國農金融投資有限公司

China Demeter Financial Investments Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

Stock Code: 8120

ANNUAL REPORT 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this annual report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.

This annual report, for which the directors (the "Directors") of China Demeter Financial Investments Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this annual report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this annual report misleading.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Zhou Jing
(Chairman)
Mr. Ng Man Chun Paul
(Chief Executive Officer)
Mr. Lam Chun Kei
Mr. Ng Ting Ho

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Kin Fai
Ms. Cheng Lo Yee
Mr. Hung Kenneth

COMPLIANCE OFFICER

Mr. Zhou Jing

AUTHORISED REPRESENTATIVES

Mr. Lam Chun Kei
Ms. Chan Lai Ping

AUDIT COMMITTEE

Mr. Lee Kin Fai *(Chairman)*
Ms. Cheng Lo Yee
Mr. Hung Kenneth

REMUNERATION COMMITTEE

Mr. Lee Kin Fai *(Chairman)*
Ms. Cheng Lo Yee
Mr. Hung Kenneth

NOMINATION COMMITTEE

Ms. Cheng Lo Yee *(Chairlady)*
Mr. Lee Kin Fai
Mr. Hung Kenneth

COMPANY SECRETARY

Ms. Chan Lai Ping, HKICPA

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STOCK CODE

8120

WEBSITE

http://www.chinademeter.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of China Demeter Financial Investments Limited (the "Company", together with its subsidiaries, the "Group"), it gives me great pleasure to present to you the annual report for the year ended 31 December 2016.

RESULTS PERFORMANCE

For the year ended 31 December 2016, the Group recorded a revenue from continuing operations of approximately HK$61,703,000 (2015: approximately HK$57,721,000). Loss attributable to owners of the Company amounted to approximately HK$17,683,000 (2015: profit attributable to owners of the Company of approximately HK$6,168,000).

The net loss attributable to owners of the Company for the year ended 31 December 2016 was mainly attributable to impairment loss of available-for-sale investments of approximately HK$1,320,000, impairment loss of property, plant and equipment of approximately HK$1,256,000 and the share of loss of a joint venture of approximately HK$11,897,000, which were offset by profit recorded from the feedstock products and animal husbandry business segment of approximately HK$5,645,000.

BUSINESS PERFORMANCE

For the year ended 31 December 2016, the Group recorded a turnover of the feedstock products and the animal husbandry business of approximately HK$40,567,000, representing an increase of approximately HK$605,000 as compared to approximately HK$39,962,000 in the corresponding period of 2015.

During the year, the Group used its surplus liquidity to fund its money lending business through its indirectly wholly-owned subsidiaries. Loan interest income under this business segment amounted to approximately HK$6,261,000 during the year (2015: HK$13,367,000). During the year, interests of the loan receivables were charged at rates ranging from 4% to 12% per annum.

The Group has investments in securities of listed and non-listed companies in order to diversify its investment portfolios and increase returns to shareholders. During the year, the Group recorded a gain in fair value of financial assets through profit or loss of approximately HK$218,000 and impairment loss of available-for-sale investments of approximately HK$1,320,000. The Board will continue to closely monitor the performance of securities and investments to mitigate possible financial risks.

CHAIRMAN'S STATEMENT

In February 2016, the Company completed, among other matters a reorganisation of the share capital of the Company ("Capital Reorganisation"), which involved (i) the consolidation of every 5 issued and unissued then shares of par value of HK$0.01 each in the share capital of the Company into 1 consolidated share ("Consolidated Share") of par value of HK$0.05 each; (ii) the reduction of the par value of each of the then issued Consolidated Shares from HK$0.05 to HK$0.01 by cancelling the paid-up capital to the extent of HK$0.04 on each of the then issued Consolidated Shares; and (iii) the sub-division of each of the then authorised but unissued Consolidated Shares of par value of HK$0.05 each into 5 new shares of par value of HK$0.01 each.

In April 2016, the Company completed the right issue of not less than 197,265,375 offer shares and not more than 209,355,375 offer shares by way of open offer at the subscription price of HK$0.10 per offer share on the basis of one offer shares for every two existing share in issue on 17 March 2016. An aggregate of 197,265,375 shares of the Company were issued and allotted accordingly and net proceeds of approximately HK$17.5 million were raised.

In September 2016, the Group completed the acquisition of 44% of the issued shares of Profit Network Asia Inc. ("Profit Network"), in which its subsidiary is principally engaged in advising and dealing in securities and a licensed corporation to carry out on regulated activities under the Securities and Future Ordinance ("SFO"), at a HK$35,200,000. Such acquisition was further to an acquisition made on 6 January 2016 in which the Group acquired 7% of the issued share capital of Profit Network at a consideration of HK$5,600,000 in cash. Each of Profit Network and its subsidiary became a non-wholly owned subsidiary of the Company since 2 September 2016.

In November 2016, the Company and Fordjoy Securities and Futures Limited entered into a placing agreement pursuant to which the Placing Agent has agreed to place ("Placing"), on a best endeavour basis, up to 118,340,000 placing shares, to not less than six placees who and whose ultimate beneficial owners are independent third parties at a placing price of HK$0.10 per placing share. In December 2016, the Company received net proceeds of approximately HK$11.3 million from the Placing.

To provide the Company a better identification and to strengthen the Company's corporate image, the Company has changed the English name of the Company from "China Demeter Investments Limited" to "China Demeter Financial Investments Limited" and its secondary name in Chinese from "中國神農投資有限公司" to "國農金融投資有限公司". The Company is of the view that such change in company name will better reflect and emphasis the extension of the Group's business focus to financial services business.

The Group is committed to reinforcing its intrinsic strength and further consolidating each of the business segments to boost new income growth. Meanwhile, the Group will continue to identify potential business and investment opportunities with a view to increase the sources of income and bring higher returns to the shareholders.

BUSINESS PROSPECTS

Following the disposal of the breeding and sale of live swine business, the remaining agricultural business of the Group will mainly involve the manufacturing, development and distribution of feedstock products and related activities. The Group remains committed to take a flexible and cautious approach to the operation of feedstock products business by formulating our business strategies based on the market development.

The Group expects that the financial services business will become one of the major growth drivers. In order to consolidate its position in the financial services industry, the Group will continue to allocate resources to the financial services business, and believes that such business will help to broaden the Group's income sources. In addition, the Directors remain optimistic about the growth potentials in the money lending market of Hong Kong, and will take measures accordingly to improve our overall operational efficiency and strengthen our revenue base.

The Board is always committed to seeking opportunities for new business and performance growth, with an aim to expanding the Company's scope of operation and investments whenever the right opportunities arise. Leveraging on the solid foundation supported by its existing core businesses, the Group will formulate business strategies according to the market trends and continue to explore new investment opportunities, in an effort to enhance the Group's long term profitability. In addition, the Group will carefully review the development in all segments, and will allocate more resources to the business with sustainable growth potential. The Board believes that the Group's strategic investments and diversified businesses will help to boost performances and consolidate the Group's market position, enhancing the shareholders' value.

I would like to take this opportunity to express my sincere gratitude to the Directors, management and our staff for their contributions made to the development of the Group. At the same time, I would like to express my appreciation to our shareholders for their continued support. In return for your support, we are fully committed to do our best to bring better returns to our shareholders in the future.

Zhou Jing
Chairman

Hong Kong, 23 March 2017

FINANCIAL AND BUSINESS REVIEW

China Demeter Financial Investments Limited (formerly known as China Demeter Investments Limited) (the "Company") and its subsidiaries (the "Group") recorded a loss attributable to owners of the Company of approximately HK$17,683,000 for the year ended 31 December 2016 (the "Year") (31 December 2015: a profit attributable to owners of the Company of approximately HK$6,168,000). The loss attributable to owners of the Company was mainly attributable to the decrease of approximately HK$3,398,000 in changes in fair value of financial assets through profit or loss to approximately HK$218,000 for the Year (31 December 2015: approximately HK$3,616,000). During the year, loan interest income arising from the Group's money lending business decreased by approximately HK$7,106,000 to approximately HK$6,261,000 (31 December 2015: approximately HK$13,367,000). During the Year, other income and other gains and losses decreased by approximately HK$6,680,000 to approximately HK$4,647,000 (31 December 2015: approximately HK$11,327,000).The Group's share of loss of a joint venture increased by approximately HK$11,179,000 to approximately HK$11,897,000 (31 December 2015: approximately HK$718,000).

The revenue of the Group from the continuing operations for the Year increased by 6.9% to approximately HK$61,703,000 (31 December 2015: approximately HK$57,721,000), while gross profit from the continuing operations for the Year was approximately HK$22,754,000 (31 December 2015: approximately HK$21,766,000). The revenue from the continuing operations for the Year comprised the sales of feedstock products and animal husbandry products amounting to approximately HK$40,567,000 (31 December 2015: approximately HK$39,962,000), dividend income from listed equity investments amounting to approximately HK$442,000 (31 December 2015: Nil), loan interest income amounting to approximately HK$6,261,000 (31 December 2015: approximately HK$13,367,000), provision of financial services amounting to approximately HK$7,888,000 (31 December 2015: Nil) and provision of food and beverage services amounting to approximately HK$6,545,000 (31 December 2015: approximately HK$4,392,000).

General and administrative expenses from the continuing operations for the Year increased to approximately HK$26,452,000 (31 December 2015: approximately HK$19,736,000), mainly due to the recognition of the equity-settled share-based payment expense of approximately HK$2,136,000 during the Year and the fact that operating expenses of Profit Network and its wholly owned subsidiary ("Profit Network Group") were consolidated to the Group's administrative expenses upon the completion of acquisition of Profit Network Group by the Group.

Following the completion of disposal of Sky Red Group and Zhao Hui Group in 2015, the Group did not record revenue (31 December 2015: approximately HK$65,423,000) and profit (31 December 2015: approximately HK$3,850,000) from the discontinued operations for the Year. For the year ended 31 December 2015, revenue of the Group from the discontinued operations comprised provision of professional IT contracts and maintenance services amounting to approximately HK$13,328,000 and processing and sales of food products amounting to approximately HK$52,095,000.

For the year ended 31 December 2015, general and administrative expenses from the discontinued operations amounted to approximately HK$18,326,000. For the Year, the Group did not record general and administrative expenses from the discontinued operations.

AGRICULTURE BUSINESS

In 2016, prices of major livestock and poultry products increased significantly. The live swine breeding industry continued to pick up with increasing live swine prices, while the feedstock prices is decreasing. Under a backdrop of increasingly stringent environmental policies, it is expected that the recovery of breeder and live swine supply will be slow. With the continued improvement of production efficiency and integration in the feedstock industry, the People's Republic of China (the "PRC") has remained to be the largest feedstock production country. From a period of accelerated growth, the feedstock industry has entered a stage of structural growth, transforming from volume increase to quality improvement.

Revenue of the feedstock product and animal husbandry business for the Year was approximately HK$40,567,000 (31 December 2015: approximately HK$39,962,000), representing an increase of approximately HK$605,000 as compared to the same period last year, which was mainly attributable to the steady pickup in the swine price in 2016 and the maintenance of steady sales level for feedstock products.

In view of the increasingly stringent environmental protection laws in the PRC, it is expected that a relatively large scale capital investment would be required to upgrade the infrastructure and facilities of the live swine breeding business, so as to maintain the Company's live swine breeding and sales business at the current level and its competitiveness. If the necessary capital investment was not provided, the live swine breeding business would not be able to keep up with its current business scale. In addition, certain buildings relating to the live swine breeding business was physically damaged during the year. The management estimated that the upgrade of equipment and facilities would take about six months, during which the live swine breeding business might have to be suspended and approvals had to be obtained from the relevant authorities. If such upgrade was carried out, the daily operation of the live swine breeding business would be affected, and as such the revenue and profit generated from the live swine breeding business in 2017 would possibly be much lower than those of 2016.

Therefore, 廈門市東岳貿易有限公司 (in English, for identification only, "Xiamen Dongyu Trading Company Limited"), a limited liability company established in the PRC and an indirect non-wholly owned subsidiary of the Company owned as to 51% by the Company, as vendor entered into an equity transfer agreement with He Xiongfeng, an independent third party, as purchaser to dispose 100% of the issued shares of 武平建軍生態養殖有限公司 (in English, for identification only, "Wuping Jian Jun Ecology Breeding Company Limited"), a limited liability company established in the PRC, in which is principally engaged in breeding and sales of live swine in the PRC ("Disposal"). The Disposal constituted a major transaction of the Company pursuant to the GEM Listing Rules, and its resolution was passed by the Shareholders of the Company at the Special General Meeting ("SGM") on 8 March 2017. The Disposal has been completed in March 2017, please refer to the announcement dated 20 March 2017 for details.

The Disposal will allow the Group to focus on its remaining income sources, and the proceeds from the Disposal will be used for general working capital of the Group.

MONEY LENDING BUSINESS

The licensing of money lenders and regulation of money-lending transactions are governed by the Money Lenders Ordinance, Chapter 163 of the Laws of Hong Kong, in which a person or company carrying on business as a money lender in Hong Kong must obtain a money lender's licence.

The market of money lending business by licensed money lenders in Hong Kong is keen and competitive. Based on the list of existing money lenders licensees as maintained by the Registrar of Companies in Hong Kong, there were more than 1,800 licensed money lenders (including applications for renewal in progress) in Hong Kong as at 31 December 2016.

The scope of money lending services provided by licensed money lenders generally includes personal loans, business loans and mortgage loans. Within a loan category, the interest rates, the length of term of loan and choice of instalments vary with each licensed money lender. In addition to competition with other licensed money lenders, licensed money lenders also compete with authorised institutions such as banks, restricted licensed banks and deposit-taking companies in the provision of money lending services, although licensed money lenders may offer an advantage in providing loans with simpler approval procedures and greater flexibility.

Therefore, in view of the competitive landscape of the money lending business in Hong Kong, to reach potential borrowers who might compare lending services and products across various options, the brand exposure and target market are important to a licensed money lender.

The Group's money lending business does not generally target the general public. To differentiate from other licensed money lenders in the market, the target customers of the money lending business of the Group are mainly as follows:

(i) as regards personal loans, the Group targets well-heeled and reputational customers, the occupations of which ranged from executives, businessmen to professionals; and

(ii) as regards business loans, the Group targets well-established companies with business operations in Hong Kong and/or the PRC.

For the year ended 31 December 2016, the Group mainly provided fixed loans to individuals and companies where interests are payable by tailor-made schedule at fixed interest rate. The Group's money lending business will not usually grant loans to connected persons of the Company and for the year ended 31 December 2016, the Group has not granted any loan to the connected persons of the Company.

As at 31 December 2016, personal loans represented approximately 79% and business loans represented approximately 21% respectively in value of the Group's total active and outstanding loan portfolio. All of the customers in the Group's money lending business are Hong Kong or PRC residents or companies with business operations in Hong Kong and the PRC and come from referral from the business partners of the Group.

The majority of our loans are short-term loans repayable within a year. As at 31 December 2016, 61% of outstanding loan balances were short-term loans repayable within one year and 39% of outstanding loan balances were long-term loans repayable beyond one year.

As at 31 December 2016, the effective interest rate of the active and outstanding loans in the loan portfolio of the Group's money lending business ranged from approximately 4% to 10% per annum. Most of the loans granted by the money lending business of the Group are unsecured loans. To justify the higher credit risk, the Group typically charge a higher interest rate. Unsecured loans represented 90% of the Group's total active and outstanding loan portfolio as at 31 December 2016.

Given that the majority of the loans granted by the Group's money lending business are short-term loans provided to our customers who, as mentioned above, were well-heeled and reputational individuals and well-established companies who/which need short-term financing for personal/business needs, the collateral requirement was not viable as it was inconvenient to provide collaterals for short-term loans. Moreover, the creation and release of collaterals for short-term loans will create unnecessary administrative cost to the Group. In view of the higher underlying credit risk and lack of collateral, the Group could typically charge higher interest rates. Also, the Group usually required customers to provide signed and post-dated bank cheques with payments in accordance with tailor made repayment schedules.

For certain corporate customers, the Group has requested personal/corporate guarantees in order to enhance the recoverability of the loans. In determining whether a personal/corporate guarantee is required to add further security for the loan, the Group will consider, on a case by case basis, the reason for the borrowing, the credit history of the borrower with the Group, the borrower's financial background and the Group's credit exposure for the loan. As at 31 December 2016, loans which are backed by personal/corporate guarantees/mortgages in respect of a property represented approximately 21% in number, and approximately 26% in value of our Group's total active and outstanding loan portfolio.

No provision for the bad debts on loan receivables was made and there are no defaults on the customers of the Group's money lending business for the year. All principals and interests are duly received.

CREDIT POLICY AND LOAN APPROVAL PROCESS

The board of Directors ("Board") has set up a credit committee ("Credit Committee") and adopted a credit policy for the credit approval procedures. The Credit Committee has full authority to deal with all credit matters. The members of the Credit Committee are appointed by the Board and the quorum of the Credit Committee is at least two committee members.

The primary duties of the Credit Committee are, among other things, to approve and oversee the credit policy of the Group's money lending business and to monitor our loan portfolio. The credit policy of the Group's money lending business is subject to the review and amendments by the Credit Committee and the Board from time to time in line with changes in market environment. Given the fast changing environment, the Board and the Credit Committee endeavor to review the credit policy at least once a year.

Loan applications are generally received by the Credit Committee members, who are responsible for verifying the loan application documents and processing the loan applications. Credit Committee members are the main contact point with the customers, and are responsible for collecting the customers' information and handling loan application documents throughout the loan application process.

After receipt of the loan applications, the Credit Committee will perform the credit assessment procedures to assess the repayment ability of customers. The Group has set out strict credit check procedures to verify the credit worthiness of the customers. As each loan is different and unique, the Group does not have any specific quantitative conditions or criteria imposed for approving its loan. Each loan is decided on a case-by-case basis.

The following is a summary of the general guidelines of assessing the loan applications by the Credit Committee:

(1) Identity proof – such as identity card and passport (for individuals) and business registration certificate, certificate of incorporation and the constitutional documents (for corporate entities) must be verified;

(2) Address proof – such as utility bills, bank/credit card statements or formal correspondence issued by a government or statutory body is required to be produced;

(3) Repayment ability assessment – to assess and justify the repayment ability of the customer, criteria such as availability of guarantor, the background of the customer, and where applicable, the past payment record and any other relevant information are to be considered. The Credit Committee may request further information from the customer including but not limited to the followings: tax demand note, tax return, bank book record, bank statement, payroll slip, MPF statement, employer's letter, employment contract, rental income receipt, tenancy agreement, financial statements, and auditor's report etc.; and

(4) Legal search – a legal search will be conducted on the customers (and as the case may be, the guarantors) to ascertain if the potential borrowers have any prior legal cases in the past, which may cast doubt on credit worthiness and repayment ability.

As with the credit assessment of borrowers, guarantors who provide personal/corporate guarantee in favour of a loan are also required to meet the same basic eligibility and approval criteria, and will be required to go through the same verification and approval procedures.

The Credit Committee members will also be responsible for determining the interest rates charged to the customers, having taken into consideration factors such as the credit risks of the customers, their recoverability and the prevalent market interest rates. Typically, higher interest rates will be charged for unsecured loans to justify the higher credit risk.

After credit assessment and review of the loan applications by the Credit Committee, loan documents will be prepared and the loans will be recommended to the directors of the wholly-owned subsidiaries of the Company which operates the money lending business for final approval.

If the applicable percentage ratios as defined under the GEM Listing Rules in respect of the making of the loan under the loan application would constitute a discloseable transaction of the Company pursuant to Chapter 19 of the GEM Listing Rules, the loan application will be forwarded to the Board and a meeting of the Board will be held to consider and approve the loan application. It is the Group's policy not to make any advance to a borrower if such a proposed loan transaction will constitute a major transaction or above under the GEM Listing Rules.

During the year, the Group used its surplus liquidity to fund the money lending business, loan interest income from this business segment amounted to approximately HK$6,261,000 during the year (2015: HK$13,367,000).

FINANCIAL SERVICES BUSINESS

To further develop its financial services business, the Group completed the acquisition of 7% of the issued share capital of Profit Network at a consideration of HK$5,600,000 in January 2016, and completed the acquisition of 44% of the issued share capital of Profit Network at a consideration of HK$35,200,000 on 2 September 2016, respectively. Following the completion of these transactions, the Group held 51% interest in Profit Network. Profit Network Group has become non-wholly owned subsidiaries of the Group. Profit Network Group is principally engaged in advising on securities and dealing in securities business. The subsidiary of Profit Network is a licensed corporation in Hong Kong to carry out businesses in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. The Board believes that the acquisition serves to diversify the Group's business through leveraging on its own resources and combining with the operational model and management experiences of Profit Network Group in particular in advising on securities. The acquisition has timely expanded the Group's scope of operation and investments. During the period from 2 September 2016 to 31 December 2016, the revenue from external customers of Profit Network Group was approximately HK$7,888,000 (31 December 2015: Nil).

On 24 February 2017, the Company and Trinity Worldwide Capital Holding Limited ("Vendor"), a company incorporated in the British Virgin Islands with limited liability, entered into a sales and purchase agreement, pursuant to which the Vendor conditionally agreed to sell, and the Company has conditionally agreed to acquire, the remaining 49% equity interest in Profit Network, at a total consideration of HK$39,200,000. The acquisition will provide a prime opportunity for the Group to continue to develop its newly acquired financial services business segment which is expected to give a positive impact to the operations, financial results and profitability of the Group. The acquisition is subject to a number of conditions precedent which have not been completed as at the date of approval of this annual report.

SECURITIES INVESTMENT BUSINESS

The Group's diversified securities investment portfolios cover both listed and non-listed companies, in order to diversify its investment portfolios and increase returns to shareholders. During the Year, the Group recorded gains from the changes in fair value of financial assets through profit or loss of approximately HK$218,000 (31 December 2015: approximately HK$3,616,000). The decrease was mainly due to the recent fluctuation in Hong Kong securities market and the slowdown of the global economic growth.

The financial assets at fair value through profit or loss held by the Group were all the shares of listed companies in Hong Kong. Of these assets, the investment value of the shares of five listed companies as at 31 December 2016 accounted for approximately 81.5% of the total market value of all the financial assets at fair value through profit or loss held by the Group as at 31 December 2016. These investments included (i) 184,252,768 shares of Convoy Global Holdings Limited ("Convoy Global"); (ii) 41,200,000 shares of China e-Wallet Payment Group Limited (China e-Wallet) (formerly known as RCG Holdings Limited"); (iii) 35,865,000 shares of AMCO United Holding Limited ("AMCO United Holding"); (iv) 16,360,000 shares of Town Health International Medical Group Limited ("THIM"); and (v) 10,798,400 shares of Hong Kong Education (Int'l) Investments Limited ("HK Education"). The respective shares of Convoy Global, China e-Wallet, AMCO United Holding, THIM and HK Education are listed on the main board of the Stock Exchange. The Group's investments in Convoy Global, China e-Wallet, AMCO United Holding, THIM and HK Education were collectively known as "Significant Investment".

