Club CGU		
LEDUS Club Group	**10.09%**	**1.32%**

In the opinion of the directors of the Company, the basis used to determine the value assigned to the growth in revenue and the budgeted gross margins is the management's expectation of market development and future performance of the respective CGUs. The discount rate used reflects specific risks relating to industries in relation to the respective CGUs.

16. IMPAIRMENT TESTING ON GOODWILL AND OTHER ASSETS ALLOCATED TO CASH-GENERATING UNITS (Continued)

Based on the above impairment assessments, the estimated recoverable amounts of certain CGUs as at 31 December 2016 fell below the respective net carrying values of the assets, and accordingly impairment loss on goodwill and other intangible assets, and property, plant and equipment of approximately RMB234,635,000 (2015: RMB187,240,000) and RMB42,153,000 (2015: RMB Nil) respectively have been recognised in profit or loss for the year ended 31 December 2016.

The above impairment losses are resulted mainly because of the current year deterioration of profitability reflected by the decrease in turnover and/or gross profit margins in different LED Lighting CGUs, as a result of the decreasing sales demand from key customers and the loss of certain key customers in the respective LED Lighting CGUs during the current year.

17. OTHER INTANGIBLE ASSETS

	Customer relationships RMB'000	Patents RMB'000	Trademarks and tradenames RMB'000	Players' registration rights RMB'000	Total RMB'000
Cost					
At 1 January 2015	478,900	243,300	50,000	–	772,200
Acquired on acquisition of a subsidiary	–	–	6,932	–	6,932
Additions	–	–	–	4,371	4,371
Exchange realignment	–	–	–	80	80
At 31 December 2015 and 1 January 2016	**478,900**	**243,300**	**56,932**	**4,451**	**783,583**
Additions	**–**	**–**	**–**	**734**	**734**
Disposals	**–**	**–**	**–**	**(2,026)**	**(2,026)**
Exchange realignment	**–**	**–**	**–**	**162**	**162**
At 31 December 2016	**478,900**	**243,300**	**56,932**	**3,321**	**782,453**
Accumulated amortisation and impairment loss					
At 1 January 2015	151,442	117,685	15,416	–	284,543
Charge for the year	31,627	32,173	5,540	963	70,303
Impairment loss recognised	99,072	8,629	–	–	107,701
Exchange realignment	–	–	–	18	18
At 31 December 2015 and 1 January 2016	**282,141**	**158,487**	**20,956**	**981**	**462,565**
Charge for the year	**20,440**	**25,232**	**6,080**	**1,640**	**53,392**
Impairment loss recognised	**168,286**	**59,210**	**5,311**	**1,828**	**234,635**
Written back on disposal	**–**	**–**	**–**	**(1,160)**	**(1,160)**
Exchange realignment	**–**	**–**	**–**	**32**	**32**
At 31 December 2016	**470,867**	**242,929**	**32,347**	**3,321**	**749,464**
Carrying amount					
At 31 December 2016	**8,033**	**371**	**24,585**	**–**	**32,989**
At 31 December 2015	196,759	84,813	35,976	3,470	321,018

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18. OTHER NON-CURRENT FINANCIAL ASSETS

	2016 RMB'000	2015 RMB'000
Regulatory loan (Note (a))	**5,725**	5,179
Amount due from a joint venture (Note (b))	**118,800**	–
	124,525	5,179

(a) Regulatory loan

The regulation in France requires the French companies to contribute a certain amount to the government funds which further provide mortgage loans to employees. Such contribution is made by granting an interest-free loan repayable after 20 years. These long-term loans are initially recognised at fair value determined by discounting the future cashflow at the market interest rate. A risk-free rate on government bonds with similar maturity is considered appropriate as the loans are granted to government funds.

	2016 RMB'000	2015 RMB'000
At 1 January	**5,179**	–
Acquired on acquisition of a subsidiary (Note 38)	**–**	4,853
Additions	**462**	326
Refunded	**(98)**	–
Exchange realignment	**182**	–
At 31 December	**5,725**	5,179

(b) Amount due from a joint venture

At 31 December 2016, the amount arises from dividend receivable from a joint venture of RMB118,800,000 (2015: RMB Nil). The amount due from a joint venture is unsecured, interest-free and not repayable within 12 months from 31 December 2016.

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For the year ended 31 December 2016

19. CONTINGENT CONSIDERATION RECEIVABLES

	2016 RMB'000	2015 RMB'000
At 1 January	8,967	–
Acquired on acquisition of a subsidiary (Note 38)	–	14,908
Repayment	(11,249)	–
Fair value change	11,669	(5,941)
Exchange realignment	701	–
At 31 December	10,088	8,967
Non-current portion	–	3,669
Current portion included in other receivables and prepayments	10,088	5,298
	10,088	8,967

At 31 December 2016, the fair value of the contingent consideration receivables is determined by the professional valuation conducted by Peak Vision at EUR1,380,000 (equivalent to RMB10,088,000) (2015: EUR1,293,000 (equivalent to RMB8,967,000)) by reference to the discount rate of 11.27% (2015: ranging from 11.13% to 11.16%).

20. INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group at 31 December 2016. The class of shares held is ordinary, unless otherwise stated.