Details on Significant Investment are as follows:

Investee Companies	Fair value gains (losses)	Approximate percentage of fair value gains (losses) of the investments account for the changes in fair value of financial assets through profit or loss	Market value	Approximate percentage of financial assets at fair value through profit or loss	Approximate percentage to the net assets
	For the year ended 31 December 2016		At 31 December 2016		
	HK$'000	*(Note 1)*	*HK$'000*	*(Note 2)*	*(Note 3)*
Convoy Global	(23,130)	(10,610.1%)	42,562	28.2%	10.7%
China e-Wallet	15,656	7,181.7%	26,780	17.8%	6.7%
AMCO United Holding	3,227	1,480.3%	21,160	14.0%	5.3%
THIM	34	15.6%	20,450	13.6%	5.1%
HK Education	219	100.5%	11,878	7.9%	3.0%

Note 1: Approximate percentage of fair value gains (losses) of the investments account for the changes in fair value of financial assets through profit or loss is calculated by dividing fair value gains (losses) from the investment by gains (losses) from the changes in fair value of financial assets through profit or loss during the corresponding periods.

Note 2: Approximate percentage of financial assets at fair value through profit or loss is calculated by dividing market value of the investment by total carrying value of the financial assets at fair value through profit or loss held by the Group as at 31 December 2016.

Note 3: Approximate percentage to the net assets is calculated by dividing market value of the investment by the net assets of the Group as at 31 December 2016.

Convoy Global is principally engaged in the independent financial advisory business, money lending business, proprietary investment business and asset management business. China e-Wallet is principally engaged in the provision of biometric identification products, radio frequency identification products and solution services. AMCO United Holding is principally engaged in the manufacture and sale of medical devices products, plastic moulding products, provision of public relations services and human resources management services. THIM is principally engaged in healthcare business investments, and provision and management of healthcare and related services. HK Education is principally engaged in the provision of private education services, securities investment, properties investment and money lending business.

Due to the decelerating economic activities around the world and continued slowdown in growth of the economy, commodity prices were on a downward track and global trade activities offered no positive support to the Hong Kong stock market, leading to changes in fair value of financial assets at fair value through profit or loss. However, the Group still recorded gain in fair value of financial assets at fair value through profit or loss for the Year. The Board expects that performance in the Significant Investment will still be able to contribute positive returns for the Group in the near future. The Board will continue to closely monitor the performance of the securities in order to mitigate potential financial risks.

FOOD AND BEVERAGE BUSINESS

During the Year, the Group recorded income of approximately HK$6,545,000 (31 December 2015: approximately HK$4,392,000) in the provision of food and beverage service. During the Year, the food and beverage business of the Group recorded segment loss due to the rising costs of the food and salary. The Group will continue to closely monitor the market trend and adjust its business strategy and control expenses accordingly.

INVESTMENT IN A JOINT VENTURE

The joint venture is currently engaged in investment in the business of operating restaurants, cafes and takeaway outlets as well as providing food and beverage in the Southeast Asia region. During the Year, the Group recorded the share of loss of a joint venture of approximately HK$11,897,000 (31 December 2015: approximately HK$718,000). The loss was mainly attributable to a drop in consumption due to a downturn in the macro economy and the competition in the market, leading to a decrease in the revenue of the food and beverage business. The Group will closely monitor the development of the joint venture and adjust its business strategy according to the market conditions to cater to market needs.

PROSPECT

Looking ahead, the Group will continue to proactively explore new development opportunities to further diversify the Company's business portfolio. Leveraging on Hong Kong's geographic advantage as a major international financial center, and with the official launch of Shenzhen-Hong Kong Stock Connect at the end of 2016, the Group expects that the financial services business will become one of the major growth drivers. In order to consolidate its position in the financial services industry, the Group completed the acquisition of equity interests in Profit Network Group during the Year, which will enable the Group to achieve substantial development in advising on securities through leveraging on its own resources and capitalising on Profit Network Group's professional operation model and management experiences, proactively expanding the Group's operation and investment scope. The Group will continue to allocate resources to the financial services business, and believes that such business will help to broaden the Group's income sources. In addition, the Directors remain optimistic about the growth potentials in the money lending market of Hong Kong, and will take measures accordingly to improve our overall operational efficiency and strengthen our revenue base.

MATERIAL ACQUISITION AND DISPOSAL

In April 2016, Golden Harvest Holdings Limited ("Purchaser"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Trinity Worldwide Capital Holding Limited ("Vendor") to acquire ("Acquisition") 44% of the issued shares of Profit Network, in which its subsidiary is principally engaged in advising and dealing in securities and a licensed corporation to carry out on regulated activities under the SFO, at a HK$35,200,000. Such acquisition was further to an acquisition made by the Purchaser and the Vendor on 6 January 2016 in which the Purchaser and the Vendor entered into a sale and purchase agreement pursuant to which the Purchaser purchased and the Vendor sold 7% of the issued share capital of Profit Network at a consideration of HK$5,600,000 in cash. The completion of the Acquisition took place on 2 September 2016 and each of Profit Network and its subsidiary became non-wholly owned subsidiaries of the Company.

In February 2017, the Purchaser and the Vendor entered into a sale and purchase agreement pursuant to which the Purchaser conditionally agree to purchase and the Vendor conditionally agree to sell the remaining 49% of the issued share capital of Profit Network at a consideration of HK$39,200,000 in cash. Up to the date of this report, the acquisition is subject to certain conditions precedent and not yet completed. For details, please refer the announcement dated 24 February 2017.

In January 2017, 廈門市東岳貿易有限公司 (in English, for identification only, "Xiamen Dongyu Trading Company Limited"), a limited liability company established in the PRC and an indirect non-wholly owned subsidiary of the Company owned as to 51% by the Company, as vendor entered into an equity transfer agreement with He Xiongfeng, an independent third party, as purchaser to dispose 100% of the issued shares of 武平建軍生態養殖有限公司 (in English, for identification only, "Wuping Jian Jun Ecology Breeding Company Limited"), a limited liability company established in the PRC, in which is principally engaged in breeding and sales of live swine in the PRC, which includes slaughter pigs and breeders, at a RMB1,100,000 ("Disposal"). The Disposal have been completed in March 2017.

Saved as disclosed above, the Company does not have any significant acquisition and disposal during the year ended 31 December 2016 and up to the report date.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2016, the Group had cash and cash equivalents of approximately HK$73,971,000 (2015: HK$69,562,000) and net current assets of approximately HK$307,823,000 (2015: HK$277,406,000). Current ratio (defined as total current assets divided by total current liabilities) was 3.88 times (2015: 27.31 times).

As at 31 December 2016, the Group have bank and other borrowings of approximately HK$25,470,000 comprising other borrowing of HK$25,000,000 and bank borrowing of HK$470,000. The other borrowing is secured by corporate guarantee executed by the Company. The bank borrowing is secured by personal guarantee executed by the director of a subsidiary of the Company. The bank and other borrowings bore interest at prevailing market rates and repayable in accordance with the relevant loan agreements.

We fund our operations principally from cash generated from our operations, other debt instruments and equity financing from investors. Our cash requirements relate primarily to production and operating activities, business and asset acquisitions, repayment of liabilities as they become due, capital expenditures and any unexpected cash requirements. During the year, our loss before interest, taxes, depreciation and amortisation amounted to approximately HK$11,859,000.

The Group's gearing ratio, which is calculated on the basis of the Group's total liabilities to the total assets, as at 31 December 2016 was 21% (2015: 3%).

CAPITAL STRUCTURE AND FUND RAISING ACTIVITIES

As at 31 December 2016, the Group had equity attributable to owners of the Company of approximately HK$361,420,000 (2015: approximately HK$342,054,000).

Capital reorganisation

Pursuant to the special general meeting, the special resolution in relation to the capital reorganisation comprising the share consolidation, share reduction and the share sub-division was duly passed by way of poll and took effect on 4 February 2016. After the capital reorganisation,

(1) Every 5 issued and unissued Existing Shares of par value of HK$0.01 each in the share capital of the Company were consolidated into 1 consolidated Share of par value of HK$0.05 each and where applicable, the total number of consolidated Shares in the issued share capital of the Company immediately following the share consolidation were rounded down to a whole number by cancelling any fraction in the issued share capital of the Company which may arise from the Share Consolidation.

(2) The capital reduction was effected immediately upon the share consolidation becoming effective, pursuant to which the par value of each of the then issued consolidated shares were reduced from HK$0.05 to HK$0.01 by cancelling the paid-up capital of the Company to the extent of HK$0.04 on each of the then issued consolidated shares, the credits arising from (a) such reduction of the paid up capital; and (b) the cancellation of any fractional consolidated share in the issued share capital of the Company which may arise from the share consolidation, which together, amount to approximately HK$15,782,000, will be credited to the contributed surplus account of the Company within the meaning of the Companies Act.

(3) Immediately following the capital reduction, each of the then authorised but unissued consolidated shares of par value of HK$0.05 each were sub-divided into 5 new shares of par value of HK$0.01 each.

Completion of Open Offer

On 23 February 2016, the Company announced its proposal to raise not less than approximately HK$19,700,000 and not more than approximately HK$20,900,000 before expenses by issuing not less than 197,265,375 offer shares and not more than 209,355,375 offer shares at HK$0.10 per offer share on the basis of one offer share for every two existing shares in issue held on 17 March 2016 ("Open Offer").

The Open Offer was fully-underwritten by Nuada Limited (the "Underwriter") pursuant to the underwriting agreement dated 23 February 2016 entered into by and between the Company and Underwriter and was completed on 14 April 2016 with a total of 197,265,375 new shares with an aggregate nominal value of approximately HK$2,000,000 issued on the same date, on the basis of 394,530,750 shares in issue on 17 March 2016, being the record date of the Open Offer. The Company raised approximately HK$19,700,000 before expenses from the Open Offer. The net proceeds, after deducting relevant expenses payable in relation to the Open Offer, amounted to approximately HK$17,500,000.

The Board intends to apply the net proceeds from the Open Offer as to approximately HK$10,000,000 for investment of certain new business projects including food and beverage business and/or processing and sales of food products business and the remaining of approximately HK$7,500,000 will be used as general working capital of the Group.

Details of the Open Offer are set out in the Company's announcements dated 23 February 2016, 9 March 2016 and 13 April 2016 and the Company's prospectus dated 18 March 2016. The Open Offer was completed on 14 April 2016. In the event of any change in use of such proceeds, the Company will make an announcement in accordance with the requirements of the GEM Listing Rules.

Issue of shares under the general mandate

On 22 November 2016, the Company and Fordjoy Securities and Futures Limited ("Placing Agent") entered into a placing agreement pursuant to which the Placing Agent has agreed to place ("Placing"), on a best endeavour basis, up to 118,340,000 placing shares, to not less than six placees who and whose ultimate beneficial owners are independent third parties at a placing price of HK$0.10 per placing share. As disclosed in the announcement of the Company dated 2 December 2016, completion of the Placing took place on 2 December 2016 in accordance with the terms of the Placing Agreement. The Company received net proceeds of approximately HK$11,300,000, which will be used as to develop the financial services business of the Group.

Date of announcement/ prospectus	Fund raising activity	Net proceeds raised (approximately)	Intended use of the net proceeds	Actual use of the net proceeds as at 31 December 2016
23 February 2016, 18 March 2016 and 13 April 2016	Issue of not less than 197,265,375 offer shares and not more than 209,355,375 offer shares by way of open offer at the subscription price of HK$0.10 per offer share on the basis of one offer share for every two existing shares in issue on 17 March 2016.	HK$17.5 million	As to (i) approximately HK$10.0 million for investment of certain new business projects including food and beverage business and/or processing and sales of food products and (ii) as to approximately HK$7.5 million for general working capital.	As to approximately HK$3.7 million has been used as intended for general working capital and the rest will be used as intended.
22 November 2016, 2 December 2016 and 6 February 2017	Placing of 118,340,000 new shares at the placing price of HK$0.10 per Share under general mandate.	HK$11.3 million	As to approximately HK$11.3 million for developing the financial services business of the Group.	Not yet been utilised and will be used as intended.

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

For the year ended 31 December 2016, most of the Group's business transactions, assets and liabilities were principally denominated in Hong Kong dollars ("HK$"), Renminbi ("RMB"), Singapore dollars ("S$"), United States dollars ("US$") and HK$ is the Group's presentation currency. The Group is exposed to potential foreign exchange risk as a result of fluctuation of RMB, S$ and US$ against HK$. The Group currently does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider using hedging instruments in respect of significant foreign currency exposure should the need arise.

When appropriate and at times of interest rate or exchange rate uncertainties or volatility, hedging instruments including swaps and forwards will be used by the Group in the management of exposure affecting interest rates and foreign exchange rate fluctuations.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any contingent liabilities (2015: Nil).

CHARGES OF GROUP ASSETS

As at 31 December 2016, the Group had outstanding borrowings of HK$25,470,000 comprising other borrowing of HK$25,000,000, which is secured by corporate guarantee executed by the Company and bank borrowing of HK$470,000, which is secured by personal guarantee executed by the director of a subsidiary of the Company.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2016, the Group had approximately 62 employees in Hong Kong and the PRC (excluding directors of the Company) (2015: 43). The Group's remuneration policy is to provide competitive level of remuneration to employees and directors based on their performance, qualification, experience and the prevailing industry practice.

Apart from regular remuneration, discretionary bonus and share options may be granted to eligible staff by reference to the Group's performance as well as individual's performance.

We aim to provide employees with resources and an environment that encourages them to develop careers with us. We provide management personnel and employees with on-the-job education, training and other opportunities to improve their skills and knowledge.

Pursuant to the share option scheme adopted by the Company on 30 September 2013 (the "Share Option Scheme"), the Board may grant options to eligible persons, including employees and directors, to subscribe for shares of the Company. During the year, the Company granted 59,000,000 share options to directors, employees and other eligible persons on 10 June 2016.

ENVIRONMENT

The Group is subject to laws and regulations in the PRC in which it engaged in animal husbandry business. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. The Group monitors the health of its livestock on a regular basis. The Group's subsidiary in the PRC which carries out the agricultural activities in relation to the biological assets possesses a business license where the business scope includes the breeding and sales of live swines and also possesses an Animal epidemic prevention certificate (動物防疫條件合格證) issued by the Wuping County Animal husbandry, veterinary and fisheries Bureau (武平縣畜牧獸醫水產局). Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage these risks.

BIOLOGICAL ASSETS IN THE PRC

As at 31 December 2016, the Group did not keep any biological assets (2015: HK$1,577,000) due to the temporary suspension of the breeding and sales of live swine business for upgrading of the infrastructure and facilities in the PRC.

During the year ended 31 December 2016, the Group did not recorded gain arising from net changes in fair value less costs to sell of biological assets (2015: HK$530,000).

ABOUT THIS REPORT

The Company's 2016 Environmental, Social and Governance ("ESG") Report is prepared in accordance with the ESG Reporting Guide set out in Appendix 20 of GEM Listing Rules on the Stock Exchange.

While the Company operates money lending, financial services, securities investment and food and beverage businesses in Hong Kong, we aware of the environmental impact produced by our agriculture business activities. The Company recognises the importance of corporate social responsibility and stakeholder engagement. The purpose of this report is, therefore, to communicate the Company's social and environmental performance with all key stakeholder groups. Adopting a holistic approach in quality control, supply chain management and epidemic prevention, we have taken necessary measures at our feedstock production and animal husbandry site to reduce and manage air pollutants and water efficiency.

FEEDBACK

If you have any thoughts or comments on how we could improve in the future, please send us your feedback at: info@chinademeter.com

REPORTING PERIOD AND SCOPE

This is the first ESG report of the Company, covering ESG performance from 1st January 2016 to 31st December 2016. This report supplements our annual report and includes data and information from the Hong Kong operations and the agriculture operating in the People Republic of China ("PRC").

1. ENVIRONMENTAL

Our feedstock products business and animal husbandry business consume the largest proportion of energy. During the feedstock production process, a boiler, using wood as the primary source of fuel, generates steam to soften fodder before mixing them. To reduce environmental impacts of the smoke and waste water produced during the process, we have installed smoke and dust treatment facility and sewage facility in our production site. For our animal husbandry business and feedstock products business, used water will go through biological treatment process in the septic tanks to produce environmentally safe treated wastewater.

For our money lending business, financial services and securities investment business, energy consumption is mainly lighting and air conditioning. We have been working in reducing unnecessary use of air conditioning and lighting to reduce the environmental impacts of our business operations.

Compliance

The Company has been striving hard to minimise our impacts on the environment. We have obtained all the licenses needed for the production of feedstocks and breeding and sale of live swine business, and strictly complied with all the relevant environmental laws and regulations in the PRC. All our farms have complied with but not limited to the "Environmental Protection Law of the PRC", "Law of the PRC on the Prevention and Control of Water Pollution", and the "Law of the PRC on the Prevention and Control of Atmospheric Pollution".

For the feedstock production, we have complied with the "Regulations on Administration of Feeds and Feed Additives", and the "Measures for the Management of Production Licenses for Feeds and Feed Additives". During 2016, there is no report on the violation of environmental law and we received no complaint from our clients regarding environmental problems.

For our money lending business, financial services and securities investment business, we implement various green measures to save energy and reduce our carbon footprints. Each business unit in our company has its own responsibility to adopt appropriate environmental measures.

Policy and Implementation

The Company's environmental policy is to minimise our operational impacts on the environment. We encourage our staffs in all levels to share this value, offering rewards to those departments who meet our requirement or make constructive contributions to our company's environmental policy. In 2016, we took various measures in areas such as water saving, animal waste treatment and greenhouse gas reduction. Below are highlights of our actions undertaken during the year regarding the Group's major environmental aspects.

Waste: Recycle, reduction and treatment

- Animal Husbandry: Collect and process animal waste into fertiliser
- Animal Husbandry: Install animal waste treatment facility
- Animal Husbandry: Set up internal monitoring procedures to keep track of the waste treatment
- Feedstock Production: Install solid waste separation and collection facilities
- Money Lending Business, Financial Services and Securities Investment Business: Promote printer cartridge and paper recycle

Water: Recycle and sewage treatment

- Feedstock Production: Water in the boiler and steam water are recycled and reused
- Feedstock Production and Animal Husbandry: Install sewage treatment facility
- Feedstock Production and Animal Husbandry: Used water will go through biological treatment process in the septic tanks to produce environmentally safe treated wastewater.

Pollutants: Reduction and treatment

- Feedstock Production: Install dust collectors in smashing machines
- Feedstock Production: Install smoke and dust treatment facility

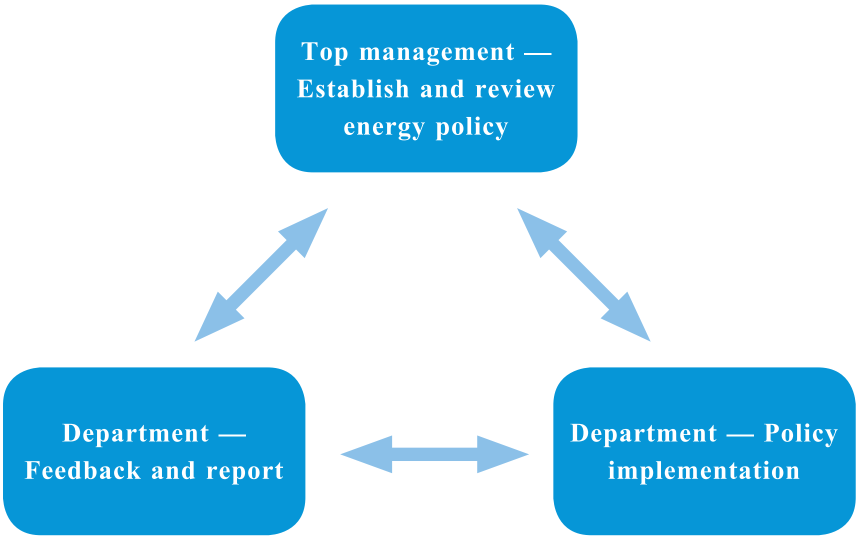
Energy: Saving and management

- Feedstock Production and Animal Husbandry: Set up a team to coordinate energy management across the company
- Money Lending Business, Financial Services and Securities Investment Business: Reduce unnecessary use of air conditioning and lighting

Energy Consumption and Management

We recognize our business operation consumes a great deal of resources, in which we mainly consume electricity. We have been working hard in improving the efficiency. The Company constructed a management guideline in accordance with the relevant PRC energy policy and relevant energy management standard that covered the use of energy, measurement of energy usage and performance indicators. This guideline provides our employees with a holistic view on our company's energy management system.

We understand a successful energy management system needs to involve and motivate all levels of the company. Therefore, our energy management system has a four layer structures, which involved the 1) company level, 2) departmental level, 3) workshop level and 4) team level. We have a team comprising senior management from each department, coordinating and managing the company's energy management system. We regularly collect data of energy usage in each department. The data will be analysed and we will propose relevant improvement plans to reduce energy use.



Energy consumption mainly consumed in the feedstock production process and Hong Kong operation (including food and beverage business and head office) and water consumption mainly used for the feeding of pigs. Feedstock production has a higher electricity consumption than the animal husbandry business. The electricity consumption for the year ended 31 December 2016 in feedstock production, Hong Kong operations and animal husbandry business are 506,931kWh, 120,726kWh and 24,086kWh respectively.

Electricity Consumption	**Unit**	**2016**
Feedstock production	kWh	506,931
Hong Kong operations	kWh	120,726
Animal husbandry business	kWh	24,086

Water Usage

For animal husbandry business, we built wells and extract natural spring water and use them as drinking water for pigs and daily uses. We have similar practice for feedstock production base, which mainly uses natural spring water and running water to satisfy our daily demand. Water consumption in feedstock production for the year ended 2016 is approximately 3,239m^3.

2. PEOPLE

The Company is an equal opportunity employer. We propose fair, open and transparent recruitment process, and do not tolerate any form of discrimination over age, race or gender in our company. Strictly following and complying with relevant PRC and Hong Kong labor laws and regulations, during 2016, we receive no reports or complaints in violation of the labor laws and other related problems.

Community

Striving to be a responsible corporate citizen, the Company supports charity organizations through direct donations and volunteering. In 2016, we donated HK$92,800 to support different charity organisations.

Prevention of Child Labor or Forced Labor

As a responsible corporate citizen, we do not employ child labor or forced labor. We strictly comply with the PRC's "Provisions on the Prohibition of Using Child Labor". We have set up a standard procedure in confirming the identity of the new employee to ensure there is no child labor or forced labor.