Name	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Percentage of issued/registered capital held by the Company Direct %	Indirect %	Principal activities
Giga-World Industry Company Limited	Hong Kong	HK$2,500,000	–	60	Investment holding and trading of LED lighting products
深圳風光新能源有限公司 Shenzhen Wind and Solar New Energy Company Limited (Note (i))	PRC	HK$38,000,000	–	60	Manufacture and sale of LED lighting products
U Young Technology Holdings Limited	Hong Kong	HK$10,000	–	100	Investment holding and trading of LED lighting products
尤陽（廈門）光電科技有限公司 U Young (Xiamen) Technology Company Limited (Note (i))	PRC	US$2,100,000	–	100	Manufacture and sale of LED lighting products
Wei Guang Holdings Limited	Hong Kong	HK$10,000,000	–	60	Investment holding and trading of LED lighting products

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20. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Percentage of issued/registered capital held by the Company Direct %	Indirect %	Principal activities
江西藍田偉光科技有限公司 Jiangxi Lantian Wei Guang Technology Company Limited	PRC	HK$10,000,000	–	57	Manufacture and sale of LED lighting products
Da Zhen (Hong Kong) Holdings Limited	Hong Kong	HK$10,000,000	–	60	Investment holding and trading LED lighting products
深圳市崇正電子科技有限公司 Shenzhen Chong Zhen Electronics Technology Company Limited (Note (i))	PRC	HK$10,000,000	–	60	Manufacture and sale of LED lighting products
LEDUS Lighting Technology Limited	Hong Kong	HK$10,000,000	–	100	Investment holding and trading of LED lighting products
上海米廷電子科技有限公司 Shanghai Meeting Electronic Technology Company Limited (Note (i))	PRC	US$1,500,000	–	60	Trading of LED lighting products
Alisea Esco, S.A. (Note (ii))	Spain	EUR15,000	–	70	Provision of energy efficiency services and trading of LED lighting products
Ledus España, S.L. (Note (ii))	Spain	EUR3,000	–	70	Trading of LED lighting products
Football Club Sochaux-Montbeliard SA (Note (ii))	France	EUR4,000,000	–	100	Development and promotion of a professional football club
LEDUS Group Limited	Hong Kong	HK$10,000	–	100	Provision of administrative services

Notes:

(i) These entities are wholly-owned-foreign enterprises established in the PRC.

(ii) These entities are limited liability companies.

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20. INVESTMENTS IN SUBSIDIARIES (Continued)

The following table lists out the information in respect of each of the Group's subsidiaries that has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

For the year ended 31 December 2016

	Giga-World Group RMB'000	**Kings Honor Group RMB'000**	**Pacific King Group RMB'000**	**Mega-Wide Group RMB'000**
NCI percentage	**40%**	**43%**	**40%**	**30%**
Current assets	**39,648**	**31,093**	**63,929**	**53,755**
Non-current assets	**1,214**	**–**	**–**	**43,599**
Current liabilities	**(10,092)**	**(37,837)**	**(50,002)**	**(116,685)**
Non-current liabilities	**(291)**	**–**	**–**	**(2,534)**
Net assets	**30,479**	**(6,744)**	**13,927**	**(21,865)**
Carrying amount of NCI	**12,192**	**(2,900)**	**5,571**	**(6,560)**
Revenue	**9,000**	**26,308**	**62,811**	**28,384**
Loss for the year	**(158,691)**	**(30,970)**	**(26,574)**	**(18,049)**
Total comprehensive income	**(156,655)**	**(31,575)**	**(27,300)**	**(18,837)**
Loss allocated to NCI	**(63,477)**	**(13,317)**	**(10,630)**	**(5,415)**
Cashflows from operating activities	**(4,056)**	**528**	**(13,894)**	**52,348**
Cashflows from investing activities	**(10)**	**932**	**(1,388)**	**(3,160)**
Cashflows from financing activities	**(54)**	**–**	**(156)**	**–**

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	Giga-World Group RMB'000	Kings Honor Group RMB'000	Pacific King Group RMB'000
NCI percentage	40%	43%	40%
Current assets	57,056	40,204	47,065
Non-current assets	207,708	23,317	28,806
Current liabilities	(28,411)	(36,807)	(32,001)
Non-current liabilities	(49,691)	(1,187)	(1,977)
Net assets	186,662	25,527	41,893
Carrying amount of NCI	74,665	10,977	16,757
Revenue	15,685	34,396	56,429
Loss for the year	(47,773)	(39,157)	(7,896)
Total comprehensive income	(46,892)	(38,846)	(7,680)
Loss allocated to NCI	(19,109)	(16,838)	(3,158)
Cashflows from operating activities	3,698	(8,162)	5,258
Cashflows from investing activities	(63)	(3,689)	(5,615)
Cashflows from financing activities	(4,268)	–	(139)

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21. INTERESTS IN JOINT ARRANGEMENTS

(a) Interest in a joint venture

	2016 RMB'000	2015 RMB'000
Share of net assets	**257,696**	366,641

Details of the Group's interest in a joint venture, which is accounted for using equity method in the consolidated financial statements for the year ended 31 December 2016, are as follows:

Name of joint venture	Place of establishment business and operation	Registered capital	Percentage of registered capital held by the Company Direct	Percentage of registered capital held by the Company Indirect	Principal activities
Shanghai Fuchao Property Management Company Limited ("Fuchao")	PRC	RMB9,000,000	–	50%	Provision of property sub-leasing services

Summarised financial information of Fuchao is disclosed below:

	2016 RMB'000	2015 RMB'000
Gross amounts:		
Non-current assets	**603,633**	627,488
Current assets	**192,413**	294,060
Current liabilities	**(11,007)**	(31,503)
Non-current liabilities	**(269,647)**	(156,763)
Equity	**515,392**	733,282
Revenue	**44,253**	56,890
Profit for the year	**19,710**	34,306
Total comprehensive income	**19,710**	34,306
Dividends declared by the joint venture attributable to the Group	**118,800**	–
Group's effective interest	**50%**	50%
Group's share of Fuchao's profit	**9,855**	17,153
Included in the above profit:		
Depreciation and amortisation	**(23,726)**	(23,666)
Interest income	**9**	17
Interest expenses	**–**	–
Income tax credit	**4,428**	4,077
Reconciled to the Group's interest in Fuchao:		
Gross amount of Fuchao's net assets	**515,392**	733,282
Group's effective interest	**50%**	50%
Group's share of Fuchao's net assets	**257,696**	366,641

21. INTERESTS IN JOINT ARRANGEMENTS (Continued)

(a) Interest in a joint venture (Continued)

The joint venture is engaged in the provision of property sub-leasing services in the PRC with the leasing right granted by 中國人民武裝警察部隊上海市總隊後勤部營房處租賃辦公室 (the "Lessor") to the joint venture for the period from 1 July 2007 to 30 June 2042 (the "License"). The Central Military Commission of the PRC issued a notice on 27 March 2016 on the cessation of all paid services of the People's Liberation Army ("PLA") and the People's Armed Police Force ("APF"), pursuant to which, the PLA and the APF are set to cease provision of all paid services, which is expected to be completed in forthcoming three years (the "Notice"), further details of which are set out in the Company's announcement dated 30 May 2016.

Based on the written confirmation from the Lessor and the PRC legal opinion, the Group considered that the License remains effective and legally enforceable until its expiry in accordance with the relevant PRC law and therefore it is considered that there is no adverse impact arising from the Notice on the joint venture's property sub-leasing services in the PRC.

(b) Interests in joint operations

Based on (i) the partnership agreements dated 12 June 2012 and 1 May 2013 between Alisea Esco, S.A. and Indra Sistemas, S.A., an independent third party; and (ii) partnership agreement dated 11 February 2015 between Alisea Esco, S.A. and Piamonte Servicios Integrales, an independent third party, Union Temporal de Empresas of the Law (the "UTE"), which is a form of non-equity consortium in Spain, UTE of Tarancon, UTE of Jaen and UTE of Cartaya were formed on 15 October 2012, 18 July 2013 and 16 February 2015, respectively, in relation to the supply of and provision of installation and maintenance of the public LED lights in Spain.

On 16 October 2012, 29 July 2013 and 10 March 2015, UTE of Tarancon, UTE of Jaen. UTE of Cartaya entered into a contract with the Town Council of Tarancon, Jaen and Cartaya respectively in Spain, pursuant to which, UTE of Tarancon, UTE of Jaen and UTE of Cartaya have been awarded energy efficiency contracts for the provision of the installation and maintenance of the public LED lights for the Town of Tarancon, Jaen and Cartaya respectively in Spain for a period of 16, 16 and 6 years respectively and the income from these energy efficiency contracts is determined by the efficiency and energy saving arising from the LED lights. Based on the terms of the partnership agreements dated 12 June 2012 and 1 May 2013, Alisea Esco, S.A. and Indra Sistemas S.A; and the partnership agreement dated 11 February 2015, Alisea Esco, S.A. and Piamonte Servicios Integrales are responsible for the supply and installation of LED lights, which are manufactured by the Group, and the provision of maintenance and repairs of these LED lights, respectively, during the periods of the energy efficiency contracts. The share of the income from the energy efficiency contracts by each of participating parties are specified in the three partnership agreements.

The arrangements for UTE of Tarancon, UTE of Jaen and UTE of Cartaya are regarded as joint operations and the investments in the three energy efficiency contracts by Alisea Esco, S.A. are accounted for in accordance with the accounting policy as set out in Note 3(d). All of the direct costs of the installed LED lights, as supplied by the Group, under the energy efficiency contracts are capitalised and depreciated, on a straight line basis, over the shorter of their useful lives and the remaining periods of the energy efficiency contracts as detailed in Note 14(a).

22. OTHER CURRENT FINANCIAL ASSETS

	2016 RMB'000	2015 RMB'000
In Hong Kong		
Listed equity securities	**4,298**	6,453
Pledged certificate of deposit	**–**	24,336
	4,298	30,789

As at 31 December 2015, a certificate of deposit of RMB24,336,000 was pledged to a bank as security made in favour of certain banks in Spain for the performance bonds issued in relation to energy efficiency contracts.

23. INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials	**7,883**	8,739
Work-in-progress	**2,468**	1,172
Finished goods	**20,185**	20,485
	30,536	30,396

All of the inventories are expected to be recovered within one year.

During the year, the Group has carried out regular review of the carrying amounts of inventories with reference to aged analysis, expected future consumption and management judgment. As a result, it is identified that the estimated net realisable value of certain inventories of RMB3,167,000 (2015: RMB1,239,000) is minimal and therefore such inventories have been fully written down and charged in profit or loss in the current year.

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24. TRADE AND BILLS RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	159,036	151,648
Less: Impairment losses	(37,178)	(13,985)
	121,858	137,663
Bills receivables	845	5,318
	122,703	142,981

All of the trade and bills receivables are expected to be recovered within one year.