In 2016, there is no child labor or forced labor in our company. We have set up a system in dealing with child labor incident. In case child labor is employed, in order to protect the right of the child labor, we will bring the child labor back to home safely. If the child labor does not have a family, we will provide economic subsidy to the child labor to continue his study. When he reaches 16 years old, we will provide him a job if he wishes to. Also, we will report to the local labor and enforcement departments and find out a solution that meets the child labor's interest.

Employee Welfare

We care for our employees. We provide holidays such as marriage leave, bereavement leave and maternity leave as per the labor laws. Also, we take a step further and organize birthday celebrating meal and cultural activities to boost the employees' morale. To protect our employees, we provide different kinds of insurance, including the endowment insurance, medical insurance, occupational injury insurance, Mandatory Provident Fund retirement benefits scheme for Hong Kong employees and central pension scheme for PRC employees. All the labor supplies, including uniforms, mask and gloves are distributed to each of the employees centrally.

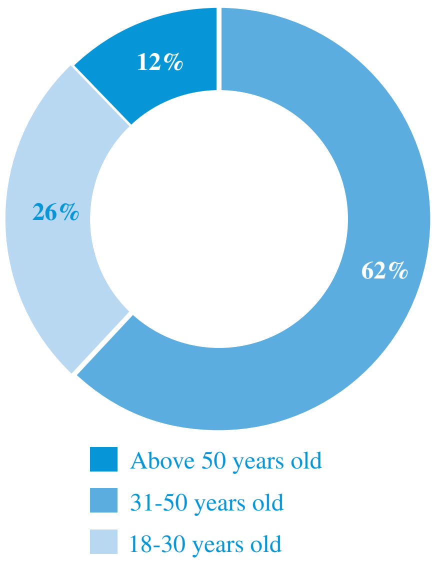
Employee Composition

We aim to keep our company efficient and only employ people out of necessity. During 2016, the staff turnover rate for animal husbandry business is 50%. Meantime for feedstock production, the staff turnover rate is 37% but is outweighed by the 52% hire rate. The total number of staff in feedstock production increased this year. For our Hong Kong operations, the staff turnover rate and the new hire rate are 21% and 44% respectively.

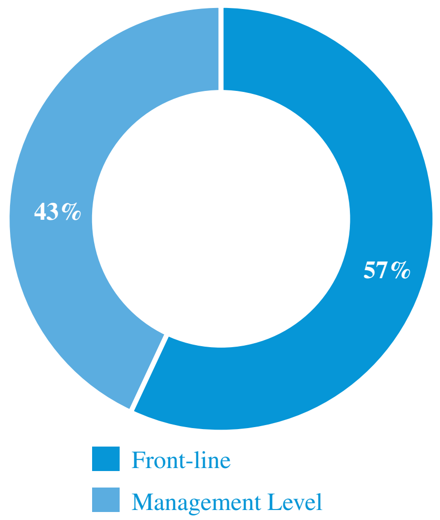
When there is a new opening in our Group, we aim to make personnel transfer within the Group. Only if not possible, we will commence our recruitment process.

In 2016, there are 69 employees (including directors) in the Group, in which 18 of them aged below 30 years old, 43 of them aged between 31-50 years old and 8 of them aged above 50 years old; 39 of them are front-line employees and 30 of them are management level employees; 62% of them are male and 38% are female; 54% of them hold a university degree or higher qualification and 46% of them have qualification lower than university level.

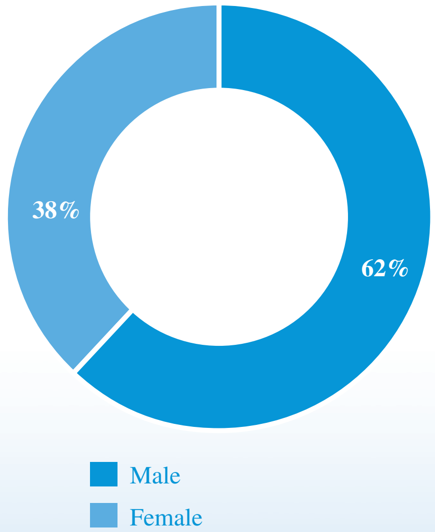
Employees' Age Distribution



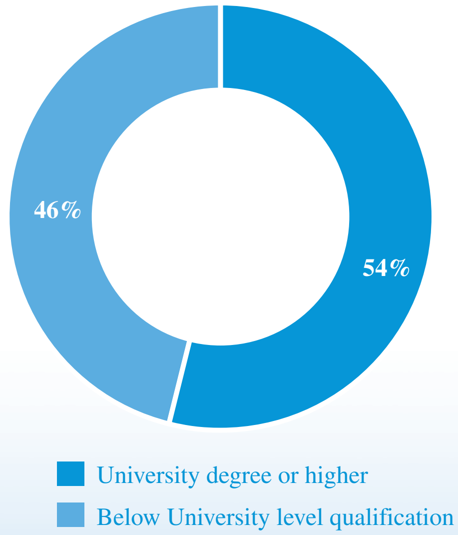
Employees' Catergories



Employees' Gender Distribution



Employees' Qualifications



Workplace Safety and Health

Employees are important and contribute to our Group's success. We aim to maintain a sound working environment for our employees, for example we perform periodic inspections on ventilation system and office facilities. There is no workplace accident or work-related disease reported in 2016. We operate our business in accordance to the "Law of PRC on the Prevention and Control of Occupational Diseases". We distribute protective gears to all our frontline employees and provide regular health check to staffs who exposed to hazardous working environment.

In addition to creating a safe workplace, it is critical to promote and increase our employees' awareness of occupational health and safety. Our company set up and distribute staff' safety handbook and occupational health training materials to our employees, such as a handbook introducing the international standard OHSAS18001 for occupational health and safety management system. For feedstock production, we provided 24 hours of occupational health training to our employees and the participation rate is 100%.

Training and Development

To ensure our production procedures are well implemented, we provide training to all new members. In different stages of the employment, we provide resources and support to help our employees realize their full potential.

Pre-service training

- Organized by Human Resources department and office
- Training for new staffs
- To get familiar with company rules and regulations, working environment and job duty

On-the-job training

- Employees practice and research to improve their skills

Professional training

- Depends on need
- Chosen employees will be sent to relevant training institute
- Invite professionals to the company and hold seminars for our employees

3. OPERATING PRACTICE

Suppliers

Our suppliers are mainly located in the PRC. In 2016, there are 30 suppliers for feedstock production site and 1 supplier for animal husbandary. Every year, we evaluate and grade our suppliers in aspects like product quality, technologies and financial status. Suppliers that could not meet the Company's standard will be rejected. On the other hand, we offer discount, technologies and investment to the suppliers with excellent performance, encourage them to further improve and create more values in our supply chain.

Quality Control and Product Safety

We take product safety seriously. We have taken a series of quality control measures in our production line. In the feedstock production site, we closely monitor the production process to ensure everything meets our company's standard. We have fodder catalogs to guide our staffs what ingredients are allowed to put in the fodder. Ingredients that are harmful to animals are strictly prohibited in our company. The development, change or use of fodder formula must be approved by relevant departments.

Our products were clearly labeled in accordance to the "PRC Feed Label Standard" and meets the GB10648-2013 standard requirement. All the fodder labels were stored and kept in accordance to the "Administrative Provisions on Feed Quality Safety" requirement. Our certificated assurance inspectors perform regular site inspections and product testing to ensure the products are safe and meet our company's standard. Special equipment must be tested and obtain a safety license before it was put into use. In 2016, we successfully maintained the high quality of our products, with no complaint or retuned good.

Supply Chain Management

- Evaluate and conduct investigation on suppliers
- Keep record on qualified suppliers

Production Process

- Perform routine test on materials and record the result
- Quality inspector monitor and perform test
- Strictly monitor the production process

Sales of product

- Handle customers' complaints and product recall objectively
- Products were tested and sampled
- Provide regular sales training to customer service staffs

In the animal husbandry site, we have an effective and comprehensive epidemic prevention system. We hold the "Animal Epidemic Disease Prevention Compliance Certificate" accredited by the Fishery, Animal Husbandry and Veterinary Bureau of Wu Ping County. We react quickly if any live swine was found sick. The sick animal will be inoculated, isolated or butchered. The infected site will also be quarantined. With our efforts, there is no serious epidemic observed in our site in 2016.

Epidemic Prevention

Geographical prevention: Our site situated in remote and rural area, reduce the chance of infection from external sources.

Feedstock control: All the feedstocks used on site are supplied by our own production site, in which we could closely monitor the feedstock ingredients and quality.

Spacious living area: All the live swines were feed and kept in group, this could provide more space for them to move and prevent sickness.

Vaccination program: We inoculate our animals with proper vaccine.

Anti-Corruption

We strictly comply with the relevant laws in regarding of bribery, extort, swindle and money laundering. There is no reported incident of corruption found in 2016. We implemented a corruption prevention management system to monitor and provide guidelines for our staffs to follow. The Company's principle is that staff should not take advantage of their duties and receive gifts from third parties that are likely to cause interest conflicts.

EXECUTIVE DIRECTORS

Mr. Zhou Jing ("Mr. Zhou"), aged 58, is the chairman of the Board of the Company. Mr. Zhou Jing joined the Group in May 2013 as the general manager of the Company and is also a director of subsidiaries of the Company. Mr. Zhou obtained a Bachelor of 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 of Technology degree 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 北京中恒泰投資有限公司 (China Zhong Heng Tai Investment Company Limited), 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 an independent non-executive director of DX.com Holdings Limited (Stock Code: 8086) which is listed on GEM of the Stock Exchange and an independent non-executive director of Tech Pro Technology Development Limited (Stock Code: 3823) which is listed on Main Board of the Stock Exchange.

Mr. Ng Man Chun Paul, aged 45, was appointed as an executive director and the chief executive officer ("CEO") of the Company with effect from 15 November 2016. He obtained a bachelor of science degree from Columbia University, New York, the United States of America in May, 1993. Prior to joining the Group. He has worked in various international investment banks and securities firms and is experienced in the area of finance and investments. He is (i) a cousin of Mr. Ng Ting Ho, an executive Director; and (ii) a cousin of Mr. Ng Ting Kit, a substantial shareholder of Profit Network, a non-wholly owned subsidiary of the Company, and a director of certain subsidiaries of the Company; Mr. Ng Ting Kit is the elder brother of Mr. Ng Ting Ho.

Mr. Lam Chun Kei ("Mr. Lam"), aged 41, is the authorised representative and process agent of the Company. He is also a director of the subsidiaries of the Company. Mr. Lam holds a bachelor degree in Accountancy from the City University of Hong Kong. He is a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Lam has over 18 years of experience in accounting, auditing and financial management and previously worked in an international accounting firm and listed groups.

Mr. Ng Tin Ho ("Mr. Ng"), aged 32, was appointed as an executive director with effect from 5 February 2016. He is experienced in banking and finance, and previously worked in various banks and financial institutions. He is also a director of the subsidiaries of the Company. Mr. Ng obtained his Bachelor of Commerce in Finance and Financial Economics Degree from the University of New South Wales in 2008. Thereafter, Mr. Ng further completed his Master of Science in Financial Mathematics Degree from the Cass Business School of the City University in London in 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Kin Fai ("Mr. Lee"), aged 44, is a member of the nomination committee, the chairman of the remuneration committee and the audit committee. Mr. Lee obtained a master degree in business administration from the Manchester Business School of University of Manchester in United Kingdom. Mr. Lee is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Lee is currently an executive Director of GET Holdings Limited (Stock Code: 8100), a company listed on the GEM of the Stock Exchange. He was also an independent non-executive director of China Smartpay Group Holdings Limited (Stock Code: 8325) from March 2011 to May 2014 and First Credit Finance Group Limited (Stock Code: 8215) from June 2013 to July 2016, all of which are companies listed on GEM of the Stock Exchange.

Ms. Cheng Lo Yee ("Ms. Cheng"), aged 61, is also the chairlady of the nomination committee of the Company and a member of the audit committee and the remuneration committee. Ms. Cheng was employed by the Hong Kong Government as an Executive Officer from 1978 to 1992 and worked in various government departments including the Home Affairs Department, Social Welfare Department, Government Secretariat, and Office of Members of the Executive and Legislative Council (now called Legislative Council of the HKSAR). Her last rank was Senior Executive Officer. Ms. Cheng obtained a Bachelor of Arts in Business and Finance with Honours from the University of Portsmouth of England in 2003. She is currently an independent non-executive director of Universe International Financial Holdings Limited (Stock Code: 1046), a company listed on Main Board of the Stock Exchange.

Mr. Hung Kenneth ("Mr. Hung"), aged 46, is a member of the audit committee, nomination committee and remuneration committee. He holds a degree of bachelor of science awarded by Woodbury University in June 1995. Mr. Hung has extensive experience in the entertainment industry. From March 2008 to September 2010, Mr. Hung was the China business development director for Golden Sun Films Distribution Ltd. From October 2010 to June 2012, Mr. Hung was the chief operation officer for Top Action Culture Development Co. Ltd. From July 2012 to October 2013. Mr. Hung was the business development director for Star Alliance Movies (Beijing) Co., Ltd. Mr. Hung is an executive director of Interactive Entertainment China Cultural Technology Investments Limited (Stock Code: 8081) and an executive director of DX.com Holdings Limited (Stock Code: 8086), and an independent non-executive director of IR Resources Limited (Stock Code: 8186), all of which are companies listed on GEM of the Stock Exchange.

SENIOR MANAGEMENT

Ms. Chan Lai Ping ("Ms. Chan") joined the Group as Accounting Manager in August 2014. Ms. Chan holds a degree of Bachelor of Business Administration (Honours) in Accounting from Lingnan University in Hong Kong. She is a member of the Hong Kong Institute of Certified Public Accountants. Ms. Chan has around nine years of experience in accounting, auditing and financial management and previous worked in international accounting firms before joining the Company.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, changes in information of Directors are set out below:

Name of Director	Details of changes
Mr. Zhou Jing	– the total emoluments for the year ended 31 December 2016 was approximately HK$1,173,000
	– appointed as an independent non-executive director of DX.com Holdings Limited (Stock Code: 8086) on 13 September 2016 which is listed on GEM of the Stock Exchange and an independent non-executive director of Tech Pro Technology Development Limited (Stock Code: 3823) on 8 March 2017 which is listed on Main Board of the Stock Exchange
Mr. Ng Man Chun Paul	– the total emoluments for the year ended 31 December 2016 was approximately HK$153,000
Mr. Lam Chun Kei	– the total emoluments for the year ended 31 December 2016 was approximately HK$600,000
Mr. Ng Ting Ho	– The Total emoluments for the year ended 31 December 2016 was approximately HK$307,000
Mr. Lee Kin Fai	– the total emoluments for the year ended 31 December 2016 was approximately HK$120,000
	– appointed as an executive Director of GET Holdings Limited (Stock Code: 8100) on 13 December 2016 which is listed on GEM of the Stock Exchange and resigned as an independent non-executive director of First Credit Finance Group Limited (Stock Code: 8215) on 18 July 2016 which is listed on GEM of the Stock Exchange
Ms. Cheng Lo Yee	– the total emoluments for the year ended 31 December 2016 was approximately HK$120,000
	– appointed as an independent non-executive Director of Universe International Financial Holdings Limited (Stock Code: 1046) on 30 November 2016 which is listed on Main Board of the Stock Exchange
Mr. Hung Kenneth	– the total emoluments for the year ended 31 December 2016 was approximately HK$120,000
	– appointed as an executive Director of DX.com Holdings Limited (Stock Code: 8086) on 23 September 2016 which is listed on GEM of the Stock Exchange

The Company is committed to maintaining good corporate governance and to instituting procedures to ensure integrity, transparency and quality of information disclosed thereby enhancing the value of the Company for its shareholders.

CORPORATE GOVERNANCE PRACTICES

The Company is dedicated to maintaining and ensuring high standards of corporate governance practices and the corporate governance principles of the Company are adopted in the best interest of the Company and its Shareholders.

The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code (the "CG Code").

The Company has in practice complied with the new requirements under the amendments to the CG Code relating to risk management and internal control. The Board has adopted new terms of reference for the audit committee of the Company on 1 January 2016 to comply with the new requirements under the amendments to C.3.3 of the CG Code. In addition, the Company did not comply with Code Provision A.2.1 in relation to the role separation of chairman and chief executive office. Mr. Zhou was the chairman of the Board and the chief executive of the Company from 1 January 2016 to 15 November 2016.

The deviation from the Code Provisions will be explained below.

The Code Provisions A.2.1 requires the position of the chairman and the chief executive officer be held separately by two individuals to ensure their independence, separate accountability and responsibilities.

The chairman of the Company is responsible for the overall leadership of the Company and for strategies and planning of the Group. The chief executive officer is responsible for the day-to-day management of the Group's business and operations.

Mr. Zhou assumes the role of both the chairman of the Board and the CEO of the Company before 15 November 2016. The Board believes that vesting both the roles of chairman and CEO in the same person has the benefit of ensuring consistent leadership within Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for that arrangement was not impaired and this structure will enable the Company to make and implement decisions.

In order to enhance the Company's corporate governance practices and enable the Company to comply with the code provision A.2.1 of the CG Code, Mr. Zhou ceased to be the CEO but remain as an executive Director and the chairman of the Board when Mr. Ng Man Chun Paul had been appointed as an executive Director and the CEO of the Company since 15 November 2016. Save as disclosed above, the Company has complied with all the code provisions of the CG Code during the Year.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors.

The Company has made specific enquiry to all Directors and the Directors have confirmed that they have complied with all the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the year ended 31 December 2016.

BOARD OF DIRECTORS (THE "BOARD")

The Board is responsible for the leadership and control of the Company and for overseeing the business of the Group. The Board has delegated authority and responsibility to the senior management for the day-to-day operations of the Group. Key matters will remain as the responsibility of the Board whose approval will be required. In addition, the Board has also delegated responsibilities to various management committees. Details of those committees are set out in this corporate governance report.

The Directors during the year ended 31 December 2016 and up to the date of this report were:

Executive Directors:

Mr. Zhou Jing
Mr. Ng Man Chun Paul (appointed on 15 November 2016)
Mr. Lam Chun Kei
Mr. Ng Ting Ho (appointed on 5 February 2016)

Non-executive Director:

Mr. Lin Chuen Chow Andy (resigned on 5 February 2016)

Independent non-executive Directors:

Mr. Lee Kin Fai
Ms. Cheng Lo Yee
Mr. Hung Kenneth

Details of the members of the Board are provided under heading the "Profiles of Directors and Senior Management" of this annual report.

CONTINUOUS PROFESSIONAL DEVELOPMENT

During the year ended 31 December 2016, all Directors, namely, Mr. Zhou Jing, Mr. Ng Man Chun Paul, Mr. Lam Chun Kei, Mr. Ng Ting Ho, Mr. Lee Kin Fin Fai, Ms. Cheng Lo Yee and Mr. Hung Kenneth, had participated in continuous professional development with respect to directors duties, relevant programmes and seminars or had perused reading materials and updated information in relation to business and industrial development. The Directors had provided the relevant training records to the Company.

The Company is committed to arranging and funding suitable training to all Directors for their continuous professional development. Each Director is briefed and updated from time to time to ensure that he/she is fully aware of his/her roles, functions, duties and responsibilities under the GEM Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group.

INDEPENDENCE

Independent non-executive Directors are required to give an annual confirmation of their independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules. This practice is being observed and the Company considers the independent non-executive directors to be independent.

BOARD MEETINGS AND BOARD COMMITTEES MEETINGS

27 board meetings were held during the year ended 31 December 2016. The Directors use their best endeavour to ensure that for all board meetings to be held, board minutes are kept by the secretary of the Company (the "Secretary"), and be open for inspection by the Directors. Every Director is entitled to have access to the board papers and related materials and have unrestricted access to the advice and services of the Secretary, and have the liberty to seek external professional advice if so required.

The Board has established three Board Committees, namely Audit Committee, Remuneration Committee and Nomination Committee.

The attendance of the Directors at the board meetings and the meetings of full Board Committees are as follows (the date of change mentioned below related to the change of the Directors):

Names of Directors	No. of meetings attended/eligible to attend Board Meeting	Annual General Meeting	Special General Meeting
Executive Directors:			
Mr. Zhou Jing	26/27	1/1	0/3
Mr. Ng Man Chun Paul (appointed on 15 November 2016)	2/2	0/0	1/1
Mr. Lam Chun Kei	27/27	1/1	3/3
Mr. Ng Ting Ho (appointed on 5 February 2016)	24/24	1/1	2/2
Non-executive Director:			
Mr. Lin Chuen Chow Andy (resigned on 5 February 2016)	3/3	0/0	1/1
Independent non-executive Directors:			
Mr. Lee Kin Fai	26/27	0/1	2/3
Ms. Cheng Lo Yee	27/27	1/1	2/3
Mr. Hung Kenneth	27/27	0/1	1/3

AUDIT COMMITTEE

Audit Committee of the board of Directors was established on 26 October 2011, written terms of reference were adopted in compliance with the GEM Listing Rules. The main functions of the Audit Committee of the Company is to recommend to the Board on the appointment, reappointment and removal of the external auditors; to approve the remuneration and terms of engagement of the external auditors as well as any questions of resignation or dismissal of such auditors; to review the quarterly, interim and annual reports and accounts of the Group; and to oversee the Company's financial reporting, risk management and internal control procedures.

The Audit Committee of the Company consists of three independent non-executive Directors, namely, Mr. Lee Kin Fai (chairman of the Committee), Ms. Cheng Lo Yee and Mr. Hung Kenneth with written terms of reference in compliance with the Rule 5.28 to 5.33 to the GEM Listing Rules.

The Audit Committee held 4 meetings during the year. The Audit Committee has reviewed the final results for the year ended 31 December 2016 and also the quarterly and interim results during the year ended 31 December 2016.

The members and attendance of the Audit Committee for the year ended 31 December 2016 are as follows:

Name of Audit Committee members	Number of meetings attended/eligible to attend
Mr. Lee Kin Fai	4/4
Ms. Cheng Lo Yee	4/4
Mr. Hung Kenneth	4/4

REMUNERATION COMMITTEE

Remuneration Committee of the board of Directors was established on 26 October 2011. Written terms of reference were adopted in compliance with the GEM Listing Rules. The Remuneration Committee of the Company, with the majority of its members being independent non-executive Directors, is mainly responsible for making recommendations to the Board on the remuneration policy of the Company. The Remuneration Committee has to consult the chairman and/or the chief executive officer of the Company on their proposals relating to the remuneration of other executive Directors. The Remuneration Committee may seek independent professional advice as it considers necessary in respect of its function.

The Remuneration Committee of the Company consists of three independent non-executive Directors, namely Mr. Lee Kin Fai (chairman of the Committee), Ms. Cheng Lo Yee and Mr. Kenneth Hung.

During the year ended 31 December 2016, the Remuneration Committee held 2 meetings. It reviewed the remuneration policy of the Company, assessed the performance of the executive Directors and senior management and recommended specific remuneration packages of the Directors and senior management to the Board with reference to the level of responsibilities of the individual director, the scope of operation of the Group as well as the prevailing market conditions.

The members and attendance of the Remuneration Committee for the year ended 31 December 2016 are as follows (the date of change mentioned below related to the change of Remuneration Committee members):

Name of Remuneration Committee members	Number of meetings attended/eligible to attend
Mr. Lee Kin Fai	2/2
Ms. Cheng Lo Yee	2/2
Mr. Kenneth Hung (appointed on 5 February 2016)	1/1
Mr. Lin Chuen Chow Andy (resigned on 5 February 2016)	1/1

NOMINATION COMMITTEE

Nomination Committee of the board of Directors was established on 26 October 2011. Written terms of reference were adopted in compliance with the GEM Listing Rules. The Nomination Committee of the Company is responsible for reviewing the structure, size and composition of the Board, identifying suitable candidates for directorship, assessing the independence of independent non-executive Directors, and making recommendations to the Board regarding any proposed appointment and re-appointment.

The Nomination Committee recognises the importance and the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. It will identify the suitability of candidates on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

The nomination committee consists of three independent non-executive Directors, namely Ms. Cheng Lo Yee (chairlady of the Committee), Mr. Lee Kin Fai and Mr. Hung Kenneth.

During the year ended 31 December 2016, the Nomination Committee of the Company held 2 meetings and has reviewed the structure, size and composition of the Board.

The members and attendance of the Nomination Committee for the year ended 31 December 2016 are as follows (the date of change mentioned below related to the change of Nomination Committee members):

Name of Nomination Committee members	Number of meetings attended/eligible to attend
Ms. Cheng Lo Yee	2/2
Mr. Hung Kenneth	2/2
Mr. Lee Kin Fai (appointed on 5 February 2016)	1/2
Mr. Lin Chuen Andy (resigned on 5 February 2016)	0/0

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Pursuant to Code Provision B.1.5, the remuneration of the members of senior management (comprising Executive Directors and Senior Management) of the Company for the year ended 31 December 2016 by band is as follows:

	Number of individuals
Nil to HK$1,000,000	4
HK$1,000,001 to HK$2,000,000	1

Further particulars in relation to Directors' remuneration and the five highest paid individuals are set out in notes 11 and 12 to the consolidated financial statements respectively.

CORPORATE GOVERNANCE FUNCTIONS

The Directors are responsible for performing the corporate governance duties as to develop and review the Company's policies and practices on corporate governance, make recommendations to the Board, review and monitor the Company's policies and practices on compliance with legal and regulatory requirements. Also, the Directors are responsible for reviewing the Company's compliance with the Code and its disclosure requirements in the Corporate Governance Report and develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and to review and monitor the training and continuous professional development of directors.

The Board has reviewed the Group's policies and practices on corporate governance practices and compliance with legal and regulatory requirements including compliance with the Code for the year ended 31 December 2016.

INTERNAL CONTROL AND RISK MANAGEMENT

Summary

The Company and the Group have engaged a consultant to conduct a review on the Group's internal control environment and report to the Group's Audit Committee and management for the purpose of evaluation of the documentation, effectiveness and efficiencies of the control of the Group. The Company's audit committee reviewed the Company's risk management and internal control systems in respect of the year ended 31 December 2016. The Board conducted a review of the internal control system and the effectiveness of it operations of the Company and its subsidiaries for the year ended 31 December 2016, including financial, operational and compliance control, and risk management functions. That will ensure that the Directors will oversee and monitor the Group's overall financial position so that the interests of the shareholders are well protected and covered. The Board assessed the effectiveness of internal control by considering the reviews performed by the consultant. Save as the non-compliance disclosed below, the Board and the Audit Committee considered that the risk management and internal control system are effective and adequate during the year. The Company complies with the code provisions relating to internal control contained in the CG Code.

Risk Management Philosophy

Risk taking is a necessary and accepted part of the Company's business. Effectively managing risk is a competitive necessity and an integral part of creating shareholder value through good business practices designed to ensure that the Company achieves its strategic, business and governance objectives, and protects its corporate reputation, values and integrity.

Risk management applies to all aspects of the Company's business and forms a critical part of developing strategic plans, preparing operational plans and budgets, completing detailed project approval requests and designing and managing project plans.

Risk Management Responsibility

The Board acknowledges that it is responsible for the oversight of the Company's risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, through the Audit Committee, is responsible for reviewing and assessing the major risks facing the Company and reviewing, approving and monitoring the Company's approach to addressing such risks annually.

Under its terms of reference, the Audit Committee is responsible for the oversight of the Company's financial reporting system, risk management systems and internal control systems. The Audit Committee oversees the risk management process and reviews the effectiveness of the risk management and internal control systems by conducting the following procedures:

- reviewing the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company's risk management and internal control systems;

- discussing the risk management and internal control systems with management to ensure that management has performed its duty to have an effective systems; this discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

- considering major investigations findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

- reviewing the Group's financial and accounting policies and practices;

- reviewing the external auditors' management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response;

- reviewing arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

- acting as the key representative body for overseeing the Company's relations with the external auditor;

- ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;

- conducting exit interviews with any director, manager, financial controller or internal credit control manager upon their resignation in order to ascertain the reasons for his departure;

- preparing work reports for presentation to the Board and to prepare summary of work reports for inclusion in the Group's interim and annual reports;

- considering the appointment of any person to be a Committee member, auditors and accounting staff either to fill a casual vacancy or as an additional Committee member, auditors and accounting staff or dismissal of any of them;

- reporting to the Board on the matters set out in paragraphs C.3.1 to C.3.7 of the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules; and

- considering other matters, as defined or assigned by the Board from time to time.

Inside Information

The Board assesses the likely impact of any unexpected and significant event that may impact the price of the Shares or their trading volume and decides whether the relevant information is considered inside information and needs to be disclosed as soon as reasonably practicable pursuant to Rules 17.10 and 17.11 of the GEM Listing Rules and the Inside Information Provisions under Part XIVA of the SFO. Executive Directors also may have responsibility for approving certain announcements and/ or circulars to be issued by the Company under powers delegated by the Board from time to time.

Risk Management and Internal Control Process

During 2016, we engaged a consultant who conducted an interview with key personnel and senior management of the Group, review the internal control manual and related documents and perform site visit to observe daily operation to understand the Company's risk management and internal control system. The findings on internal control and enterprise risk management were summarised was distributed to the Audit Committee for its review. The Audit Committee concluded that save as the Non-Compliance Matter (as defined below), the Company had in place effective and adequate risk management and internal control systems. The Company has ensured that the risk management and internal control provisions under the Corporate Governance Code have been complied with. The Board, has confirmed that except for the non-compliance matter, the adequacy of the resources and staff qualifications and experiences of the Company's accounting and financial reporting functions during its annual review on the risk management and internal control systems.

Risks are evaluated by the Board and senior management based on (i) the severity of the impact of the risk on the Company's financial results; (ii) the probability that the risk will occur; and (iii) the velocity or speed at which a risk could occur.

Based on the risk evaluation, the Company will manage the risks as follows:

- ***Risk elimination*** — senior management may identify and implement certain changes or controls that in effect eliminate the risk entirely.

- ***Risk mitigation*** — senior management may implement a risk mitigation plan designed to reduce the likelihood, velocity or the severity of the risk to an acceptable level.

- ***Risk retention*** — senior management may decide that the risk rating is low enough that the risk is acceptable for the Company and that no action is required. The risk would continue to be monitored as part of the risk management program to ensure the level of risk does not increase to an unacceptable level.

Based on the risk evaluation, the Company will manage the risks as follows:

(1) Commodities Price Management

Commodities comprise a significant part of the Group's inputs (costs) and outputs (sales). The Group uses various raw materials, primarily live hogs in our hog production operations. The Group's turnover is primary driven by sales of hogs to third parties. Significant price fluctuations in these commodities affect our results. In PRC, we try to mitigate the effects of price fluctuations through strategic inventory management.

(2) Credit risk management

For loans granted by the Group, the Credit Committee will hold meetings on a monthly basis to review the repayment record of the loan interests and loan principals. The Credit Committee will assess the credit quality of the outstanding loan portfolio and see if provision needs to be made for non-performing loans.

The Credit Committee will regularly report to the Board over the repayment record of the loan interests and loan principals in the loan portfolio, its components and other matters, which need to be bought to the attention of the Board.

Given that the targeted customers of the Group's money lending business are well-heeled and reputational individuals and well-established companies, in the case of provision of short-term loans for the purpose of short-term financing for personal/business needs, the Group will generally not require collateral as it was not viable for such customers to provide collaterals and would only deter them. Moreover, for short-term loans, the creation and release of collaterals would create unnecessary administrative cost to the Group. Nevertheless, the Group would apply the established credit approval policy and process to assess each and every potential customer such that, the Group would only approve any loans after the Group is of the view that any provision of loan will not constitute a high credit risk and the Group would usually require customers to provide signed and post-dated bank cheques with payments in accordance with tailor made repayment schedules.

We are exposed to credit risks during the course of our business on providing financing services to our customers for trading on a margin basis.

The credit assessment of a customer is performed during account opening through enquiry and collection of information so as to verify the customers' net worth and income, and evaluate their risk profile by understanding their financial condition, investment preferences and investment experience. We did not independently obtain credit information from third parties (such as any credit reports on our customers) during our credit assessment process. However, given that (i) our financing service are provided with listed securities pledged as collaterals; (ii) margin ratio is assigned for each individual securities; (iii) marginable amount of each of our customer is determined based on (a) the market value of securities held under the securities trading account; and (b) the margin ratio for each securities; and (iv) our margin call policy and trading limit set for each securities trading account would limit the maximum loss due to customer's default, our Directors consider that our credit assessment procedures are appropriate and sufficient to manage our credit risk.

(3) Business and operational risk management

The Credit Committee is responsible for the assessment of the business and operational risks and implementation of credit policies. Monthly meetings are held among Credit Committee members and regular meetings are held between the Credit Committee and the board of Directors to review the operating activities of the money lending business.

We have established internal reporting procedures to report any suspected case (including but not limited to employee misconduct and fraud). We have formulated credit policies and operational procedures (which are continuously updated), and implemented initiatives which include:

– segregating duties between credit assessment, loan file reviews and loan approval to establish checks and balances in the loan approval processes;

– checking and recalculating loan repayment schedules upon loan settlement to ascertain the accuracy of interests charged in accordance with the stated effective interest rates;

- adopting staff handbook which documented our requirements on employees' code of conduct and contained reporting policy as a procedure guideline for staff to report fraud or suspicious fraud case, if any;
- adopting information security guidelines to prevent unauthorised access to our information system and to reduce the operational risk caused by failures of information technology systems by maintaining backup data for the key data processing systems; and
- strengthening our anti-money laundering monitoring efforts via verification of identity, record keeping, recognition of suspicious transactions, reporting of suspicious transactions and staff education and training.

(4) Liquidity risk management

The Group has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. Specifically, in conducting the money lending business, our management will monitor our Group's cash inflow and outflow on a weekly basis to ensure the accuracy of cash collection and deployment and that there is no shortfall in cash which may interrupt our Group's business. The Group will maintain sufficient cash buffer to meet the working capital requirement and liquidity needs for our business operations in the coming months. The Group's major liquidity needs mainly include the settlement of operating expenses such as office rental and employees' remuneration. For the year ended 31 December 2016, the Group had not experienced any shortfall in cash for meeting the above liquidity needs.

We are required to maintain at all times the liquid capital which is not less than the minimum requirement as set out under the financial resources rules and financial return ("FRR"). Our accounts department is responsible for the preparation of the financial returns and the computation of liquid capital in accordance with the requirements under the FRR. The monthly financial returns are submitted to our Responsible Officers for review and approval before submission to the Securities and Future Commission ("SFC") no later than three weeks after each calendar month. Our accounts department also conducts the liquid capital computation on a daily basis which is reviewed by our Responsible Officers to ensure that we are able to comply with the FRR requirement on an ongoing basis.

During the period, our Group did not have any material non-compliance with the minimum liquid capital requirement as set out by the SFC.

(5) Legal and regulatory risk management

The credit approval policy and process as described in the paragraph headed "Credit policy and approval process" above has been designed to ensure that the Group's money lending business operates in accordance with the Money Lenders Ordinance and applicable laws.

The Credit Committee has adopted suitable documentation and procedures in the application and assessment process to calculate the effective interest rate of all loan applications and ensure that the procedures are in compliance with the Money Lenders Ordinance. The Credit Committee and the Board will, from time to time, review such documentation and procedures to ensure the documentation and procedures to be in compliance with the relevant laws and regulations.

Non-Compliance

Our Directors confirm that save as disclosed below, we have complied with all applicable laws and regulations in Hong Kong and PRC (being the principal jurisdiction in which we operate) in all material respects and no disciplinary action was taken against any members of our Group and/or our employees during the year and up to the report date:

Set out below are details of our past non-compliance incidents:

China Demeter Securities Limited ("CD Securities") became a 51% owned subsidiary of the Company since 2 September 2016. CD Securities is a licensed corporation in Hong Kong to carry out on businesses in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. The grant of margin finance by CD Securities to its customers is in its ordinary course of business.

The Group had granted margin finance facility to the relevant connected persons on various occasions during 2 September 2016 to the report date ("Non-Compliance Matter"). The Company regrettably admitted that it had breached Rule 20.33 of the GEM Listing Rules (to the extent applicable) to disclose the Non-Compliance Matter in a timely manner.

In order to prevent the occurrence of similar non-compliance incident in the future and to comply with the requirements under the GEM Listing Rules, the Company has taken or will take the following remedial actions:

(1) the Company has immediately reviewed its current policy regarding grant of margin finance facility to connected persons to check whether it shall comply with any requirements under the GEM Listing Rules;

(2) the Company will publish the announcement to inform the Shareholders of the details of the connected transactions;

(3) the Company will arrange for external advisers to provide training to all the Directors, directors of CD Securities and senior management of the Group on connected transactions under the GEM Listing Rules; and

(4) the Company will issue a memorandum to the directors and licensed responsible officers and representatives of CD Securities, reiterating that: (a) the management of the Company will only grant any margin finance facility to any connected person of the Company or their respective associates after having evaluated the implications of the GEM Listing Rules and ensuring the Company will be able to comply with the applicable requirements under the GEM Listing Rules, and in case of any doubt, the Company will consult external legal advisers, financial advisers and/or the Stock Exchange; and (b) the management of China Demeter Securities will prepare monthly summary report on the margin finance facility granted during the period for review by the Board.

COMMUNICATIONS WITH SHAREHOLDERS

The Company provides information in relation to the Group to the shareholders in a timely manner through a number of formal channels, including quarterly, interim and annual reports, announcements and circulars. Such published documents together with the corporate information of the Group are also available on the Company's website (http://www.chinademeter.com).

The shareholders' meeting provides a useful channel for shareholders to communicate directly with the Board which the directors are available to answer questions related to the Company's affairs.

The procedures to elect directors were uploaded to the Company's website (http://www.chinademeter.com).

The latest version of the Company's bye-laws can be downloaded from the website of the Company or the Stock Exchange website.

The Company will continue to improve the communication with investors and to provide them more opportunities to understand the business of the Company.

AUDITORS' REMUNERATION

During the year ended 31 December 2016, the amount of fees in respect of audit services and non-audit services paid/payable to the Group's auditors, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, was set out below:

	2016	2015
	HK$'000	HK$'000
HLB Hodgson Impey Cheng Limited		
Audit services	**720**	680
Non-audit services		
– Acting as reporting accountants to report on certain financial information included in the Company's circular	**500**	–
– Other professional services	**222**	180
Total	**1,442**	860

COMPANY SECRETARY

The Company Secretary is an employee of the Group and has day-to-day knowledge of the Group's affairs. During the year, the Company Secretary complied with the qualification and training requirements under the GEM Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene a SGM

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to Article 58 of the bye-laws of the Company, shareholders holding not less than one-tenth of the paid-up capital of the Company can convene a SGM by depositing a requisition in writing to the Directors or the Company Secretary of the Company for the purpose of requiring the convening of the SGM. The written requisition shall be deposited to the Company's office at 3/F., Central 88, 88-98 Des Voeux Road Central, Central, Hong Kong.

Procedures for Shareholders to send enquiries to the Board

The Company is committed to regular and proactive communication with its shareholders. It has adopted a policy of disclosing clear, adequate and relevant information to Shareholders in a timely manner through various channels. The Company has complied with the GEM Listing Rules by posting announcements, notices, quarterly, interim and annual reports as well as shareholders' circulars on the respective websites of the Stock Exchange and the Company (http://www.chinademeter.com).

Shareholders are encouraged to communicate with the Company for any enquiries in relation to the Group, or for putting forward any proposals at a shareholders' meeting:

Address:	3/F., Central 88, 88-98 Des Voeux Road Central, Central, Hong Kong
Telephone no.:	(852) 2116 1218
Fax no.:	(852) 2151 1872
Attention:	The Board of Directors/The Company Secretary

Procedures for Shareholders to propose a person for election as a Director

The following procedures are subject to the Company's bye-laws and applicable legislation and regulations.

If a Shareholder, who is duly qualified to attend and vote at the general meeting convened to deal with appointment/election of Director(s), wishes to propose a person (other than the member himself/herself) for election as a Director at that meeting, he/she/it can deposit a written notice to the following address:

Head office and principal place of business of the Company in Hong Kong

3/F., Central 88,
88-98 Des Voeux Road Central,
Central, Hong Kong

In order for the Company to inform all Shareholders of that proposal, the written notice must state the full name of the person proposed for election as a Director, his/her biographical details as required by Rule 17.50(2) of the GEM Listing Rules, and be signed by the Shareholder concerned together with a written notice of the person proposed for election as a Director indicating his/her willingness to be elected.

Procedures for Shareholders to put forward proposals

Pursuant to Article 58 of the bye-laws of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition.

Save as the procedures for shareholders of the Company to convene a general meeting as set out above, there are no other provisions allowing shareholders of the Company to put forward proposals at the general meeting under the bye-laws of the Company or under the Companies Act 1981 of Bermuda. Shareholders of the Company may follow the procedures set out above to convene a SGM for any business specified in such written requisition. The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution, signed by all the Shareholders concerned. The written requisition shall be deposited at 3/F., Central 88, 88-98 Des Voeux Road Central, Central, Hong Kong, the head office of the Company, for the attention of the Board or the Company Secretary.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities in the preparation of the Company's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Company and in presenting the quarterly, interim and annual financial statements, and announcements to shareholders, the Directors aim at presenting a balanced, cleared and comprehensive assessment of the Company's performance, its current position and future prospects. The respective responsibilities of the Directors and auditors of the Company in respect of the preparation of the consolidated financial statements are set out in the independent auditors' report on pages 62 to 69 of this annual report.

The directors (the "Directors") of the Company present their annual report and the audited consolidated 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. The activities of the Company's principal subsidiaries are set out in note 17 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's performance by principal activities and geographical locations of operations for the year ended 31 December 2016 is set out in note 6 to the consolidated financial statements.

RESULTS

The financial performance of the Group for the year ended 31 December 2016 and financial position of the Group as at the year end date are set out in the consolidated financial statements on pages 70 to 73 of this annual report.

DIVIDEND

The Directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2016 (2015: nil).

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 is set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis" from pages 3 to 5, and pages 6 to 20, respectively.

Key Risk and Its Management

The Group is principally engaged in (i) feedstock products and animal husbandry business; (ii) money lending business; (iii) financial services business; (iv) securities investment business; and (v) food and beverage business.

Key Risk

(1) *Reliance on key personnel*

The effective operations and future success of the Group's business are depending, to a significant extent, on the capability, experience and continued efforts of our key management personnel. If the Group is unable to attract, retain and motivate the necessary key management personnel, the business and operation conditions of the Group may be disrupted and the results and financial positions of the Group may be materially or adversely affected.

(2) *Reliance on close relationship with the Group's customers*

The success of the Group relies heavily on good relationship with its customers. If the Group fails to maintain the current level of business relationship with its customers and retain them in its sales and distribution network, the sales, financial condition and operating results of the Group may be adversely affected.

(3) *Change in requirements for feedstock products*

The success of Group's feedstock products business depends on, to a large extent, the formulae and the quality products that appeal to the mass market. However, regulations relating to the ingredients of feedstock products may change over time. If the Group is unable to source or unable to successfully develop products according to the changes in regulations or customers' preference, the demand for the feedstock products of the Group may decrease.

(4) *Dependence of the Group's revenue on the PRC market*

The PRC is currently the Group's key market for its products. There is no assurance that the PRC domestic market gap between supply and demand in the industry and the local demand for the Group's products will sustain. In the event that local or domestic demand for the Group's feedstock products decreases and the Group is not able to expand its business to other markets, the Group's business, financial condition and results operations may be adversely affected.

(5) *Potential adverse impacts of events on raw materials*

Potential adverse impact of the unfavourable weather conditions and natural and man-made disasters on the raw materials of the Group's feedstock products agricultural products such as corn, bran meal, soybean meal and wheat bran are the major raw material components of the Group's feedstock products. The harvest of such agricultural products may be adversely affected by natural disasters including, but not limited to, drought, floods, prolonged periods of rainfall, hailstorm, windstorms, typhoons and hurricanes, fire, diseases, landslides, insect infestation, pests, volcanic eruption or earthquakes, as well as man-made disasters such as environmental pollution, arson, accidents, civil unrest or acts of terrorism. The occurrence of any of natural or man-made disasters may diminish the supply of raw materials used for the production of the Group's feedstock and thus may result in a significant increase of the Group's cost and has an adverse affect on the Group's profitability.

(6) Major financial risk exposed to the Group

The Group is exposed to financial risks, including credit, interest rate, liquidity and other price risks. The Group actively and regularly reviews these risks and will adopt measures, if needed, to control and mitigate these risks.

(7) Risks relating to the money lending business

The money lending business of the Group is exposed to default from the Group's customers, which involves the risk of loss due to the inability or unwillingness of customers to meet their contractual obligations. If the customers of the money lending business of the Group fail to meet their contractual obligations, the Company may incur additional costs to collect the loan principal and corresponding interests. To mitigate this risk, the Board has set up the Credit Committee with relevant experience of this business segment and report to the board of the Company directly. The Credit Committee has full authority to deal with all credit matters. The members of the Credit Committee are appointed by the Board and the quorum of the Credit Committee is at least two committee members. The credit policy of the Group's money lending business is subject to the review and amendments by the Credit Committee and the Board from time to time in line with changes in market environment.