(a) Aging analysis

Aging analysis of trade and bills receivables based on the invoice date (or date of revenue recognition, if earlier) and net of provisions as of the end of the reporting period is as follows:

	2016 RMB'000	2015 RMB'000
0–30 days	25,841	35,858
31–90 days	23,174	29,046
91–180 days	17,170	20,085
181–365 days	22,823	38,064
Over 365 days	33,695	19,928
	122,703	142,981

The Group normally grants a normal credit period of 90 to 365 days (2015: 90 to 365 days) to its customers. Certain well-established customers have strong financial strength, good repayment history and creditworthiness, and the Group extends their credit periods beyond 180 days. Each customer of the Group has a maximum credit limit.

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24. TRADE AND BILLS RECEIVABLES (Continued)

(b) Impairment losses on trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movements in the impairment losses during the year are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	13,985	4,153
Reversal of impairment	(566)	(776)
Impairment recognised	23,759	10,588
Exchange realignment	–	20
Net charge to profit or loss	23,193	9,832
At 31 December	37,178	13,985

As at 31 December 2016, trade receivables of the Group amounted to RMB37,178,000 (2015: RMB13,985,000) were individually determined to be impaired and full allowance for impairment losses had been made. These individually impaired receivables were long outstanding at the end of the reporting period, taking into account of creditworthiness, past payment history and subsequent settlement of each customer up to date of approval of the financial statements.

No cash deposit or collateral had been placed by the related trade debtors with the Group (2015: RMBNil).

(c) Trade and bills receivables that are not impaired

The aging analysis of trade and bills receivables based on the due date that are neither individually nor collectively considered to be impaired are as follows:

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	56,558	73,069
1–180 days	23,447	27,782
Over 180 days	42,698	42,130
	122,703	142,981

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance 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.

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25. OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments included the following balances:

(a) There are the aggregate receivables of approximately RMB59,130,000 (2015: RMB78,348,000) as at 31 December 2016 from four independent third party principals under relevant agency agreements, which are interest-free, due for repayment within one year and secured by collaterals for repayment as at the end of reporting periods. The directors of the Company are of the opinion that, after taking into account mainly the past payment history and their collaterals, the balances due from the principals can be fully recoverable and no impairment is necessary at the end of the reporting period.

(b) There are amounts due from non-controlling owners of subsidiaries of RMB14,000 (2015: RMB13,000), net of impairment, which are unsecured, interest-free and repayable on demand.

(c) Deposit for acquisition of a subsidiary amounted to RMB10,746,000 (equivalent to HK$12,000,000) included in non-current assets. Subsequent to the end of reporting period, the acquisition has been completed (Note 45).

(d) Impairment losses on other receivables

The movements in the impairment losses of other receivables during the year are as follows:

	2016 **RMB'000**	2015 RMB'000
At 1 January	**2,871**	6,000
Impairment recognised	**2,654**	1,871
Written-off	**–**	(5,000)
Exchange realignment	**91**	–
At 31 December	**5,616**	2,871

26. CASH AT BANKS AND IN HAND AND PLEDGED BANK DEPOSITS

	2016 **RMB'000**	2015 RMB'000
Cash at banks and in hand	**76,758**	86,220
Bank deposits	**21,931**	42,359
Pledged bank deposits	**26,656**	487
	125,345	129,066

As at 31 December 2016, the pledged bank deposits of RMB26,656,000 (2015: RMB487,000) were pledged to banks as security deposits made in favour of a bank in Spain for the performance bonds issued in relation to energy efficiency projects.

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For the year ended 31 December 2016

27. TRADE AND BILLS PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	36,683	24,810
Bills payables	–	848
	36,683	25,658

Aging analysis of trade and bills payables based on the invoice date (or date of cost recognition, if earlier) as of the end of the reporting period is as follows:

	2016 RMB'000	2015 RMB'000
0–30 days	16,741	12,268
31–90 days	10,061	7,509
91–365 days	8,640	4,691
Over 365 days	1,241	1,190
	36,683	25,658

The credit terms granted by suppliers are generally for a period of 30 to 90 days, determined from the end of the month of the relevant purchase.

28. OTHER PAYABLES AND ACCRUALS

All of the other payables and accruals are expected to be settled within one year.

29. BANK LOANS

As at 31 December 2015, the Group's bank loans were interest-bearing at Hong Kong dollar best lending rate minus 2% per annum, repayable within one year after the end of the reporting period and it has been fully repaid during the current year.

The corporate guarantee of the Company was executed to secure the bank loans of the Group as at 31 December 2015.

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30. BONDS PAYABLE

In prior years, the Company issued bonds with principal amount of RMB72,000,000, which were unsecured, interest-bearing at the coupon rate of 8% per annum payable annually and would be matured on 6 December 2017. The bonds were carried at amortised cost using the effective interest rate at 18.68% per annum.

During the year ended 31 December 2014, the bondholder exercised its put option to redeem the bonds, pursuant to which the aggregate amount of RMB77,760,000 comprising the principal amount of RMB72,000,000 and related interest of RMB5,760,000 became immediately due for repayment.

On 19 December 2014 and 7 January 2015, the Company and the bondholder entered into extension agreements to extend the due date of full repayment of the outstanding principal amount and related interest to 7 January 2015 and 17 June 2015 respectively.

During the year ended 31 December 2015, interest amount of RMB1,175,000 was charged to profit or loss and principal and interests of the bonds in the aggregate amount of RMB67,543,000 were fully repaid by offset against the subscription price of the Company's unlisted warrants, for which the holder of the Company's unlisted warrants is the same as the holder of the bonds.

31. OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain of its motor vehicles under lease terms ranging from 3 to 4.5 years. These leases are classified as finance leases as the rental period amounts to the estimated useful life of the assets concerned and the Group has the right to purchase these assets outright at the end of the minimum lease term by paying a nominal amount.