(8) Risk relating to the financial services business

The financial services business of the Group is subject to the performance of the Hong Kong securities market and the performances of our competitors which are beyond our control and we cannot assure that our historical level of income can be sustained. In addition, non-compliance with extensive regulatory requirements could cause us to incur fines, restriction on our financial service activities or even suspension or revocation of some or all of our licences for carrying on our business activities.

Also our brokerage services involved active interactions between our staff and customers and therefore it is subject to human errors, which we have to bear the losses resulting therefrom. For placing and underwriting business, we are exposed to business risks in case the securities underwritten by us are undersubscribed or the placing exercises are failed to complete.

For a discussion of how the Group would tackle with the management of the material risks, please refer to the paragraphs headed "Internal Control and Risk Management" in the section headed "Corporate Governance Report" from page 33 to 48.

MAJOR PROJECTS AND EVENTS

Details regarding major projects undertaken by the Group and events that have taken place during the year under review are incorporated under the section headed "Management Discussion and Analysis" as set out on pages 6 to 20.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2016 are set out in note 17 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results of the Group for the last five financial years is set out on pages 193 to 196 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital during the year are set out in note 37 to the consolidated financial statements.

SHARE OPTION SCHEMES

Particulars of the Company's share option scheme are set out in note 39 to the consolidated financial statements. As at 31 December 2016, the Board can grant further share options entitling the holders thereof to subscribe for 179,612 (2015: 43,489,375) shares, representing approximately 0.02% (2015: 2.20%) of the issued share capital of the Company. On 6 February 2017, the shareholders at the special general meeting passing the ordinary resolution to approved the renewal of the 10% mandate under the share option scheme of the Company on the basis of 769,136,125 shares in issue on that date.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year ended 31 December 2016.

RESERVES

Details of movements in the reserves of the Company during the year are set out in note 47 to the consolidated financial statements.

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 74.

DISTRIBUTABLE RESERVES OF THE COMPANY

Details of movements during the year in the reserves and reserves available for distribution to the Company's shareholders of the Group and the Company are set out on page 74 of this report and in note 47 to the consolidated financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

During the year ended 31 December 2016, sales amount to the Group's five largest customers accounted for 40% of the total sales amount from continuing operations of the Group, whilst the largest customer of the Group accounted for approximately 27% of the total sales amount from continuing operations of the Group. Purchases from the Group's five largest suppliers accounted for 40% of the total purchases amount from continuing operations of the Group, whilst the largest supplier of the Group accounted for approximately 13% of the total purchases amount from continuing operations of the Group.

As far as the Directors are aware, none of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the five largest customers and suppliers of the Group.

BANK AND OTHER BORROWINGS

Details of bank and other borrowings of the Group are set out in note 35 to the consolidated financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Mr. Zhou Jing
Mr. Ng Man Chun Paul (appointed on 15 November 2016)
Mr. Lam Chun Kei
Mr. Ng Ting Ho (appointed on 5 February 2016)

Non-executive Director:

Mr. Lin Chuen Chow Andy (resigned on 5 February 2016)

Independent non-executive Directors:

Mr. Lee Kin Fai
Ms. Cheng Lo Yee
Mr. Hung Kenneth

On 5 February 2016, Mr. Ng Ting Ho has been appointed as an executive director of the Company. Mr. Lin Chuen Chow Andy ("Mr. Lin") has resigned as a director of the Company effective from 5 February 2016 due to his other career commitments which require more of his time. Mr. Lin confirmed that he had no disagreement with the Company and the Board, and that there were no other matters relating to his resignation that need to be brought to the attention of the Shareholders.

The Profile details of Directors and the senior management of the Group are set out on page 30 to page 32 of the annual report.

In accordance with the bye-laws of the Company and compliance with the requirements of the GEM Listing Rules, Mr. Hung Kenneth and Ms. Cheng Lo Yee will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Mr. Zhou Jing has entered into a letter of appointment with the Company for a fixed term at one year commencing from 15 November 2016. The appointment will be terminable by three month's prior written notice given by either side.

Mr. Ng Man Chun Paul has been appointed as an executive Director and CEO of the Company on 15 November 2016 and has entered into a letter of appointment with the Company for a fixed term of one year commencing from 15 November 2016. The appointment will be terminable by three months prior written notice given by either side.

Mr. Lam Chun Kei has entered into a letter of appointment with the Company for a fixed term of one year commencing from 16 October 2016. The appointment will be terminable by three month's prior written notice given by either side.

Mr. Ng Tin Ho has entered into a letter of appointment with the Company for a fixed term of one year commencing from 1 September 2016. The appointment will be terminable by three month's prior written notice given by either side.

Mr. Lee Kin Fai has entered into a letter of appointment with the Company for a fixed term of one year commencing from 24 May 2016. The appointment will be terminable by one month's prior written notice given by either side.

Ms. Cheng Lo Yee has entered into a letter of appointment with the Company for a fixed term of one year commencing from 20 February 2017. The appointment will be terminable by one month's prior written notice given by either side.

Mr. Hung Kenneth has entered into a letter of appointment with the Company for a fixed term of one year commencing from 27 October 2016. The appointment will be terminable by one month's prior written notice given by either side.

None of the directors proposed for re-election at the forthcoming annual general meeting 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).

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company has arranged Directors' and officers' liability insurance throughout the year ended 31 December 2016 to indemnify the Directors and officers for their liabilities arising from their lawful discharge of duties. The insurance coverage and premium is reviewed on an annual basis.

The bye-laws of the Company provide that the Directors for the time being acting in relation to any of the affairs of the Company and every one of them shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of emoluments of Directors and the five highest paid individuals of the Group are set out in notes 11 and 12 to the consolidated financial statements.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Directors, an annual confirmation of their independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all of the Independent non-executive Directors are independent.

DIRECTORS' INTERESTS IN A TRANSACTION, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE

No transactions, arrangements and contracts of significance to which the Company or its subsidiaries was a party and in which a Director or a connected entity of a director of the Company had a material interest subsisted, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 31 December 2016, none of the Directors or chief executive nor their associates had interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

As at 31 December 2016, none of the Directors had short positions in the shares or underlying shares of equity derivatives of the Company and no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARE OR DEBENTURES

Save as disclosed under the section headed "Share Option Schemes" and "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the year was the Company or any of its holding companies or subsidiaries a party to any arrangements which enabled the Company's Directors, their respective spouse or minor children to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, the register of substantial shareholders maintained by the Company, pursuant to section 336 of the SFO shows that the following shareholder had notified the Company at relevant interests and short positions in the issued share capital of the Company:

Long Position

Name of Shareholder	Capacity	Number of ordinary shares held	Percentage of the share capital of the Company
China Green (Holdings) Limited	Beneficial owner	147,900,000	19.23%

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the share capital of the Company as at 31 December 2016.

CONNECTED TRANSACTIONS

Connected Transactions undertaken by the Group during the year and up to the date of report are set out below:

1. During the year, the Company paid consultancy fee of approximately HK$847,000 to Mr. Ng Man Chun Paul for the provision of consultancy service to the Company from 1 March 2016 to 14 November 2016.

   Mr. Ng Man Chun Paul is a cousin of Mr. Ng Ting Ho, an executive Director, and is therefore a connected person of the Company. The payment of the consultancy fee to Mr. Ng Man Chun Paul constituted a connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

   The transaction of the provision of consultancy service was conducted on normal commercial terms and fell within the de minimis provision under Chapter 20 of the GEM Listing Rules because the applicable percentage ratios are less than 5% and the total consideration was less than $3,000,000. Accordingly, it was exempted from the reporting, announcement and independent shareholders' approval under the Chapter 20 of the GEM Listing Rules.

2. In April 2016, the Company and Trinity Worldwide Capital Holding Limited, the Vendor, which is an investment holding company wholly owned by Mr. Ng Ting Kit, elder brother of Mr. Ng Ting Ho, an executive Director, has entered into a sale and purchase agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase the 44% issued share capital of Profit Network. with its subsidiary for the consideration of HK$35,200,000 to be satisfied in cash.

In view of the fact that Mr. Ng Ting Kit, the sole shareholder of the Vendor, is an associate of Mr. Ng Ting Ho, an executive Director, the Vendor is a connected person of the Company and accordingly, the acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the acquisition are more than 25% but all applicable percentage ratios are less than 100%, the acquisition constitutes a major transaction of the Company under the GEM Listing Rules and is subject to reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. For details, please refer to the announcements dated 27 April 2016 and 2 September 2016 and the circular dated 11 July 2016.

The independent non-executive directors confirm that the transaction has been entered into by the Company on normal commercial terms and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

3. In October 2016, the Company and Trinity Financing Holdings Limited, the Vendor, which is an investment holding company wholly owned by Mr. Ng Ting Kit, elder brother of Mr. Ng Ting Ho, an executive Director, has enter into a sale and purchase agreement, pursuant to which the Vendor agreed to sell and the Company has agreed to purchase 100% issued share capital of Delight Sky Finance Limited (formerly known as Trinity Financing Limited) for the consideration of approximately HK$993,000 to be satisfied in cash.

   In view of the fact that Mr. Ng Ting Kit, the sole shareholder of the Vendor, is an associate of Mr. Ng Ting Ho, an executive Director, the Vendor is a connected person of the Company and accordingly, the acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

   The transaction has been entered into by the Company on normal commercial terms and fell within the de minimis provision under Chapter 20 of the GEM Listing Rules because the applicable percentage ratios are less than 5% and the total consideration was less than $3,000,000. Accordingly, it was exempted from the reporting, announcement and independent shareholders' approval under the Chapter 20 of the GEM Listing Rules.

4. In February 2017, the Company and Trinity Worldwide Capital Holding Limited, the Vendor, which is an investment holding company wholly owned by Mr. Ng Ting Kit, elder brother of Mr. Ng Ting Ho, an executive Director, has entered into a sale and purchase agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase the remaining 49% issued share capital of Profit Network with its subsidiary for the consideration of HK$39,200,000 to be satisfied in cash.

In view of the fact that Mr. Ng Ting Kit, the sole shareholder of the Vendor, is an associate of Mr. Ng Ting Ho, an executive Director, the Vendor is a connected person of the Company and accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the acquisition are more than 25% but all applicable percentage ratios are less than 100%, the acquisition constitutes a major transaction of the Company under the GEM Listing Rules and is subject to reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. For details, please refer to the announcements dated 24 February 2017. Up to the date of this report, the acquisition is not yet completed and subject to certain conditions precedent.

5. During the year, the Group has granted margin finance facility to certain connected persons of the Company or associates of connected persons of the Company on several occasions and such grant are not fully exempt connected transactions and was not disclosed in timely manner. A summary of such grants is set out below:

Identity of Relevant Connected Person	Commission income paid to the Group for the year *HK$'000*	Margin loan interest paid to the Group for the year *HK$'000*	Maximum amount of margin loan for the year *HK$'000*
Ng Man Chun, Paul *(note 1)*	116	17	4,620
Associate of Ng Ting Ho *(note 2)*	22	10	6,720
Directors of a subsidiary of the Group			
Yip Kai Pong and his associate *(note 3)*	12	—	267
Lam Ka Hang	59	11	2,962

Note 1: Mr. Ng Man Chun Paul was appointed as an executive Director on 15 November 2016. Given that Mr. Ng Man Chun Paul is a cousin of Mr. Ng Ting Ho, an executive Director, prior to Mr. Ng Man Chun Paul's appointment, he was also a deemed connected person of the Company.

Note 2: The mother of Mr. Ng Ting Ho, an executive Director, and a close family member of Mr. Ng Ting Kit. Mr. Ng Ting Kit is also a substantial shareholder of China Demeter Securities Limited, a non-wholly owned subsidiary of the Company.

Note 3: A wholly-owned company held by Mr. Yip Kai Pong ("Mr. Yip"), a former director of China Demeter Securities Limited. Mr. Yip resigned a director of China Demeter Securities since 4 January 2017.

The Directors (including the independent non-executive Directors) consider that the grant of the margin finance facility to the Relevant Connected Persons is in the course of the Group's ordinary course of business. Having considered the financial background of the Relevant Connected Persons and that additional interest income to be received by the Group, the Directors (including the independent non-executive Directors) consider that the terms of such grant of margin finance facility are on normal commercial terms and are fair and reasonable and in the interests of the Company and the shareholders
as a whole.

Given that the highest applicable percentage ratio (as defined under the GEM Listing Rules) in respect of each grant of the margin finance by China Demeter Securities to the Relevant Connected Persons as disclosed in this announcement is less than 25% and the total value of the financial assistance plus any monetary advantage to the Relevant Connected Person is less than HK$10,000,000, each such grant is exempt from the circular (including independent financial advice) and shareholders' approval requirements under Rule 20.74(2)(b) of the GEM Listing Rules.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

Mr. Lee Kin Fai, an independent non-executive Director, is an executive Director of GET Holdings Limited (Stock Code: 8100) and Mr. Hung Kenneth, an independent non-executive Director, is an executive Director of Interactive Entertainment China Cultural Technology Investments Limited (Stock Code: 8081) and an executive Director of DX.com Holdings Limited (Stock Code: 8086), each of which is a company listed on GEM whose principal businesses include money lending business in Hong Kong, which may compete with the Group's money lending business.

Save as disclosed above, none of the Directors nor their respective associates had any business which competes or may compete with the business of the Group.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float as throughout the year ended 31 December 2016.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the corporate governance report on pages 33 to 48 of this annual report.

SIGNIFICANT SUBSEQUENT EVENTS

Significant subsequents events are set out in note 48 to the consolidated financial statements.

DONATION

During the year, the Group made charitable and other donations amounting to HK$92,800.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint HLB Hodgson Impey Cheng Limited as auditors of the Company.

On behalf of the Board

Zhou Jing
Chairman

Hong Kong, 23 March 2017

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

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

TO THE SHAREHOLDERS OF
CHINA DEMETER FINANCIAL INVESTMENTS LIMITED
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of China Demeter Financial Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 70 to 192, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the *Basis for qualified opinion* section of our report, 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 ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

During the year ended 31 December 2015, the directors of the Company considered that the Group had lost its control over Zhao Hui Holdings Limited ("Zhao Hui") and its subsidiaries (collectively referred to as the "Zhao Hui Group") on 30 September 2015 and ceased the milk formula processing, production and related business thereafter. In this regard, the results of the Zhao Hui Group were disclosed as a discontinued operation in the Group's consolidated financial statements for the year ended 31 December 2015. The Group subsequently disposed of its 55% interest in Zhao Hui on 10 December 2015.

As disclosed in note 9 to the consolidated financial statements, the Group had not been able to obtain access to the accounting records of Viplus Dairy Pty Limited ("Viplus"), a significant operating subsidiary of the Zhao Hui Group, as a result of the dispute with the existing shareholder of Australia Dairy Group Limited. The Group had accounted for the gain on deemed disposal of the Zhao Hui Group and the results and cash flows of the discontinued operation based on the unaudited financial information of the Zhao Hui Group for the period from 1 January 2015 to 30 June 2015. Consequently, in the absence of any alternative procedures to be carried out in respect of the financial information of the Zhao Hui Group, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the profit from discontinued operation of approximately HK$4,477,000, which included the operating results of the Zhao Hui Group for the year ended 31 December 2015 of approximately HK$2,324,000 and the gain on deemed disposal of the Zhao Hui Group of approximately HK$2,153,000, included in "Discontinued Operations" in the Group's consolidated statement of profit or loss and other comprehensive income and the related notes disclosures for the year ended 31 December 2015 were fairly stated and we were unable to determine whether any adjustments to these amounts were necessary. Any adjustments that might had been found to be necessary in respect of the abovementioned financial information would had a consequential effect on the Group's profit and cash flows for the year ended 31 December 2015 and related disclosures in the consolidated financial statements for the year ended 31 December 2015.

In addition, the Group should cease to consolidate the results of Zhao Hui Group from the date control was lost (i.e. 30 September 2015) and derecognise the consolidated assets and liabilities of the Zhao Hui Group from the consolidated financial statements on the date control was lost according to Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements" ("HKFRS 10"). The exclusion of the results and cash flows of the Zhao Hui Group for the period from 1 July 2015 to 30 September 2015 from the consolidated financial statements was a departure from the requirements of HKFRS 10.

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2015 was modified accordingly. Our auditors' report on the current year's consolidated financial statements is also modified because of the effect of these matters on the comparability of the current year's figures and the corresponding figures.

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 *Auditors' 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 qualified opinion.

OTHER INFORMATION

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

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.

As described in the *Basis for qualified opinion* section above, we were unable to obtain sufficient appropriate evidence about the profit from discontinued operation, including the gain on disposal, of the Zhao Hui Group for the year ended 31 December 2015, and hence, we are required to modify our current year's opinion because of the possible effects of the matters on the comparability of the current year's figures and the corresponding figures. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

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, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Impairment of trade receivables — clients' margin accounts	
Refer to key sources of estimation uncertainty in note 4 and the disclosures of trade receivables in note 27 to the consolidated financial statements. We identified this as a key audit matter because judgement and estimates are involved in assessing the recoverability of clients' margin accounts receivable. In determining whether there is objective evidence of impairment loss, the Group takes into consideration the credit history of the customers and the current market condition which may require management judgement.	Our audit procedures included: — obtaining an understanding of the credit assessment process on trading limits and trading approvals granted to clients; and the monitoring procedures on (i) overdue receivables and (ii) margin position of margin accounts; — assessing the reasonableness of the management's assumptions on the recoverability in the clients' margin accounts receivable, including the value of realisable collateral based on available market information, quality of the securities collateral, past collection history, creditworthiness of the clients and subsequent settlements; and — testing the accuracy of information included in the impairment assessment process, including re-performed the calculation of marginable amount and leverage ratio for margin accounts with outstanding balances and checking the subsequent settlements.

Key audit matters	How our audit addressed the key audit matters
Impairment of loans and interest receivables	
Refer to key sources of estimation uncertainty in note 4 and the disclosures of loans and interest receivables in note 28 to the consolidated financial statements. The impairment of loans and interest receivables is estimated by management through the application of judgement and estimates. In determining the impairment allowance for loans and interest receivables, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the loans and interest receivables.	Our audit procedures included: — obtaining an understanding and evaluating the methodologies and assumptions used by the Group in assessing impairment allowances; — reviewing the aging analysis of the loans and interest receivables throughout the year to understand the settlement patterns by the customers; and — assessing the reasonableness of recoverability of loans and interest receivables with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of each individual customer.

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of goodwill	
Refer to key sources of estimation uncertainty in note 4 and the disclosures of goodwill in note 19 to the consolidated financial statements. As at 31 December 2016, the Group has goodwill of HK$13,844,000 arising from the acquisition of Profit Network Asia Inc. completed during the year. For the purpose of assessing impairment, goodwill was allocated to cash-generating unit ("CGU"), and the recoverable amount of the CGU was determined by management based on value-in-use calculation using cash flow projection. In carrying out the impairment assessment, significant management judgement was used to appropriately identify of CGU and to determine the key assumptions, including operating margin, terminal growth rate and discount rate, underlying the value-in-use calculation.	Our audit procedures included: — assessing management's identification of CGU based on the Group's accounting policies and understanding of the Group's business; — assessing value-in-use calculation methodology adopted by management; — assessing the reasonableness of key assumptions (including operating margin, terminal growth rate and discount rate) based on our knowledge of the business and industry and using valuation expert; and — checking the mathematical accuracy of the value-in-use calculation in the management's impairment assessment.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Mr. Kwok Kin Leung.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Kwok Kin Leung
Practising Certificate Number: P05769

Hong Kong, 23 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 HK$'000	2015 HK$'000
Continuing operations			
Revenue	5	**61,703**	57,721
Cost of sales and services		**(38,949)**	(35,955)
Gross profit		**22,754**	21,766
Other income, other gains and losses	5	**4,647**	11,327
Selling and distribution costs		**(169)**	(171)
General and administrative expenses		**(26,452)**	(19,736)
Change in fair value of biological assets less costs to sell	23	**–**	530
Change in fair value of financial asset through profit or loss		**218**	3,616
Impairment loss of available-for-sale investments		**(1,320)**	(5,934)
Impairment loss of goodwill	19	**(373)**	–
Impairment loss of property, plant and equipment	16	**(1,256)**	–
Share of loss of a joint venture	22	**(11,897)**	(718)
Finance costs	7	**(870)**	(252)
(Loss) profit before tax		**(14,718)**	10,428
Income tax credit (expense)	8	**361**	(1,273)
(Loss) profit for the year from continuing operations	10	**(14,357)**	9,155
Discontinued operations			
Profit for the year from discontinued operations	9	**–**	3,850
(Loss) profit for the year		**(14,357)**	13,005
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(1,753)**	(4,501)
Share of other comprehensive income (expense) of a joint venture	22	**277**	(230)
Reclassification adjustments relating to foreign operations disposed of during the year	9	**–**	919
Change in fair value of available-for-sale investment		**(112)**	–
Reclassification upon impairment of available-for-sale investment		**–**	284
Other comprehensive expense for the year		**(1,588)**	(3,528)
Total comprehensive (expense) income for the year		**(15,945)**	9,477

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
(Loss) profit for the year attributable to:			
– Owners of the Company	15	**(17,683)**	6,168
– Non-controlling interests		**3,326**	6,837
		(14,357)	13,005
Total comprehensive (expense) income attributable to:			
– Owners of the Company		**(18,415)**	5,544
– Non-controlling interests		**2,470**	3,933
		(15,945)	9,477
			(Restated)
(Loss) earnings per share	14		
– for continuing and discontinued operations			
Basic (HK cents)		**(3.01)**	1.67
Dilutive (HK cents)		**(3.01)**	1.67
– for continuing operations			
Basic (HK cents)		**(3.01)**	1.52
Dilutive (HK cents)		**(3.01)**	1.52

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	16	**6,956**	8,637
Prepaid lease payments	18	**887**	968
Goodwill	19	**13,844**	373
Intangible asset	20	**500**	–
Investment in a joint venture	22	**2,432**	14,052
Biological assets	23	**–**	523
Loans and interest receivables	28	**33,082**	11,587
Available-for-sale investments	24	**33,616**	38,503
Other assets	25	**230**	–
Deferred tax assets	36	**11**	–
		91,558	74,643
Current assets			
Biological assets	23	**–**	1,054
Inventories	26	**1,696**	1,287
Trade receivables	27	**94,151**	2,477
Loans and interest receivables	28	**52,646**	110,605
Deposits, prepayments and other receivables	29	**14,688**	12,538
Financial assets at fair value through profit or loss	30	**150,725**	90,428
Trust bank accounts	31	**26,998**	–
Cash and cash equivalents	31	**73,971**	69,562
		414,875	287,951
Current liabilities			
Trade and other payables	32	**51,827**	9,732
Amount due to a non-controlling interest	34	**29,400**	–
Derivative financial instruments	33	**6**	–
Bank and other borrowings	35	**25,470**	–
Current tax liabilities		**349**	813
		107,052	10,545
Net current assets		**307,823**	277,406
Total assets less current liabilities		**399,381**	352,049

	Notes	**2016** HK$'000	2015 HK$'000
Non-current liabilities			
Deferred tax liabilities	36	–	403
Net assets		**399,381**	351,646
Capital and reserves			
Share capital	37	**7,691**	19,727
Reserves		**353,729**	322,327
Equity attributable to owners of the Company		**361,420**	342,054
Non-controlling interests		**37,961**	9,592
Total equity		**399,381**	351,646

The consolidated financial statements on pages 70 to 192 were approved and authorised for issue by the board of directors on 23 March 2017 and signed on its behalf by:

Director
Mr. Zhou Jing

Director
Mr. Lam Chun Kei

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	PRC statutory reserve HK$'000	Share options reserve HK$'000	Foreign currency translation reserve HK$'000	Available-for-sale investments revaluation reserve HK$'000	(Accumulated losses) Retained profits HK$'000	Sub-total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2015	15,609	42,900	348,685	61,545	873	4,672	2,934	(284)	(186,376)	290,558	54,540	345,098
Profit for the year	–	–	–	–	–	–	–	–	6,168	6,168	6,837	13,005
Other comprehensive income (expense) for the year	–	–	–	–	–	–	(908)	284	–	(624)	(2,904)	(3,528)
Total comprehensive income (expense) for the year	–	–	–	–	–	–	(908)	284	6,168	5,544	3,933	9,477
Non-controlling interests arising on acquisition of a subsidiary (Note 43(c))	–	–	–	–	–	–	–	–	–	–	(101)	(101)
Disposal of the Zhao Hui Group (Note 9)	–	–	–	–	–	–	–	–	–	–	(48,780)	(48,780)
Issue of subscription shares (Note 37(i))	830	13,695	–	–	–	–	–	–	–	14,525	–	14,525
Issue of placing shares (Note 37(ii))	3,288	29,588	–	–	–	–	–	–	–	32,876	–	32,876
Transaction costs related to issue of shares	–	(1,449)	–	–	–	–	–	–	–	(1,449)	–	(1,449)
Amount transferred to write off accumulated losses (Note)	–	–	(188,432)	–	–	–	–	–	188,432	–	–	–
Balance at 31 December 2015	19,727	84,734	160,253	61,545	873	4,672	2,026	–	8,224	342,054	9,592	351,646
(Loss) profit for the year	–	–	–	–	–	–	–	–	(17,683)	(17,683)	3,326	(14,357)
Other comprehensive expense for the year	–	–	–	–	–	–	(620)	(112)	–	(732)	(856)	(1,588)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(620)	(112)	(17,683)	(18,415)	2,470	(15,945)
Capital reorganisation (Note 37(iii))	(15,782)	–	15,782	–	–	–	–	–	–	–	–	–
Issue of shares pursuant to open offer (Note 37(iv))	1,973	17,754	–	–	–	–	–	–	–	19,727	–	19,727
Issue of shares upon exercise of share options (Note 37(v))	590	8,036	–	–	–	(2,136)	–	–	–	6,490	–	6,490
Issue of placing shares (Note 37(ii))	1,183	10,651	–	–	–	–	–	–	–	11,834	–	11,834
Transaction costs related to issue of shares	–	(2,406)	–	–	–	–	–	–	–	(2,406)	–	(2,406)
Recognition of equity-settled share-based payment (Note 39)	–	–	–	–	–	2,136	–	–	–	2,136	–	2,136
Lapse of share options	–	–	–	–	–	(4,672)	–	–	4,672	–	–	–
Non-controlling interests arising on acquisition of a subsidiary (Note 43(a))	–	–	–	–	–	–	–	–	–	–	25,899	25,899
Amount transferred to written off accumulated loss (Note)	–	–	(22,484)	–	–	–	–	–	22,484	–	–	–
Balance at 31 December 2016	**7,691**	**118,769**	**153,551**	**61,545**	**873**	**–**	**1,406**	**(112)**	**17,697**	**361,420**	**37,961**	**399,381**

Note:

Pursuant to the special resolution passed in an extraordinary general meeting ("EGM") and SGM held on 24 April 2014 and 3 February 2016 respectively and took effect on 5 June 2014 and 4 February 2016, the directors were authorised to use HK$195,134,000 and HK$15,782,000 credit balances in the contribution surplus account result from the reduction of the paid-up capital of the Company to eliminating or setting off the accumulated losses of the Company. During the year ended 31 December 2016, approximately HK$22,484,000 (2015: HK$188,432,000) credit balance in the contribution surplus account was used to eliminate the accumulated losses of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
(Loss) profit before tax:			
– From continuing operations		**(14,718)**	10,428
– From discontinued operations	9	**–**	3,850
Adjustments for:			
Finance costs		**870**	252
Interest income		**(16)**	(12)
Depreciation of property, plant and equipment		**1,968**	2,914
Dividend income from available-for-sale investments		**(3,634)**	(10,954)
Amortisation of prepaid lease payments		**21**	23
Loss on disposal of property, plant and equipment		**129**	–
Loss on disposal of the Sky Red Group	9	**–**	794
Gain on deemed disposal of the Zhao Hui Group	9	**–**	(2,153)
Share of loss of a joint venture		**11,897**	718
Impairment loss of trade receivables		**271**	–
Impairment loss of goodwill		**373**	–
Impairment loss of property, plant and equipment		**1,256**	–
Impairment loss of available-for-sale investments		**1,320**	5,934
Reversal of impairment of trade receivables		**(1,336)**	–
Change in fair value of biological assets less costs to sell		**–**	(530)
Change in fair value of financial assets through profit or loss		**(218)**	(3,616)
Expense recognised in respect of equity-settled share-based payments		**2,136**	–
		319	7,648
Movements in working capital			
Decrease (increase) in biological assets		**1,577**	(8)
Increase in inventories		**(409)**	(4,322)
Increase in trade receivables		**(48,091)**	(10,633)
Increase in deposits, prepayments and other receivables		**(687)**	(8,171)
Increase in financial asset at fair value through profit or loss		**(60,033)**	(86,288)
Increase in derivative financial instruments		**3**	–
Decrease in loans and interest receivables		**37,132**	48,486
Increase in trade and other payables		**11,915**	26,067
Increase in bank trust accounts		**(5,332)**	–

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
Cash used in operations		**(63,606)**	(27,221)
Interest received		**16**	12
Interest paid		**(168)**	(252)
Income taxes paid		**(743)**	(70)
Net cash used in operating activities		**(64,501)**	(27,531)
Cash flows from investing activities			
Purchase of investment in a joint venture		**–**	(15,000)
Dividends received from available-for-sale investments		**3.634**	10,954
Payments for property, plant and equipment		**(915)**	(20,853)
Purchase of available-for-sale investments		**(5,044)**	(42,543)
Proceeds from disposal of available-for-sale investments		**8,499**	5,113
Net cash outflow on disposal of the Sky Red Group	9	**–**	(358)
Net cash outflow on disposal of the Zhao Hui Group	9	**–**	(2,402)
Net cash outflow on acquisition of subsidiaries	43	**(23,794)**	(1,275)
Net cash used in investing activities		**(17,620)**	(66,364)
Cash flows from financing activities			
Interest paid		**(702)**	–
Proceeds from issue of shares pursuant to open offer		**19,727**	–
Proceeds from exercise of share options		**6,490**	–
Proceeds from placing of shares		**11,834**	32,876
Proceeds from issue of subscription shares		**–**	14,525
Payment for transaction cost attributable to issue of ordinary shares		**(2,406)**	(1,449)
Increase in amount due to a non-controlling interest		**29,400**	–
Proceeds from other borrowing		**25,000**	–
Repayment of bank borrowing		**(1,530)**	–
Net cash generated from financing activities		**87,813**	45,952

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
Net increase (decrease) in cash and cash equivalents		**5,692**	(47,943)
Cash and cash equivalents at the beginning of year		**69,562**	119,860
Effect of foreign exchange rate changes, net		**(1,283)**	(2,355)
Cash and cash equivalents at the end of year		**73,971**	69,562

1. GENERAL INFORMATION

China Demeter Financial Investments Limited (formerly known as China Demeter Investments Limited) (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 22 September 2000 under the Companies Laws of the Cayman Islands.

In 2014, the Company has been deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda and the change of domicile became effective on 8 May 2014 (Bermuda time).

Pursuant to the special resolution passed by the shareholders at the special general meeting of the Company held on 2 December 2016, the name of the Company in English was changed from "China Demeter Investments Limited" to "China Demeter Financial Investments Limited" and the second name of the Company in Chinese from "中國神農投資有限公司" to "國農金融投資有限公司". The certificate of registration of alteration of name of registered non-Hong Kong company was issued by the Registrar of Companies in Hong Kong on 30 December 2016 certifying that the new English and Chinese names of the Company have been registered in Hong Kong.

The shares of the Company are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is located at 3/F, Central 88, 88-98 Des Voeux Road Central, Central, Hong Kong.

The principal activity of the Company is investment holding. During the year, the Company and its subsidiaries (collectively the "Group") was involved in the following principal activities:

– manufacturing, development and distribution of feedstock products, animal husbandry and related activities in the People's Republic of China (the "PRC");

– provision of loan financing in Hong Kong;

– provision of financial services (including advising and dealing in securities);

– investment in listed and unlisted securities; and

– food and beverage business.

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

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

The Group has applied for the first time in current year the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27	*Equity Method in Separate Financial Statements*
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*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012 – 2014 Cycle*

The directors consider that the adoption of the amendments to HKFRSs has no material effect on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	*Financial Instruments*[2]
HKFRS 15	*Revenue from Contracts with Customer*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrecognised Losses*[1]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 15	*Clarification to HKFRS 15 Revenue from Contracts with Customers*[2]

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

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

HKFRS 9 *Financial Instruments*

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

Key requirements of HKFRS 9 are described below:

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

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

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

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

HKFRS 9 *Financial Instruments* *(continued)*

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities, however, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

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

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

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

HKFRS 15 *Revenue from Contracts with Customers* *(continued)*

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS will supersede HKAS 17 Leases and the related interpretations when it became effective. HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors. Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these consolidated financial statements. Total operating lease commitments of the Group as at 31 December 2016 amounted to approximately HK$3,861,000 (Note 44). The management of the Group do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

The directors of the Company anticipate that the application of the other new and revised standards and amendments will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited ("GEM Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

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

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

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

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

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations

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 value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to 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 (see the accounting policy below); 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 amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amount of the identifiable 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 relevant subsidiary'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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations (continued)

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 made 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 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 to fair value at subsequent reporting dates with the corresponding gain or loss being recognised in profit or loss.

When 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 that interest 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 are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

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

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

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

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

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Investments in subsidiaries presented in the statement of financial position included in note 47 are stated at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of 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.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures *(continued)*

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

Revenue is recognised when the account of revenue can be reliably measured, when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below.

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

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

Revenue from provision of services is recognised when services are rendered.

Commission from securities dealing are recognised on the transaction date when the relevant contracts are executed.

Placing and underwriting commission are recognised in accordance with the terms of the underlying agreements or deal mandates when the relevant significant acts have been completed (i.e. when shares are allotted).

Clearing and handling fee income are recognised when the services have been rendered.

Dividend income from investments is recognised when the shareholders' rights to receive payments have been established.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

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

Leasing

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

The Group as lessee

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

Leasehold land and building

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

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

For the purposes of presenting consolidated financial statements, the assets and liabilities of the foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

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

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

Goodwill and fair value adjustments on identifiable assets acquired on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Retirement benefit costs

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

Obligations for contributions to retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the PRC central pension scheme, are recognised as an expense in profit or loss as incurred.

Short-term employee benefits

Salaries, annual bonuses and the cost to the Group of non-monetary benefits are accrued in the year/period in which the associated services are rendered by employees of the Group.

Share-based payment arrangements

Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve).

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

The fair value of the goods and services received are recognised as expenses (unless the goods and services qualify for recognition as assets).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment, including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Buildings	Over the shorter of term of lease or 5%
Leasehold improvements	20%
Plant and machinery	10%
Furniture, fixtures and office equipment	20 – 33.33%
Motor vehicles	10 – 25%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata based on the carrying mount of each asset in the unit. The carrying amoun of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Biological assets

Biological assets are stated at fair value less costs to sell, with any resultant gain or loss recognised in the consolidated statement of profit or loss and other comprehensive income. Costs to sell are incremental costs directly attributable to the disposal of an asset excluding financial cost, income tax and costs necessary to get the assets to market. The fair value of livestock is determined based on the current market price of livestock of similar age, breed and genetic merit.

Inventories

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand, at banks and securities brokers, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

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

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

Financial assets

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

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excluded any dividend or interest earned on the financial asset and is included in the consolidated statement of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method are recognised in profit or loss. Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of available-for-sale investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other assets, trade receivables, loans and interest receivables, deposits and other receivables, trust bank accounts and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

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

Impairment of financial assets

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

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

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

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

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of available-for-sale investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Effective interest method *(continued)*

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

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

A financial liability other than a financial liability held for trading that may be designated as at FVTPL upon initial recognition if:

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

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liability and is included in the consolidated statement of profit or loss and other comprehensive income.

Other financial liabilities

Other financial liabilities (including trade and other payables, amount due to a non-controlling interest and bank and other borrowings) are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recoginsed in profit or loss immediately unless the derivative is designated and effective as hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

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

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

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

Related parties

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

(a) the party is a person or a close member of that person's family and that person,

- (i) has controls 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 of a parent of the Group;

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Related parties *(continued)*

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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); and

(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 parent of the Group.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Critical accounting judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimates (see below), that directors are made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Recognition of deferred taxation

No deferred tax assets have been recognised in respect of the estimated unused tax losses of the Group of approximately HK$17,628,000 (2015: HK$14,066,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than or more than expected, a material reversal or recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or recognition takes place.

Key sources of estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of trade receivables

The Group makes provision for impairment of trade receivables based on an assessment of their recoverability. Provisions are applied to the trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of the trade receivables requires the use of judgements and estimates. Where the final outcome is different from the original estimates, such differences will impact the carrying values of the trade receivables and loss for the impairment in the years in which such estimates have been changed.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Impairment of loans and receivables

The Group regularly reviews its loans and receivables to assess impairment. In determining whether a loan or receivable or a group of loans and receivables is impaired and impairment losses are incurred, the Group considers, inter alia, whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from its receivables. This requires the Group to make estimates about expected future cash flows, and hence they are subject to uncertainty.

5. REVENUE AND OTHER INCOME, OTHER GAINS AND LOSSES

An analysis of the Group's revenue and other income, other gains and losses from continuing operations for the year is as follows:

	2016	2015
	HK$'000	HK$'000
Revenue		
Sale of feedstock products and animal husbandry products	**40,567**	39,962
Dividend income from listed equity investments	**442**	–
Loan interest income	**6,261**	13,367
Provision of financial services		
– Commission from securities dealing	**2,206**	–
– Placing and underwriting commission	**3,668**	–
– Interest income from securities clients	**1,950**	–
– Clearing and handling fee income	**64**	–
Provision of food and beverage services	**6,545**	4,392
	61,703	57,721

5. REVENUE AND OTHER INCOME, OTHER GAINS AND LOSSES *(continued)*

	2016 HK$'000	2015 HK$'000
Other income, other gains and losses		
Bank interest income	**16**	12
Dividend income from available-for-sale investments	**3,634**	10,954
Loss on disposal of property, plant and equipment	**(129)**	–
Net foreign exchange (loss) gain	**(5)**	166
Impairment loss of trade receivables (Note 27)	**(271)**	–
Reversal of impairment loss of trade receivables (Note 27)	**1,336**	–
Sundry income	**66**	195
	4,647	11,327

6. SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- Agricultural segment comprises the feedstock products business and the animal husbandry business in the PRC;
- Money lending segment comprises provision of loan financing in Hong Kong;
- Financial services segment comprises advising and dealing in securities;
- Securities investment segment comprises investment in listed securities; and
- Food and beverage segment in Hong Kong.

During the year ended 31 December 2016, the Group has introduced a new reportable segment, financial services as a result of the acquisition of Profit Network which are described in more detail in note 43(a).

6. SEGMENT INFORMATION *(continued)*

Two operations (IT business segment comprises provision of professional IT contract and maintenance services in the PRC and processing and sales of food product segment) were discontinued in 2015. The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in note 9.

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment:

Continuing operations	Agricultural		Money lending		Financial services		Securities investment		Food and beverage		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue												
Revenue from external customers	**40,567**	39,962	**6,261**	13,367	**7,888**	–	**442**	–	**6,545**	4,392	**61,703**	57,721
Inter-segment revenue	**–**	–	**–**	–	**80**	–	**–**	–	**–**	–	**80**	–
Segment revenue	**40,567**	39,962	**6,261**	13,367	**7,968**	–	**442**	–	**6,545**	4,392	**61,783**	57,721
Elimination											**(80)**	–
Group revenue											**61,703**	57,721
Segment profit (loss)	**5,645**	6,719	**4,704**	11,512	**2,543**	–	**(586)**	2,519	**(1,824)**	(609)	**10,482**	20,141
Other income, other gains and losses											**3,711**	11,327
Impairment loss of available-for-sale investments											**(1,320)**	(5,934)
Share of loss of a joint venture											**(11,897)**	(718)
Finance costs											**(870)**	(252)
Central administration costs											**(14,824)**	(14,136)
(Loss) profit before tax											**(14,718)**	10,428

Inter-segment pricing is based on similar terms to those available to other external parties for similar services. There were no inter-segment sales for the year ended 31 December 2015.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of bank interest income, dividend income from available-for-sale investments, net foreign exchange (loss) gain and sundry income as included in other income, other gains and losses, impairment loss of available-for-sale investments, share of loss of a joint venture, finance costs and central administration costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	Agricultural		Money lending		Financial services		Securities investment		Food and beverage		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**29,895**	25,586	**88,150**	126,705	**162,569**	–	**162,522**	107,632	**603**	1,115	**443,739**	261,038
Investment in a joint venture											**2,432**	14,052
Available-for-sale investments											**33,616**	38,503
Corporate and unallocated assets											**26,646**	49,001
Consolidated assets											**506,433**	362,594
Segment liabilities	**7,503**	7,140	**86**	80	**96,591**	–	**–**	1,137	**862**	355	**105,042**	8,712
Corporate and unallocated liabilities											**2,010**	2,236
Consolidated liabilities											**107,052**	10,948

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

- all assets are allocated to operating segments other than investment in a joint venture, available-for-sale investments, corporate and unallocated assets. Goodwill and intangible asset are allocated to operating segments; and

- all liabilities are allocated to operating segments other than corporate and unallocated liabilities.

6. SEGMENT INFORMATION *(continued)*

Other segment information

	Agricultural		Money lending		Financial services		Securities investment		Food and beverage		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts included in the measure of segment profit or loss or segment assets												
Depreciation and amortisation	**1,234**	1,331	**73**	40	**196**	–	**–**	–	**376**	67	**1,879**	1,438
Unallocated depreciation											**110**	110
											1,989	1,548
Impairment loss of property, plant and equipment	**821**	–	**–**	–	**–**	–	**–**	–	**435**	–	**1,256**	–
Loss on disposal of property plant and equipment	**–**	–	**129**	–	**–**	–	**–**	–	**–**	–	**129**	–
Impairment loss of goodwill	**–**	–	**–**	–	**–**	–	**–**	–	**373**	–	**373**	–
Addition to non-current assets (Note)	**90**	–	**310**	28	**42**	–	**–**	–	**473**	529	**915**	557

Note: Non-current assets include property, plant and equipment and excluded those relating to discontinued operations.

6. SEGMENT INFORMATION *(continued)*

Geographical information

The Group's continuing operations are located in the PRC and Hong Kong.

Information about the Group's revenue from continuing operations from external customers by location of operations and information about the Group's non-current assets by location of assets are detailed below:

	Revenue from external customers		Non-current assets	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**40,567**	39,962	**6,352**	9,309
Hong Kong	**21,136**	17,759	**15,835**	1,192
Singapore	**–**	–	**2,432**	14,052
	61,703	57,721	**24,619**	24,553

Note: Non-current assets excluded those relating to discontinued operations, financial instruments and deferred tax assets.

Information about major customers

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

	2016	2015
	HK$'000	HK$'000
Customer A	**16,597**[1]	11,571[1]

[1] Revenue from agricultural segment

7. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Continuing operations		
Interest on bank and other borrowings	**870**	252

8. INCOME TAX (CREDIT) EXPENSE

Continuing operations

	2016 HK$'000	2015 HK$'000
Current tax		
PRC Enterprise Income Tax	**30**	56
Hong Kong Profits Tax	**77**	80
	107	136
(Over) under-provision in prior years		
Hong Kong Profits Tax	**(20)**	734
Deferred tax (Note 36)	**(448)**	403
Total income tax (credit) expense recognised in profit or loss	**(361)**	1,273

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

PRC Enterprise Income Tax is calculated for subsidiaries operating in the PRC at the prevailing rates of tax in accordance with the relevant income tax rules and regulations of the PRC for both years.

8. INCOME TAX (CREDIT) EXPENSE *(continued)*

The income tax (credit) expense for the year can be reconciled to the (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016	2015
	HK$'000	HK$'000
(Loss) profit before tax from continuing operations	**(14,718)**	10,428
Tax at Hong Kong Profits Tax rate of 16.5%	**(2,429)**	1,721
Tax effect of expenses not deductible for tax purpose	**1,592**	1,769
Tax effect of income not taxable for tax purpose	**(899)**	(1,993)
Tax effect of share of loss of a joint venture	**1,963**	119
Tax effect of tax-exempted income	**(1,506)**	(1,818)
Tax effect of tax losses not recognised	**1,690**	359
Utilisation of tax loss previously not recognised	**(1,146)**	(189)
(Over) under-provision in respect of prior years	**(20)**	734
Tax effect on different tax rate of group entities operating in other jurisdictions	**394**	571
Income tax (credit) expense for the year (relating to continuing operations)	**(361)**	1,273

9. DISCONTINUED OPERATIONS

Year ended 31 December 2015

Disposal of the Sky Red Group

In July 2015, the Group has entered into a sale and purchase agreement to dispose of the entire issued share capital of Sky Red International Limited, a company incorporated in the British Virgin Islands with limited liability, and its subsidiaries of Oasis Island Ventures Limited and 易寶電腦系統(北京)有限公司 (transliterated as "EPRO Computer Systems (Beijing) Company Limited") ("EPRO") (collectively the "Sky Red Group") at a consideration of HK$2,000,000 to Mr. He Huaguang, a director of EPRO. Its principal operating company of the Sky Red Group is EPRO, a limited liability company established in the PRC, which is principally engaged in the provision of professional IT contract and maintenance services in the PRC. Upon disposal of the Sky Red Group, the Group's operations in the IT business has been ceased. The disposal constitutes a major and connected transaction for the Company under the GEM Listing Rules and the resolution thereto were passed by the shareholders of the Company at an special general meeting held on 8 September 2015. The disposal was completed on 23 September 2015.