As at 31 December 2016, the Group has obligations under finance leases repayable as follows:

	2016		2015	
	Total minimum lease payments RMB'000	**Present value of the minimum lease payments RMB'000**	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000
Within 1 year	**546**	**527**	531	494
After 1 year but within 2 years	**268**	**264**	543	524
After 2 years but within 5 years	**–**	**–**	220	217
	814	**791**	1,294	1,235
Less: Total future interest expenses	**(23)**	**–**	(59)	–
	791	**791**	1,235	1,235
Less: Amount due for settlement within 12 months		**(527)**		(494)
Amount due for settlement after 12 months		**264**		741

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

32. EMPLOYEE RETIREMENT BENEFITS

The Group operates defined benefit and defined contribution retirement benefit schemes for its employees, the contribution funds of which are generally administered by independent trustees.

(a) Defined contribution retirement plans

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan held separately from those of the Group in funds under the control of trustees. Under the MPF Scheme, the employer and employees are each required to make contributions to the plan of 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (2015: HK$30,000). Contributions to the plan vest immediately.

The PRC subsidiaries participate in several defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal and provincial government authorities whereby the Group is required to make contributions to the Schemes certain percentage of the eligible employees' salaries. The local government authority is responsible for the entire pension obligations payable to retired employees. The only obligation of the Group with respect to the Schemes is to make the specified contributions. The Group has no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above.

The France subsidiary contributes to defined contribution government pension schemes through the payment of the social charges on a quarterly basis.

(b) Defined benefit retirement plan

The France subsidiary also operates a defined benefit pension plan which is related to retirement bonus representing one-off payments made at the time of retirement according to the collective employment agreements. The contributions were made to a separately administrated fund and the benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

As at 31 December 2016 and 2015, disclosures are made based on an independent actuarial valuation prepared by qualified staff of Aprecialis SAS, who is a member of the Certified Actuary of the Institute of Actuaries of French.

(i) The amounts recognised in the consolidated statement of financial position are as follow:

	2016	
	EUR'000	Equivalent to RMB'000
Present value of the projected obligations	**170**	**1,244**

In the opinion of the directors of the Company, the above obligations are expected to be settled more than one year after the reporting period.

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For the year ended 31 December 2016

32. EMPLOYEE RETIREMENT BENEFITS (Continued)

(b) Defined benefit retirement plan (Continued)

(ii) Movements in the present value of the Group's defined benefit obligations:

	2016 RMB'000	2015 RMB'000
At 1 January	2,051	–
Acquisition of a subsidiary (Note 38)	–	1,782
Actuarial (gain)/loss	(1,021)	155
Exchange realignment	214	114
At 31 December	1,244	2,051

The weighted average duration of the defined benefit obligations is 10.19 years.

(iii) The significant actuarial assumptions used are as follows:

	2016
Discount rate	1.24%
Salary growth rate	1.00%

(iv) The following analysis shows how the defined benefit obligations as at 31 December 2016 would have increased/(decreased) as a result of change in the significant actuarial assumptions:

	Change in assumption	Increase RMB'000	Decrease RMB'000
Discount rate	0.5%	(93)	103
Salary growth rate	0.5%	102	(93)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

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For the year ended 31 December 2016

33. DEFERRED TAX

(a) Deferred tax assets/(liabilities) recognised

Details of the deferred tax assets/(liabilities) recognised and movements during the current and prior years:

	Tax losses RMB'000	Other intangible assets RMB'000	Total RMB'000
At 1 January 2015	–	(121,277)	(121,277)
Acquired on acquisition of a subsidiary (Note 38)	–	(2,288)	(2,288)
Credited to profit or loss (Note 9(a))	–	45,343	45,343
At 31 December 2015 and 1 January 2016	–	(78,222)	(78,222)
Credited to profit or loss (Note 9(a))	2,203	71,340	73,543
Exchange realignment	49	–	49
At 31 December 2016	2,252	(6,882)	(4,630)

(b) Deferred tax assets or liabilities not recognised

At the end of the reporting period, the Group has unused tax losses of RMB416,466,000 (2015: RMB313,673,000) available for offset against future profits. As at 31 December 2016, deferred tax assets of RMB2,252,000 (2015: RMB Nil) has been recognised for the unused tax losses of the Group's subsidiary in Spain amounted to RMB7,868,000 (2015: RMB Nil). No deferred tax asset as been recognised in respect of the remaining unused tax losses due to the unpredictability of future profit streams of the relevant group entities. Tax losses of RMB362,747,000 (2015: RMB278,298,000) may be carried forward indefinitely and the remaining amount would expire in five years from the respective dates of incurrence.

As at 31 December 2016 and 2015, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that the subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with interests in subsidiaries in the PRC for which deferred tax liabilities have not been recognised is in total amount of approximately RMB15,419,000 (2015: RMB5,016,000).

34. SHARE OPTION SCHEME

Pursuant to a share option scheme (the "Share Option Scheme") approved by a resolution of the shareholders of the Company dated 26 July 2007, the Company may grant options to employees, directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, or substantial shareholder of the Company, to attract and retain the best available personnel, to provide additional incentive to employees and to promote the success of the business of the Group. The subscription price of the share option of the Company is HK$1.00 upon each grant of options offered and the options granted must be taken up within seven days from the date of grant.

The maximum number of shares that may be granted under the Share Option Scheme and other share option schemes shall not exceed 10% of the number of issued shares of the Company from time to time. No option may be granted to any person such that the total number of shares of the Company issued and to be issued upon exercise of all options granted and to be granted to each participant in any 12-month period up to the date of the latest grant exceeds 1% of the number of shares of the Company in issue.