9. DISCONTINUED OPERATIONS *(continued)*

Year ended 31 December 2015 *(continued)*

Disposal of the Sky Red Group *(continued)*

The consolidated assets, liabilities and loss on disposal of the Sky Red Group as at the date of disposal are as follows:

	HK$'000
Property, plant and equipment	124
Inventories	461
Trade receivables	4,990
Deposits, prepayments and other receivables	1,260
Cash and cash equivalents	2,358
Trade and other payables	(6,483)
Net assets disposed of	2,710
Loss on disposal:	
Consideration	2,000
Net assets disposed of	(2,710)
Release of foreign currency exchange reserve	(84)
Loss on disposal	(794)
Net cash outflow arising on disposal	
Cash consideration	2,000
Less: cash and cash equivalents disposed of	(2,358)
	(358)

9. DISCONTINUED OPERATIONS *(continued)*

Year ended 31 December 2015 *(continued)*

Deemed disposal of the Zhao Hui Group

The Group completed the acquisition of 55% equity interest in Zhao Hui Holdings Limited ("Zhao Hui") in December 2014. Concurrent with such acquisition, 45% minority shareholder of Zhao Hui and 40% minority shareholder of Globe Year Limited ("Globe Year") have entered into certain investment arrangements whereby upon completion of the corporate reorganisation in relation to such investment arrangements which took place on 31 December 2014, Zhao Hui has become the holding company of Viplus Dairy Pty Limited ("Viplus"), Australia Dairy Group Limited ("Australia Dairy") and Globe Year. Zhao Hui and its subsidiaries (collectively the "Zhao Hui Group") is principally engaged in milk formula processing, production and related business and an operator of a dairy manufacturing plant in Victoria, Australia.

Since May 2015, there was a dispute (the "Dispute") regarding the resignation and removal of the general manager of Australia Dairy and Viplus as nominated by the 40% shareholder of Australia Dairy, Fortunate Times Enterprises Limited ("FTEL"). In this regard, FTEL has commenced an arbitration against Globe Year and Australia Dairy (the "HK Arbitration") in the Hong Kong International Arbitration Centre ("HKIAC").

On 30 September 2015, the Group entered into a sale and purchase agreement ("SP Agreement") with FTEL to dispose of the Group's 55% interest in Zhao Hui at a consideration of Australian dollars ("AU$") 3,227,400 (equivalent to approximately HK$18,073,000). Upon completion of such disposal, the Group will cease to have any interest in the Zhao Hui Group. The disposal constitutes a major and connected transaction for the Company under the GEM Listing Rules and the resolution thereto were passed by the shareholders of the Company at an special general meeting held on 9 December 2015. The disposal was completed on 10 December 2015.

At the same time of entering the SP Agreement by the Group, the 45% minority shareholder of Zhao Hui and 40% minority shareholder of Globe Year have entered agreements to dispose of their respective equity interests in Zhao Hui and Globe Year to FTEL ("Minority Disposals"). As a result, the Company no longer has the power to exercise its control over the Zhao Hui Group, which control was previously supported by a voting consensus agreement amongst the Group and the two minority shareholders. As the Company lost control of the Zhao Hui Group, each member of the Zhao Hui Group ceased to be subsidiaries of the Company and the Company became as a minority shareholder of the Zhao Hui Group.

9. DISCONTINUED OPERATIONS *(continued)*

Year ended 31 December 2015 *(continued)*

Deemed disposal of the Zhao Hui Group *(continued)*

Further, as a result of the Dispute, the Group could not obtain the accounting records of Viplus, the subsidiary contributing most of the profits of the Zhao Hui Group since July 2015. The Board considered using the financial information of the Zhao Hui Group as at and for the six months ended 30 June 2015 for the purpose of derecognition of the Zhao Hui Group. Moreover, upon the Minority Disposals, the Company lost its controlling power on the Zhao Hui Group, the Board considered that the Company became a minority shareholder of the Zhao Hui Group. Therefore, the Zhao Hui Group has been derecognised as subsidiaries of the Group and had been recognised as available-for-sale investment from the date control was lost (i.e. 30 September 2015).

The financial impact of derecognition of the Zhao Hui Group is reference to the consolidated management accounts as at and for the six months ended 30 June 2015, information available to the Board up to the date of issuance of the consolidated financial statements for the year ended 31 December 2015. The derecognition of the Zhao Hui Group resulted in a gain on deemed disposal of approximately HK$2,153,000 recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015.

9. DISCONTINUED OPERATIONS *(continued)*

Year ended 31 December 2015 *(continued)*

Deemed disposal of the Zhao Hui Group *(continued)*

The consolidated assets, liabilities and gain on deemed disposal of the Zhao Hui Group as at the date of deemed disposal are as follows:

	HK$'000
Property, plant and equipment	53,067
Inventories	10,195
Trade receivables	8,722
Loans and interest receivables	12,180
Amount due from a non-controlling interest	3
Deposits, prepayments and other receivables	18,162
Cash and cash equivalents	20,475
Trade and other payables	(43,362)
Amounts due to non-controlling interests	(15,286)
Bank borrowing	(5,557)
Deferred tax liabilities	(349)
Non-controlling interests	(48,780)
Net assets disposal of	9,470
Goodwill *(note 19)*	5,615
Net assets disposal of and goodwill derecognised	15,085
Transfer to available-for-sale investment	18,073
Net assets disposed of and goodwill derecognised	(15,085)
Release of foreign currency exchange reserve	(835)
Gain on deemed disposal	2,153

The Group derecognised the Zhao Hui Group as subsidiaries of the Group and recognised as available-for-sale investment as at 30 September 2015. On 30 September 2015, the Group entered into a sale and purchase agreement with FTEL to dispose of the Group's 55% interest in Zhao Hui at a consideration of AU$3,227,400 (equivalent to approximately HK$18,073,000), the net cash outflow arising on disposal of the Zhao Hui Group is approximately HK$2,402,000.

9. DISCONTINUED OPERATIONS *(continued)*

Year ended 31 December 2015 *(continued)*

The results for the year from the discontinued operations (i.e. IT business and processing and sales of food products business) included in the consolidated statement of profit or loss and other comprehensive income are set out below. Since the Group could not obtained the financial information of Viplus since July 2015, for the purpose of preparing the consolidated financial statements of the Group for the year ended 31 December 2015, the Group has accounted for the results for discontinued operation of the Zhao Hui Group based on the consolidated management accounts of the Zhao Hui Group for the six months ended 30 June 2015.

	2015		
	IT business HK$'000	Processing and sales of food products business HK$'000	Total HK$'000
Revenue	13,328	52,095	65,423
Cost of sales	(4,126)	(35,907)	(40,033)
Other income, other gains and losses	7	530	537
Selling and distribution costs	(2,474)	(2,468)	(4,942)
General and administrative expenses	(6,568)	(11,758)	(18,326)
Finance costs	–	(168)	(168)
Loss on disposal of the Sky Red Group	(794)	–	(794)
Gain on deemed disposal of the Zhao Hui Group	–	2,153	2,153
Profit (loss) for the year from discontinued operations	(627)	4,477	3,850
Attributable to:			
Owners of the Company	(627)	1,195	568
Non-controlling interests	–	3,282	3,282
	(627)	4,477	3,850
Profit (loss) for the year from discontinued operations include the following:			
Depreciation	(51)	(1,338)	(1,389)
Cash flow from discontinued operations			
Net cash inflows from operating activities	671	14,388	15,059
Net cash outflows from investing activities	(45)	(32,805)	(32,850)
Net cash inflow (outflow)	626	(18,417)	(17,791)

10. (LOSS) PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

	2016 HK$'000	2015 HK$'000
(Loss) profit for the year from continuing operations has been arrived at after charging (crediting):		
Employee benefits expense (excluding directors' emoluments)		
– Salaries and other benefits	**10,100**	2,305
– Contributions to retirement benefits schemes	**329**	161
– Equity-settled share-based payments	**603**	–
Directors' emoluments	**2,605**	2,238
Total staff costs	**13,637**	4,704
Cost of inventories recognised as an expense (included in cost of sales and services)	**33,619**	31,653
Auditors' remuneration	**720**	680
Amortisation of prepaid lease payments	**21**	23
Depreciation of property, plant and equipment	**1,968**	1,525
Equity-settled share-based payments granted to consultant	**1,003**	–
Net foreign exchange loss (gain)	**5**	(166)
Loss on disposal of property, plant and equipment	**129**	–
Minimum lease payments paid under operating leases in respect of land and buildings (Note)	**1,982**	1,294

Note: The amount excludes rental expense relating to a staff's quarter amounting to approximately HK$616,000 which has been included in "Salaries and other benefits" within employees benefits expense disclosed above.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 8 (2015: 6) directors and the chief executive were as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Contributions to retirement benefits schemes HK$'000	Equity-settled share option expense HK$'000	Discretionary bonuses HK$'000	Total HK$'000
2016						
Executive directors						
Mr. Zhou Jing (Chairman) (Note (i))	–	838	–	265	70	1,173
Mr. Ng Man Chun, Paul (Chief Executive Officer) ("CEO") (Note (ii))	–	153	–	–	–	153
Mr. Lam Chun Kei	–	300	14	265	21	600
Mr. Ng Ting Ho (Note (iii))	–	259	10	–	38	307
Non-executive director						
Mr. Lin Chuen Chow Andy (Note (iv))	12	–	–	–	–	12
Independent non-executive directors						
Mr. Lee Kin Fai	120	–	–	–	–	120
Ms. Cheng Lo Yee	120	–	–	–	–	120
Mr. Hung Kenneth	120	–	–	–	–	120
	372	1,550	24	530	129	2,605

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Contributions to retirement benefits schemes HK$'000	Equity-settled share option expense HK$'000	Discretionary bonuses HK$'000	Total HK$'000
2015						
Executive directors						
Mr. Zhou Jing (Note (i))	–	1,000	–	–	–	1,000
Mr. Lam Chun Kei	–	740	18	–	–	758
Non-executive director						
Mr. Lin Chuen Chow Andy (Note (iv))	120	–	–	–	–	120
Independent non-executive directors						
Mr. Lee Kin Fai	120	–	–	–	–	120
Ms. Cheng Lo Yee	120	–	–	–	–	120
Mr. Hung Kenneth	120	–	–	–	–	120
	480	1,740	18	–	–	2,238

Notes:

(i) Mr. Zhou Jing has ceased to be the CEO but remained as an executive director and the chairman of the Company with effect from 15 November 2016.

(ii) Mr. Ng Man Chun, Paul has been appointed as an executive director and CEO of the Company on 15 November 2016.

(iii) Appointed on 5 February 2016

(iv) Resigned on 5 February 2016

(v) The emoluments shown above for executive directors were mainly for their services in connection with the management of the affairs of the Company and the Group. The emoluments for the non-executive director were mainly for his services as director of the Company. The emoluments for independent non-executive directors were mainly for their services as directors of the Company.

11. DIRECTORS’ AND CHIEF EXECUTIVE’S EMOLUMENTS *(continued)*

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 31 December 2016 and 2015. No inducement payments to join or upon joining the Group or as compensation for loss of office were paid or payable to any director or the chief executive officer for the years ended 31 December 2016 and 2015.

During the year, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme and basis are set out in note 39.

12. FIVE HIGHEST PAID EMPOLYEES

The five highest paid employees of the Group during the year included, two (2015: two) directors of the Company, details of whose remuneration are set out in note 11 above. Details of the remuneration for the year of the remaining three (2015: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016	2015
	HK$’000	HK$’000
Salaries allowance and benefits in kind	**2,680**	1,206
Contributions to retirement benefits schemes	**42**	47
Equity-settled share option expense	**402**	–
	3,124	1,253

The number of the highest paid empolyees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of empolyees	
	2016	2015
Emolument bands		
Nil – HK$1,000,000	**2**	3
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**1**	–
	3	3

During the year, certain non-director and non-chief executive highest paid employees were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme and basis are set out in note 39.

13. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year, nor has any dividend been proposed since the end of the reporting period (2015: nil).

14. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

(Loss) earnings

	2016	2015
	HK$'000	HK$'000
(Loss) earnings for the year attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	(17,683)	6,168

Number of shares

	2016	2015
	'000	'000
		(Restated)
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	587,233	369,256

The weighted average number of ordinary shares for the purposes of calculating basic and diluted (loss) earnings per share for the years ended 31 December 2016 and 2015 has been adjusted to reflect the effect of consolidation of shares and the bonus element of the open offer completed during the year as detailed in note 37.

14. (LOSS) EARNINGS PER SHARE *(continued)*

From continuing operations

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

(Loss) earnings figures are calculated as follows:

	2016 **HK$'000**	2015 HK$'000
(Loss) profit for the year attributable to owners of the Company	**(17,683)**	6,168
Less: Profit for the year attributable to owners of the Company from discontinued operations	–	(568)
(Loss) earnings for the year attributable to owners of the Company for the purpose of calculating basic and diluted (loss) earnings per share from continuing operations	**(17,683)**	5,600

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share.

14. (LOSS) EARNINGS PER SHARE *(continued)*

From discontinued operations

	2016	2015 (Restated)
Earnings per share:		
– Basic (HK cents)	**–**	0.15
– Diluted (HK cents)	**–**	0.15

	2016 HK$'000	2015 HK$'000
Earnings:		
Earnings for the year attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share from discontinued operations	**–**	568

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

The basic and diluted loss per share for the year ended 31 December 2016 are the same as there were no potential ordinary shares in issue for the year ended 31 December 2016.

The computation of diluted (loss) earnings per share for the year ended 31 December 2015 did not assume the exercise of potential ordinary shares granted under the Company's share options scheme because the exercise price of those options was higher than the average market price of share for 2015.

15. (LOSS) PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated loss for the year attributable to owners of the Company of approximately HK$17,683,000 (2015: consolidated profit for the year attribute to owners of the Company of approximately HK$6,168,000), a loss of approximately HK$9,440,000 (2015: HK$4,489,000) has been dealt with in the financial statements of the Company.

16. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Freehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost								
Balance at 1 January 2015	151	3,539	42,785	6,679	30,096	1,541	882	85,673
Additions	–	–	9,766	65	9,503	982	537	20,853
Acquisition of subsidiaries (Note 43(c))	–	–	–	150	–	100	–	250
Disposal of the Sky Red Group (Note 9)	–	–	–	(111)	–	(812)	–	(923)
Disposal of the Zhao Hui Group (Note 9)	–	(3,357)	(19,842)	–	(29,804)	(562)	(823)	(54,388)
Effect of foreign currency exchange difference	–	(182)	(2,413)	(361)	(1,688)	(70)	(53)	(4,767)
Balance at 31 December 2015	151	–	30,296	6,422	8,107	1,179	543	46,698
Additions	–	–	–	657	90	168	–	915
Acquisition of subsidiaries (Note 43(a))	–	–	–	519	–	353	293	1,165
Disposals	(151)	–	–	(135)	–	(78)	–	(364)
Effect of foreign currency exchange difference	–	–	(1,914)	(392)	(556)	(22)	(34)	(2,918)
Balance at 31 December 2016	–	–	28,382	7,071	7,641	1,600	802	45,496
Accumulated depreciation and impairment								
Balance at 1 January 2015	(151)	–	(28,231)	(3,898)	(6,430)	(432)	(350)	(39,492)
Depreciation expense	–	–	(349)	(440)	(1,039)	(965)	(121)	(2,914)
Elminated on disposal of the Sky Red Group (Note 9)	–	–	–	111	–	688	–	799
Elminated on disposal of the Zhao Hui Group (Note 9)	–	–	68	–	1,131	80	42	1,321
Effect of foreign currency exchange difference	–	–	1,543	232	386	41	23	2,225
Balance at 31 December 2015	(151)	–	(26,969)	(3,995)	(5,952)	(588)	(406)	(38,061)
Depreciation expense	–	–	(256)	(793)	(493)	(291)	(135)	(1,968)
Elminated on disposals	151	–	–	54	–	30	–	235
Impairment loss recognised in profit or loss (Note (i) and Note 21)	–	–	(821)	(313)	–	(122)	–	(1,256)
Effect of foreign currency exchange difference	–	–	1,752	270	438	21	29	2,510
Balance at 31 December 2016	–	–	(26,294)	(4,777)	(6,007)	(950)	(512)	(38,540)
Carrying amounts								
Balance at 31 December 2016	–	–	2,088	2,294	1,634	650	290	6,956
Balance at 31 December 2015	–	–	3,327	2,427	2,155	591	137	8,637

Note:

(i) During the year ended 31 December 2016, certain buildings relating to the PRC animal husbandry business as included in property, plant and equipment were physical damage and accordingly, an impairment loss of approximately HK$821,000 to these assets has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

17. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Group's subsidiaries at the end of the reporting period are set out below:

Name of subsidiary	Place of incorporation/ registration/ operations	Paid up issued share capital/ registered capital	Proportion of ownership interest held by the Company		Principal activities
			Directly	Indirectly	
Bright Peak Investment Limited	British Virgin Islands ("BVI")	United States dollar ("US$") 1	–	100%	Investment holding
Broad Sound Enterprise Ltd	BVI	US$1	–	100%	Investment holding
City Ally Holdings Limited	BVI	US$1	100%	–	Investment holding
Delight Sky International Limited	BVI	US$1	–	100%	Investment holding
East Gain Enterprise Limited	BVI	US$1	–	100%	Investment holding
East Shine Group Limited	BVI	US$1	100%	–	Investment holding
Eternal Speed International Limited	BVI	US$1	–	100%	Investment holding
Fast Creation Group Limited	BVI	US$1	–	100%	Investment holding
Golden Harvest Holdings Limited	BVI	US$1	–	100%	Investment holding
Keen Profit Development Limited	BVI	US$1	–	100%	Investment holding
Profit Network	BVI	US$600	–	51%	Investment holding
Rich Sheen International Ltd	BVI	US$1	–	100%	Investment holding
Supreme Falcon International Limited	BVI	US$1	–	100%	Investment holding
Way Union Development Limited	BVI	US$1	–	100%	Investment holding

17. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Name of subsidiary	Place of incorporation/ registration/ operations	Paid up issued share capital/ registered capital	Proportion of ownership interest held by the Company Directly	Proportion of ownership interest held by the Company Indirectly	Principal activities
China Demeter Securities Limited	Hong Kong	HK$60,000,000	–	51%	Licensed to carry on regulated activity in connected with dealing in securities, advising on securities and assets management
Delight Sky Finance Limited	Hong Kong	HK$1,000,000	–	100%	Money lending
Tony China Limited	Hong Kong	HK$20,000	51%	–	Investment holding
Town Ally Enterprise Limited	Hong Kong	HK$1	–	100%	Investments in securities
Town Ally Investment Company Limited	Hong Kong	HK$10,000	–	100%	Provision of administrative services
Treasure Easy Limited	Hong Kong	HK$25,000	–	51%	Food and beverage business
Way Union Finance Limited	Hong Kong	HK$100	–	100%	Money lending
廈門市東岳貿易有限公司 (“Xiamen Dongyu Trading Company Limited”)*	PRC	US$6,000,000	–	51%	Investment holding
龍岩市東岳生物飼料有限公司 (“Longyan Dongyu Bio-feedstock Company Limited”)*	PRC	RMB18,000,000	–	52.96%	Trading, development and manufacturing of feedstock products
武平建軍生態養殖有限公司 (“Wuping Jian Jun Ecology Breeding Company Limited”)*	PRC	RMB600,000	–	51%	Breeding and sales of live swines
福建龍岩市東華農業綜合開發有限公司(“Fuijian Oriental Unicorn Agricultural Company Limited”)*	PRC	RMB1,000,000	–	51%	Eco-breeding, animal pharmaceuticals and terminal marketing of agricultural products

* English names are translated for identification purpose only

17. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

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

None of the subsidiaries had issued any debt securities during both years.

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests held by the non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	**2016**	2015	**2016**	2015
				HK$'000	HK$'000	**HK$'000**	HK$'000
Profit Network Group	BVI and Hong Kong	**49%**	–	**49%**	–	**27,180**	–
Individually immaterial subsidiaries with non-controlling interests	N/A					**10,781**	9,592
						37,961	9,592

The Group had no subsidiaries which have material non-controlling interests as at 31 December 2015.

17. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

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

Profit Network Group

	2016 HK$'000
Current assets	171,661
Non-current assets	1,753
Current liabilities	117,945
Non-current liabilities	–

	Period ended 31 December 2016 HK$'000
Revenue	7,968
Other income, other gains and losses	1,133
Expenses	(6,455)
Income tax expense	(31)
Profit for the period	2,615
Other comprehensive income for the period	–
Total comprehensive income for the period	2,615
Profit attributable to:	
– Owners of the Company	1,334
– Non-controlling interest	1,281
	2,615
Total comprehensive income attributable to:	
– Owners of the Company	1,334
– Non-controlling interest	1,281
	2,615
Net cash outflow from operating activities	(37,356)
Net cash outflow from investing activities	(95)
Net cash inflow from financing activities	58,470
Net increase in cash and cash equivalents	21,019

18. PREPAID LEASE PAYMENTS

	2016 HK$'000	2015 HK$'000
Balance at beginning of year	**991**	1,047
Amortisation	**(21)**	(23)
Effect of foreign currency exchange differences	**(62)**	(33)
Balance at end of year	**908**	991
Analysed for reporting purposes as:		
Current assets (included in deposits, prepayments and other receivables)	**21**	23
Non-current assets	**887**	968
	908	991

The prepaid lease payments are in connection with the land use right situated in the PRC under a lease term of 50 years.

19. GOODWILL

	2016 HK$'000	2015 HK$'000
Cost		
Balance at the beginning of year	**1,264**	6,506
Additional amounts recognised from business combinations occurring during the year (Notes 43(a) and (c))	**13,844**	373
Eliminated on disposal of subsidiaries (Note 9)	**–**	(5,615)
Balance at the end of year	**15,108**	1,264
Accumulated impairment losses		
Balance at the beginning of year	**(891)**	(891)
Impairment loss recognised in the year (Note 21)	**(373)**	–
Balance at the end of year	**(1,264)**	(891)
Carrying amounts		
Balance at 31 December	**13,844**	373

20. INTANGIBLE ASSET

	2016 HK$'000	2015 HK$'000
Balance at beginning of year	–	–
Additional amounts recognised from business combination occurring during the year (Note 43(a))	500	–
Balance at end of year	500	–

Intangible asset comprised the eligibility rights to trade on or through the Stock Exchange. The trading rights have no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading rights are considered by the management as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trading rights will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired.