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34. SHARE OPTION SCHEME (Continued)

The Share Option Scheme shall be valid and effective for a period of 10 years ending on 25 July 2017 after which no further options will be granted. The exercise price of the options will be at least the highest of: (a) the closing price of the shares on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheet) on the offer date, which must be a business date; (b) the average closing price of the shares on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheet) for the five business days immediately preceding the offer date; and (c) the nominal value of the shares.

The total number of shares available for issue under the Share Option Scheme at the end of the reporting period was 433,080,800 shares (2015: 433,080,800 shares) which represented 6.32% (2015: 6.63%) of the issued share capital of the Company at the end of the reporting period. There is no minimum period for which an option to be held before it can be exercised under the Share Option Scheme. As at 31 December 2015 and 2016, there was no outstanding share option. No share option was granted during the years ended 31 December 2015 and 2016.

35. SHARE CAPITAL

	Number of shares of HK$0.0025 each	Number of shares of HK$0.01 each	Nominal value of ordinary shares	
			HK$'000	RMB'000
Authorised:				
At 1 January 2015	–	2,000,000,000	20,000	
Effect of share subdivision to HK$0.0025 each (Note (a))	8,000,000,000	(2,000,000,000)	–	
At 31 December 2015 and 31 December 2016	8,000,000,000	–	20,000	
Issued and fully paid:				
At 1 January 2015	–	1,544,115,511	15,441	13,541
– upon exercise of unlisted warrants (Note (b))	50,000,000	77,600,000	901	726
– upon completion of share subdivision (Note (a))	6,486,862,044	(1,621,715,511)	–	–
At 31 December 2015 and 1 January 2016	6,536,862,044	–	16,342	14,267
– upon completion of placing (Note (c))	318,000,000	–	795	707
At 31 December 2016	6,854,862,044	–	17,137	14,974

35. SHARE CAPITAL (Continued)

The shareholders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. All the new shares issued during the year ended 31 December 2016 rank pari passu in all respects with the then existing ordinary shares of the Company.

Notes:

(a) **Subdivision of 1 ordinary share of HK$0.01 each into 4 ordinary shares of HK$0.0025 each**

During the year ended 31 December 2015, an ordinary resolution was passed by the shareholders at an extraordinary general meeting of the Company pursuant to which each of the existing issued and unissued ordinary shares of the Company of HK$0.01 per share was subdivided into 4 ordinary shares of HK$0.0025 per share.

Accordingly, 1,621,715,511 ordinary shares of HK$0.01 each were cancelled and 6,486,862,044 new ordinary shares of HK$0.0025 each were allotted and distributed as fully paid to existing shareholders of the Company. Further details are set out in the Company's announcements dated 15 July 2015 and 17 August 2015 and the circular dated 27 July 2015.

(b) **Issue of new ordinary shares upon exercise of unlisted warrants**

During the year ended 31 December 2015, 77,600,000 new ordinary shares of the Company of HK$0.01 each were issued upon the exercise of 77,600,000 unlisted warrants at an exercise price of ranging from HK$2.50 to HK$3.29 per share. 50,000,000 new ordinary shares of the Company of HK$0.0025 each were issued upon the exercise of 50,000,000 unlisted warrants at an exercise price of HK$0.82 per share.

The exercise of the above unlisted warrants gave rise to an aggregate proceeds of RMB216,225,000, net of expense, of which RMB726,000 was credited to share capital and the remaining balance of RMB215,499,000 was credited to the share premium account. The exercise of the above unlisted warrants also resulted in the transfer of RMB43,360,000 from warrant reserve to share premium account.

(c) **Issue of new ordinary shares by placement under general mandate**

During the year, the Company entered into a placing agreement with the placing agent which was an independent third party, pursuant to which, the Company issued 318,000,000 new ordinary shares of HK$0.0025 each to investors at a placing price of HK$0.192 each, resulting in an aggregate proceeds of RMB52,558,000, net of expense, of which RMB707,000 was credited to share capital and the remaining RMB51,851,000 was credited to the share premium account.

36. PLEDGED ASSETS

Other than those disclosed elsewhere in these financial statements, at the end of the reporting period, the following assets were pledged to banks to secure general banking facilities granted to the Group:

	2016 RMB'000	2015 RMB'000
Pledged certificate of deposit	**–**	24,336
Pledged bank deposits	**26,656**	487
	26,656	24,823

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37. RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share premium RMB'000 (Note (a))	**Warrant reserve** RMB'000 (Note (b))	**Exchange reserve** RMB'000 (Note (e))	**Accumulated losses** RMB'000	**Total** RMB'000
At 1 January 2015	1,361,005	43,367	(31,229)	(524,232)	848,911
Issue of new shares upon exercise of unlisted warrants	258,859	(43,360)	–	–	215,499
Share-based payment for a share transaction	4,868	–	–	–	4,868
Loss for the year	–	–	–	(233,739)	(233,739)
Exchange differences on translation of financial statements	–	–	7,925	–	7,925
Total comprehensive income for the year	–	–	7,925	(233,739)	(225,814)
At 31 December 2015 and 1 January 2016	**1,624,732**	**7**	**(23,304)**	**(757,971)**	**843,464**
Issue of new shares upon completion of placing	**51,851**	**–**	**–**	**–**	**51,851**
Share-based payment for a share transaction	**5,146**	**–**	**–**	**–**	**5,146**
Loss for the year	**–**	**–**	**–**	**(314,371)**	**(314,371)**
Exchange differences on translation of financial statements	**–**	**–**	**17,789**	**–**	**17,789**
Total comprehensive income for the year	**–**	**–**	**17,789**	**(314,371)**	**(296,582)**
At 31 December 2016	**1,681,729**	**7**	**(5,515)**	**(1,072,342)**	**603,879**

37. RESERVES (Continued)

Notes:

(a) Share premium

The share premium account represents the excess of the issue price net of any issuance expenses over the par value of the shares issued and has been credited to the share premium account of the Company. The application of the share premium account is governed by Section 34 under the Companies Law of the Cayman Islands.

(b) Warrant reserve

This reserve represents the net proceeds received from the issue of unlisted warrants of the Company. This reserve will be transferred to share capital and share premium account upon exercise of unlisted warrants.

(c) Other reserve

This reserve represented the gain arising from acquisition of additional 10% equity interest in a subsidiary from its non-controlling interest in the prior years.

(d) Actuarial reserve

This reserve comprises the cumulated net change in the fair value of the contribution to the defined benefit plan held by French subsidiary at the end of the report period and is dealt with in accordance with the accounting policies set out in Note 3(u)(ii).

(e) Exchange reserve

This reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations outside the PRC. The reserve is dealt with in accordance with the accounting policies set out in Note 3(x).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of change in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 2016.

The Group monitors its capital structure on the basis of a gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents.

The gearing ratios at 31 December 2015 and 2016 were as follows:

	2016 RMB'000	2015 RMB'000
Bank loans	–	132
Obligations under finance leases	791	1,235
Total debt	791	1,367
Less: Cash and cash equivalents	(98,689)	(128,579)
Net debt	N/A	N/A
Total equity	718,322	1,005,712
Gearing ratio	N/A	N/A

38. ACQUISITION OF A SUBSIDIARY

On 2 July 2015, the Group acquired the entire issued share capital of Football Club Sochaux – Montbeliard SA ("FCSM") for a cash consideration of EUR7,000,000 (equivalent to RMB48,178,000). This acquisition has been accounted for using the purchase method. The amount of gain on bargain purchase arising as a result of the acquisition was RMB61,996,000. FCSM is engaged in the development and promotion of a professional football club. FCSM was acquired so as to further diversify the business segments of the Group and enhance the exposure and recognition of the Group's LED brand name in Europe.

The fair values of identifiable assets and liabilities of FCSM as at the date of acquisition were:

	RMB'000
Assets and liabilities recognised at the date of acquisition are as follows:	
Other intangible assets (Note 17)	6,932
Other non-current financial assets (Note 18)	4,853
Inventories	596
Trade receivables	8,159
Other receivables and prepayments	7,616
Cash at banks and in hand	107,253
Trade payables	(9,036)
Other payables and accruals	(27,037)
Defined benefit obligations	(1,782)
Deferred tax liabilities (Note 33)	(2,288)
Total identifiable net assets	95,266
Contingent consideration receivables (Note (a))	14,908
Gain on bargain purchase	(61,996)
Consideration	48,178

Notes:

(a) Pursuant to the acquisition agreement ("Acquisition Agreement"), the consideration is subject to a price reduction ("Price Reduction") of an annual amount of EUR1,500,000 (equivalent to RMB10,324,000) for each of the years ending 30 June 2016 and 2017 in the event that FCSM achieves the mutually agreed conditions stated in the Acquisition Agreement during each of the two financial years ending 30 June 2016 and 2017 respectively. At the date of acquisition, the aggregate fair value of the Price Reduction is determined by the professional valuation conducted by Peak Vision at approximately RMB14,908,000 by reference to the discount rates ranging from 12.18% to 12.19%, which gave rise to contingent consideration receivables of the same amount as at the date of acquisition.

(b) Acquisition-related costs amounting to RMB10,205,000 have been excluded from the consideration paid and have been recognised as an administrative expense during the year ended 31 December 2015.

(c) The net cash inflow on acquisition of subsidiary is RMB59,075,000, which represented cash consideration paid of RMB48,178,000 less cash at banks and in hand acquired of RMB107,253,000.

(d) Since the acquisition, FSCM has contributed revenue of RMB35,186,000 and profit of RMB23,706,000 to the Group. If the acquisition had occurred on 1 January 2015, the Group's revenue and loss would have been RMB304,320,000 and RMB234,741,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operation of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor it is intended to be a projection of future performance.

(e) Gain on bargain purchase is included in Group's consolidated statement of profit or loss as a separate item. In order to attract the Group to acquire FCSM and continue to operate the football club, for which it has long history, the consideration of the acquisition was determined based on a discounted price, resulting in the gain on bargain purchase.

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39. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating lease in respect of office premises which fall due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	10,527	7,428
In the second to fifth year, inclusive	4,495	5,949
	15,022	13,377

The Group leases a number of properties under operating leases. The leases typically run for an initial period of three years. None of the leases includes contingent rentals.

40. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had following capital commitments:

	2016 RMB'000	2015 RMB'000
Contracted but not provided for		
Acquisition of the entire issued share capital of a subsidiary (Note 45)	81,938	–

41. CONTINGENT LIABILITIES

(a) Related to football players transfers

Under the terms of certain contracts with selling football clubs and agents in respect of players transfers, contingent amount, in excess of the amounts included in the cost of players' registrations, would be payable to the selling clubs and agents if certain specific performance conditions (subject to future events) are met. As at 31 December 2016, the contingent amount in relation to purchase of football players was RMB5,219,000 (2015: RMB5,801,000).

(b) Related to the ranking of professional football club

Under the terms of the employment contracts with certain players and management staff in French's subsidiary, if French's subsidiary meets the specific ranking in French Ligue or entitles to participate certain competitions in French Ligue, there would be contingent amount or performance bonus to be payable by FCSM to these players and management staff of the football club. As at 31 December 2016, the contingent amount in relation to the ranking of professional football club was RMB2,339,000 (2015: RMB3,706,000).

42. MATERIAL RELATED PARTY TRANSACTIONS

(a) Amounts due from/to subsidiaries

The amounts due from/to subsidiaries are non-trade nature, unsecured, interest-free and repayable on demand.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group represents amounts paid to the Company's directors disclosed in Note 10 and certain of highest paid employees as disclosed in Note 11.

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For the year ended 31 December 2016

43. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	2016 RMB'000	2015 RMB'000
Non-current assets		
Investments in subsidiaries	**294,077**	616,329
Current assets		
Other receivables and prepayments	**11,275**	453
Amounts due from subsidiaries	**305,748**	221,486
Cash at banks and in hand	**9,818**	19,803
	326,841	241,742
Current liabilities		
Other payables and accruals	**2,017**	295
Amount due to a subsidiary	**48**	45
Bonds payable	**–**	–
	2,065	340
Net current assets	**324,776**	241,402
NET ASSETS	**618,853**	857,731
EQUITY		
Equity attributable to owners of the Company		
Share capital	**14,974**	14,267
Reserves	**603,879**	843,464
TOTAL EQUITY	**618,853**	857,731

Approved and authorised for issue by the board of directors on 30 March 2017.

Li Wing Sang
Director

Chiu Chi Hong
Director

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For the year ended 31 December 2016

44. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount of financial assets and liabilities:

	2016 RMB'000	2015 RMB'000
Financial assets		
Financial assets at fair value through profit or loss		
Other current financial assets	4,298	6,453
Contingent consideration receivables	10,088	8,967
Loans and receivable, at amortised cost		
Other non-current financial assets	124,525	5,179
Other current financial assets	–	24,336
Trade and bills receivables	122,703	142,981
Other receivables and prepayments	115,256	103,778
Pledged bank deposits	26,656	487
Cash at banks and in hand	98,689	128,579
Financial liabilities		
Financial liabilities at amortised cost		
Trade and bills payables	36,683	25,658
Other payables and accruals	40,963	41,764
Bank loans	–	132
Obligations under finance leases	791	1,235

45. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 28 February 2017, the Group completed the acquisition of the entire issued share capital of Affluent State Holdings Limited ("Affluent State"), which indirectly holds a property in the PRC at an aggregate consideration of HK$103,500,000 (equivalent to RMB92,684,000) comprising of HK$12,000,000 (equivalent to RMB10,746,000) in cash paid as a deposit upon signing the agreement and HK$91,500,000 (equivalent to RMB81,938,000) in consideration shares of the Company be issued upon completion, based on the sale and purchase agreement dated 29 December 2016 with an independent third party. Further details are set out in the Company's announcements dated 4 November 2016, 29 December 2016 and 28 February 2017 respectively.

46. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2017.

Group financial summary

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Results					
Continuing operations					
Turnover	**232,980**	220,026	144,327	167,210	303,629
Operating loss	**(437,995)**	(280,647)	(233,725)	(245,868)	(39,799)
Finance costs	**(39)**	(1,397)	(33,347)	(9,760)	(22,528)
Loss before income tax	**(438,034)**	(282,044)	(267,072)	(255,628)	(62,327)
Discontinued operation	**–**	–	–	(6,808)	(68,875)
Income tax	**73,469**	43,819	24,826	5,276	3,561
Loss for the year	**(364,565)**	(238,225)	(242,246)	(257,160)	(127,641)
Attributable to:					
Owners of the Company	**(271,747)**	(192,208)	(216,852)	(245,528)	(119,675)
Non-controlling interests	**(92,818)**	(46,017)	(25,394)	(11,632)	(7,966)
Loss per share					
From continuing operations and discontinued operation					
– Basic and diluted	**(4.14 cents)**	(2.99 cents)	(3.69 cents)	(18.55 cents)	(11.33 cents)
From continuing operations					
– Basic and diluted	**(4.14 cents)**	(2.99 cents)	(3.69 cents)	(18.03 cents)	(4.81 cents)
From discontinued operation					
– basic and diluted	**–**	–	–	(0.52 cents)	(6.52 cents)

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Assets and liabilities					
Non-current assets	**450,308**	765,069	983,896	819,661	1,271,617
Current assets	**414,188**	445,700	286,075	288,065	647,582
Current liabilities	**(137,784)**	(124,043)	(138,697)	(147,907)	(608,953)
Total assets less current liabilities	**726,712**	1,086,726	1,131,274	959,819	1,310,246
Non-current liabilities	**(8,390)**	(81,014)	(121,657)	(149,733)	(320,773)
Net assets	**718,322**	1,005,712	1,009,617	810,086	989,473
Capital and reserves					
Share capital	**14,974**	14,267	13,541	10,407	9,835
Reserves	**696,567**	891,901	850,489	628,702	733,533
Equity attributable to owners of the Company	**711,541**	906,168	864,030	639,109	743,368
Non-controlling interests	**6,781**	99,544	145,587	170,977	246,105
Total equity	**718,322**	1,005,712	1,009,617	810,086	989,473