At the end of the reporting period, the trading rights with indefinite useful live are allocated to the financial services business cash-generating unit ("CGU") for impairment assessment (Note 21).

21. IMPAIRMENT TESTING FOR CGUS CONTAINING GOODWILL, INTANGIBLE ASSET AND PROPERTY, PLANT AND EQUIPMENT

Goodwill has been allocated to the following CGUs for impairment testing:

	2016 HK$'000	2015 HK$'000
Financial services business	13,844	–
Food and beverage business	–	373
	13,844	373

21. IMPAIRMENT TESTING FOR CGUS CONTAINING GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT *(continued)*

The basis of the recoverable amount of the above CGUs and their major underlying assumptions are summarised below:

Financial services business

The recoverable amount of this CGU is determined based on a value in use calculation using cash flow projections based on financial budgets approved by the management covering a period of 5 years and pre-tax discount rate of 18%. Cash flows beyond the 5-year period have been extrapolated using a steady growth rate of 3%. The discount rates used reflects specific risks relating to the relevant business. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and operating costs which are determined from past performance and management's expected market development.

Based on the value in use calculation, the directors considered that the recoverable amount of this CGU was found to be more than its carrying amount. Accordingly, no impairment loss of goodwill, intangible asset and property, plant and equipment allocated to this CGU has been recognised for the year ended 31 December 2016.

Food and beverage business

The recoverable amount of this CGU is determined based on value in use calculations. The key assumption for the value in use calculations are those regarding the discount rate and growth in revenue and direct costs during the year. Management estimates the discount rate of 14.37% (2015: 14.37%) using pre-tax rate that reflect current market assessments of the time value of money and the risk specific to the CGU. Changes in selling price and direct costs are based on past experience and expectations of changes in the market.

The value in use calculations are derived from cash flow projections based on the most recent financial budgets for the next 5 years approved by management. Cash flows beyond the 5-year period have been extrapolated using a steady growth rate of 3% (2015: 3%) per annum.

Based on the value in use calculation, the directors considered that the recoverable amount of this CGU was found to be less than its carrying amount. Accordingly, impairment losses of approximately HK$373,000 (2015: nil) on goodwill and approximately HK$435,000 (2015: nil) on property, plant and equipment allocated to this CGU have been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

22. INVESTMENT IN A JOINT VENTURE

Details of the Group's investment in a joint venture are as follows:

	2016 HK$'000	2015 HK$'000
Cost of investment in a joint venture	**15,000**	15,000
Share of post-acquisition loss	**(12,615)**	(718)
Share of other comprehensive income (expense) of a joint venture	**47**	(230)
	2,432	14,052

Details of the Group's joint venture at the end of the reporting period are as follow:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportions of ownership interest held by the Group 2016	2015	Principal activities
BLVD Cayman Limited	Cayman Islands	Singapore	**50%**	50%	Operating restaurants, cafes, and take-away outlets, food and drinking catering

Summarised financial information of material joint venture

Summarised financial information in respect of the Group's material joint venture is set out below. The joint venture is accounted for using equity method in these consolidated financial statements.

22. INVESTMENT IN A JOINT VENTURE *(continued)*

BLVD Cayman Limited and its subsidiaries

	2016	2015
	HK$'000	HK$'000
Current assets	**7,662**	21,701
Non-current assets	**10,757**	26,349
Current liabilities	**(10,436)**	(16,099)

The above amounts of assets and liabilities include the following:

	2016	2015
	HK$'000	HK$'000
Cash and cash equivalents	**4,570**	19,085
Current financial liabilities (excluding trade and other payables and provisions)	**(6,946)**	(30)

	Year ended 31 December 2016	Period ended 31 December 2015
	HK$'000	HK$'000
Revenue	**29,486**	5,000
Loss for the year/period	**(23,924)**	(1,436)
Other comprehensive income (expense) for the year/period	**554**	(460)
Total comprehensive expense for the year/period	**(23,370)**	(1,896)

22. INVESTMENT IN A JOINT VENTURE *(continued)*

BLVD Cayman Limited and its subsidiaries *(continued)*

The above loss for the period include the following:

	Year ended 31 December 2016 HK$'000	Period ended 31 December 2015 HK$'000
Impairment loss of intangible assets	**18,672**	–
Depreciation	**2,361**	473
Interest expense	**645**	–

Reconciliation of the above summarised financial information to the carrying amount of the investment in BLVD Cayman Limited recognised in the consolidated financial statements:

	2016 HK$'000	2015 HK$'000
Net assets of BLVD Cayman Limited and its subsidiaries	**7,983**	31,951
Attributable to non-controlling interests of BLVD Cayman Limited	**(3,249)**	(3,847)
Net assets of BLVD Cayman Limited and its subsidiaries attributable to the Group	**4,734**	28,104
Proportion of the Group's ownership interest	**50%**	50%
	2,367	14,052
Other adjustment	**65**	–
Carrying amount of the Group's interest in BLVD Cayman Limited and its subsidiaries	**2,432**	14,052

23. BIOLOGICAL ASSETS

Movements of the biological assets are summarised as follows:

	Breeder	**Slaughter pigs**	**Total**
	HK$'000	HK$'000	HK$'000
Cost			
Balance at 1 January 2015	176	863	1,039
Increase due to purchases	353	448	801
Increase due to raising (feeding cost and others)	199	8,416	8,615
Decrease due to sales	(505)	(8,815)	(9,320)
Decrease due to death	–	(6)	(6)
Gain arising from changes in fair value less costs to sell	324	206	530
Effect of foreign currency exchange differences	(24)	(58)	(82)
Balance at 31 December 2015	523	1,054	1,577
Increase due to purchases	–	327	327
Increase due to raising (feeding cost and others)	254	2,923	3,177
Decrease due to sales	(766)	(4,280)	(5,046)
Decrease due to death	–	(3)	(3)
Effect of foreign currency exchange differences	(11)	(21)	(32)
Balance at 31 December 2016	–	–	–

The number of biological assets at the end of the reporting period are summarised as follows:

	2016	2015
	Heads	Heads
Breeder	–	135
Slaughter pigs	–	786
	–	921

23. BIOLOGICAL ASSETS *(continued)*

Analysed for reporting purposes as:

	2016	2015
	HK$'000	HK$'000
Non-current assets	–	523
Current assets	–	1,054
	–	1,577

The Group's subsidiary in the PRC which carries out the agricultural activities in relation to the biological assets possesses a business licence where the business scope includes the breeding and sales of live swines and also possesses an Animal epidemic prevention certificate (動物防疫條件合格證) issued by the Wuping County Animal husbandry, veterinary and fisheries Bureau (武平縣畜牧獸醫水產局).

The slaughter pigs are primarily held for further growth for trading and are classified as current asset. The breeders are prime swines of excellent quality that are selected as breeding stock, including boars and gilts, and are classified as non-current asset.

The Group did not have any biological assets as at 31 December 2016.

No biological assets were pledged as security as at 31 December 2016 and 2015.

23. BIOLOGICAL ASSETS *(continued)*

The Group's biological assets were revalued at the end of each reporting period on a fair value basis. The fair value of biological assets of the Group as at 31 December 2015 has been arrived at on the basis of a valuation carried out at that date by an independent professional valuer, LCH (Asia-Pacific) Surveyors Limited ("Valuer"). The following table shows the valuation techniques used in measuring fair values as at 31 December 2015, as well as the significant unobservable inputs used.

	Valuation technique	**Significant unobservable input**	**Range**
Biological assets	Market approach	Estimated selling price (per kg).	RMB17.00 to RMB30.00

Price on various breeds and prices offer for similar species breeds and generations similar with the biological assets were gathered and taken as the base price and adjusted to reflect the age breed, birth and weights of the biological assets of the Group. The quantitative information on the prevailing market prices adopted for the valuation of the Company's biological assets as at 31 December 2015 were set out as follows:

	2015
Biological assets	
Commodity hogs (RMB/kg)[1]	17.00
Piglets/weaners (RMB/kg)[2]	26.00 to 30.00
Boars (RMB/head)[3]	6,800
Gilts (RMB/head)[4]	4,800

Notes:

1. Market prices of commodity hogs represent the prices of finishers in Fujian Province of hogs around 100 kgs. The market prices of commodity hogs in the province were obtained from independent price research by the Valuer.

2. Market prices of piglet/weaners represent the prices of hogs that are less than 60 days old weighing about 10 kgs to 20 kgs in Fujian Province. The market prices of piglet/weaners in the province were obtained from independent price research by the Valuer.

3. Market prices of boars represent the market selling prices of male hogs around 1 year old in Fujian Province. The market prices of male hogs in the province were obtained from independent price research by the Valuer.

4. Market prices of gilts represent the market selling prices of gilts around 1 year old in Fujian Province. The market prices of gilts in the province were obtained from independent price research by the Valuer.

23. BIOLOGICAL ASSETS *(continued)*

The valuation procedures involve pricing the hogs individually. The material input in the valuation procedure adopted is the price of hogs and that holding all other factors constant, a 10% reduction or increase in the price will also affect the value of biological assets by about 10%.

In addition, the following principal assumptions have been adopted by the Valuer:

- There will be no material change in existing political, legal, technological, fiscal or economic condition which may adversely affect the existing business of the Group;

- Quantities, ages and weights of breeders and slaughter pigs as of the relevant valuation dates provided to us for the purpose of this valuation are accurate;

- Production facilities and systems and the technology utilised by the Group in carrying out its operation do not infringe any relevant laws and regulations;

- Facilities and systems of the Group will be operated efficiently and timely replacement of male and female purebred parents to maintain sufficient supply of crossbreed gilts for production of slaughter pigs will be implemented;

- Management will implement efficient selection of breeding pigs to maintain or improve their quality and productivity including the quality of slaughter pigs;

- Management will continue to implement efficient feeding, veterinary and farm management programs to maintain or improve the quality of breeding and slaughter pigs;

- Group will secure and retain competent management, key personnel, marketing and technical staff to carry out and support its breeding and growing operations;

- Prices of breeding and slaughter pigs were based directly on quoted prices as of each of the relevant valuation dates by suppliers in Fujian Province with adjustments for age of the different pigs included in the valuation; and

- There will be no major business disruptions through international crisis, diseases, industrial disputes, industrial accidents or severe weather conditions that will affect the existing businesses.

23. BIOLOGICAL ASSETS *(continued)*

Fair value hierarchy

The fair value measurements for biological assets of the Group have been categorised as Level 3 fair value based on the inputs to the valuation techniques used. During the years ended 31 December 2015, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	2016	2015
	HK$'000	HK$'000
Balance at 1 January	**1,577**	1,039
Increase due to purchases and raising	**3,504**	9,416
Decrease due to sales, retirement or deaths	**(5,049)**	(9,326)
Gain include in change in fair value less costs to sell	**–**	530
Exchange difference	**(32)**	(82)
	–	1,577

24. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2016	2015
	HK$'000	HK$'000
Unlisted investments:		
Equity securities at fair value	**–**	1,073
Fund investment at fair value	**7,188**	7,300
Fund investments at cost	**26,428**	30,130
	33,616	38,503

Available-for-sale investments represented the Group's investments in unlisted funds and equity investments. The above unlisted equity securities and unlisted fund investment with carrying amounts of nil and HK$7,188,000 (2015: HK$1,073,000 and HK$7,300,000) respectively represent equity securities issued by a private entity and investment in a private equity fund which incorporated in the Cayman Islands, and are measured at fair value.

The unlisted fund investments at cost are held for an identified long term strategic purpose so the Group does not intend to dispose them in the foreseeable future. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that fair values cannot be measured reliably.

25. OTHER ASSETS

Other assets represent statutory deposits with the Stock Exchange and clearing house and are non-interest bearing.

26. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	**1,175**	600
Finished goods	**521**	687
	1,696	1,287

27. TRADE RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables – agricultural and other business	**9,429**	2,477
Trade receivables – financial services business		
– Cash clients	**2,548**	–
– Margin clients	**76,863**	–
– Clearing house	**6,216**	–
	95,056	2,477
Less: allowance for doubtful debts	**(905)**	–
	94,151	2,477

(a) Agricultural and other business

The following is an analysis of trade receivables by age, presented based on the invoice date, net of allowance for doubtful debts:

	2016 HK$'000	2015 HK$'000
0 – 90 days	**8,179**	2,477
91 – 180 days	**1,250**	–
	9,429	2,477

27. TRADE RECEIVABLES *(continued)*

(a) Agricultural and other business *(continued)*

The Group's trading terms with its customers from the agricultural business are mainly on credit. The credit period is generally for a period of 30 to 90 days for major customers. The Group seeks to maintain strict control over its outstanding receivables and the management regularly reviews the overdue balances.

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

Trade receivables which are past due at the end of the reporting period for which the Group had not recognised an allowance for doubtful debts because they 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. The Group did not hold any collateral or other credit enhancements over these balances nor did it have a legal right of offset against any amounts owed by the Group to the counterparty.

Age of receivables that are past due but not impaired

	2016	2015
	HK$'000	HK$'000
Overdue by:		
1 – 90 days	**1,250**	–

(b) Financial services business

The settlement terms of trade receivables arising from the ordinary course of financial services business of dealing in securities from cash clients and clearing house are two days after trade date.

The Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk and the overdue balances are regularly reviewed by the management.

27. TRADE RECEIVABLES *(continued)*

(b) Financial services business *(continued)*

Margin clients are required to pledge securities collateral to the Group in order to obtain the margin facilities for securities trading. At 31 December 2016, loans to margin clients are secured by clients' securities pledged as collateral with market value of approximately HK$148,627,000. Management has assessed the market values of the pledged securities of each individual client who has margin shortfall at the end of each reporting period and considered that no impairment allowance is necessary due to credit history of the clients. The margin loans are repayable on demand and bear variable interest at commercial rates. No aged analysis is disclosed as, in the opinion of the directors of the Company, the aged analysis does not give additional value in view of the nature of securities margin business.

The ageing analysis of the trade receivables arising from cash clients and clearing house which are past due but not impaired at the end of each of the reporting period, based on the trade date are as follows:

	2016	2015
	HK$'000	HK$'000
Neither past due nor impaired	**7,588**	–
Past due but not impaired:		
Less than 1 month	**225**	–
1 to 3 months	**–**	–
Over 3 months	**46**	–
	7,859	–

Receivables that were neither past due nor impaired represent unsettled trades transacted on the last two days prior to the end of each reporting period and it also relate to a wide range of independent clients for whom there was no recent history of default.

Receivables that were past due but not impaired at the end of the reporting period relate to independent clients that have good track records with the Group. When cash clients fail to settle on the settlement date, the Group has the right to sell the purchased securities of the respective transaction. Based on past experience, management believes that no impairment allowance is necessary after taking into consideration the recoverability from the purchased securities and past collection history of each client.

27. TRADE RECEIVABLES *(continued)*

(b) Financial services business *(continued)*

Movements in the allowance for impaired debts are as follows:

	2016	2015
	HK$'000	HK$'000
Balance at beginning of the year	**–**	–
Acquisition of subsidiaries (Note 43(a))	**1,970**	–
Impairment losses recognised on receivables	**271**	–
Amounts recovered during the year	**(1,336)**	–
Balance at the end of the year	**905**	–

At 31 December 2016, additional impairment allowances of approximately HK$271,000 were individually determined and has been made for cash clients with an aggregate outstanding balance of approximately HK$717,000. No further impairment allowance is considered necessary for the remaining balances based on the Group's evaluation of their collectability. During the year ended 31 December 2016, impairment loss of trade receivables of approximately HK$1,336,000 was recovered and reversed.

28. LOANS AND INTEREST RECEIVABLES

	2016	2015
	HK$'000	HK$'000
Loans and interest receivables	**85,728**	122,192
Analysed as:		
Current	**52,646**	110,605
Non-current	**33,082**	11,587
	85,728	122,192

The Group seeks to maintain strict control over its outstanding loans and interest receivables so as to minimise credit risk. The granting of loans is subject to approval by the management, whilst overdue balances are reviewed regularly for recoverability. At 31 December 2016, loans and interest receivables are charging on effective interest rate mutually agreed with the contracting parties, ranging from approximately 4% to 10% (2015: 5% to 12%) per annum.

28. LOANS AND INTEREST RECEIVABLES *(continued)*

At 31 December 2016, loans and interest receivables of approximately HK$8,698,000 (2015: HK$8,862,000) were secured by a property in Hong Kong.

Included in the loans and interest receivables arising from the ordinary course of business of money lending as at 31 December 2016 of approximately HK$2,000,000 is a unsecured loan principal due from BLVD Cayman Limited, interest-bearing at 8% per annum, and repayable within 1 year. Interest income of approximately HK$65,000 from BLVD Cayman Limited has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

A maturity profile of the loans and interest receivables as at the end of the reporting period, based on the maturity date is as follows:

	2016	2015
	HK$'000	HK$'000
0-90 days	**12,911**	59,127
91-180 days	**31,926**	10,058
Over 180 days	**40,891**	53,007
	85,728	122,192

The aging analysis of loans and interest receivables that are not considered to be impaired is as follows:

	2016	2015
	HK$'000	HK$'000
Neither past due nor impaired	**85,728**	122,192

Loans and interest receivables that were neither past due nor impaired relate to diversified customers for whom there were no recent history of default. The directors of the Company are of the opinion that no provision for impairment is necessary in respect of these loans and interest receivables as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

29. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Prepayments	**2,319**	5,740
Deposits and other receivables	**12,348**	6,775
	14,667	12,515
Current portion of prepaid lease payments	**21**	23
	14,688	12,538

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Held-for-trading investments		
Equity securities listed in Hong Kong	**150,725**	90,428

The fair value of the equity securities listed in Hong Kong is based on closing price in an active market.

31. CASH AND CASH EQUIVALENTS/TRUST BANK ACCOUNTS

	2016 HK$'000	2015 HK$'000
Cash and cash equivalents	**73,971**	69,562
Trust bank accounts	**26,998**	–
	100,969	69,562

Cash and cash equivalents comprise cash held by the Group, deposits placed with securities brokers and short-term bank deposits with an original maturity of three months or less. Bank balances that earn interest at floating rate based on daily bank deposit rates and short term time deposits that earn interest at the respective short term deposit rates. The bank balances and short term time deposits are deposited with creditworthy banks with no recent history of default.

31. CASH AND CASH EQUIVALENTS/TRUST BANK ACCOUNTS *(continued)*

At the end of the reporting period, the cash and cash equivalents and trust bank accounts of the Group denominated in RMB amounted to approximately HK$493,000 (2015: HK$271,000). RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The Group maintains trust bank accounts with authorised financial institutions to receive and hold money deposited by clients in the course of the conduct of the regulated activities. These clients' monies are maintained in one or more trust bank accounts and bear interest at commercial rate. The Group has recognised the corresponding trade payables to respective clients. The Group currently does not have an enforceable right to offset those payables with the deposits placed and not permitted to use the clients' monies to settle its own obligations.

32. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	HK$'000
Trade payables		
– Agricultural and other business (Note (i))	**1,971**	1,682
– Financial services business (Note (ii))		
– Cash clients	**5,964**	–
– Margin clients	**8,844**	–
– Clearing house	**25,243**	–
Other payables and accruals	**9,805**	8,050
	51,827	9,732

Notes:

(i) The following is an analysis of trade payables by age based on invoice date at the end of the reporting period:

	2016	2015
	HK$'000	HK$'000
0 – 90 days	**1,971**	1,682

32. TRADE AND OTHER PAYABLES *(continued)*

Notes: *(continued)*

(ii) The settlement terms of trade payables arising from the ordinary course of financial services business of dealing in securities are two days after trade date.

Trade payables to cash and margin clients bear variable interest at commercial rates, and are repayable on demand subsequent to settlement date. No aged analysis is disclosed as, in the opinion of the directors of the Company, the aged analysis does not give additional value in view of the nature of business. At 31 December 2016, the trade payables amounting to approximately HK$26,998,000 were payable to clients in respect of the trust and segregated bank balances received which are held for clients in the course of conducting the regulated activities. However, the Group currently does not have an enforceable right to offset these payables with the deposits placed.

33. DERIVATIVE FINANCIAL INSTRUMENTS

	2016	2015
	HK$'000	HK$'000
Call options	**6**	—

The fair values of the call options were determined based on quoted market premium prices.

34. AMOUNT DUE TO A NON-CONTROLLING INTEREST

The amount is non-trade nature, unsecured, interest-free and repayable on demand.

35. BANK AND OTHER BORROWINGS

	2016	2015
	HK$'000	HK$'000
Bank borrowing	470	–
Other borrowing	25,000	–
	25,470	–

Notes:

(i) The bank borrowing of the Group carry interest rate at 2.5% per annum below the bank's Hong Kong dollars best lending rate, denominated in HK$ and guaranteed by a non-controlling shareholder and director of a subsidiary.

(ii) The other borrowing carried fixed interest rate at 8.5% per annum and denominated in HK$ as at 31 December 2016.

36. DEFERRED TAXATION

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

	2016	2015
	HK$'000	HK$'000
Deferred tax assets	(11)	–
Deferred tax liabilities	–	403
	(11)	403

36. DEFERRED TAXATION *(continued)*

The following are the major deferred tax (assets) liabilities balances recognised and movements thereon during the current and prior years:

	Accelerated (decelerated) tax depreciation	Fair value adjustment arising from acquisition of subsidiaries	Unrealised fair value gains on financial assets at fair value through profit or loss	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2015	–	349	–	349
Charge to profit or loss	–	–	403	403
Disposal of the Zhao Hui Group	–	(349)	–	(349)
At 31 December 2015 and 1 January 2016	–	–	403	403
Acquisition of a subsidiary (note 43(a))	34	–	–	34
Credit to profit or loss	(45)	–	(403)	(448)
At 31 December 2016	(11)	–	–	(11)

Under the PRC Enterprise Income Tax Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. At 31 December 2016 and 2015, no deferred tax liabilities for withholding tax have been recognised as the Group's PRC subsidiaries incurred accumulated losses for the period since 1 January 2008.

At the end of the reporting period, no deferred tax asset has been recognised in respect of the estimated unused tax losses of approximately HK$4,177,000 (2015: HK$3,912,000) arising from subsidiaries operating outside Hong Kong which is available for setting off against future taxable profit of that subsidiary is due to expire within one to five years and estimated unused tax losses of approximately HK$13,451,000 (2015: HK$10,154,000) available for offset against future profits that may be carried forward indefinitely due to unpredictability of future profit streams.

37. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Authorised:		
At 1 January 2015 and 31 December 2015, ordinary shares of HK$0.01 each	100,000,000	1,000,000
Share consolidation (Note (iii))	(80,000,000)	–
Share sub-division (Note (iii))	80,000,000	–
At 31 December 2016, ordinary shares of HK$0.01 each	100,000,000	1,000,000
Issued and fully paid:		
At 1 January 2015, ordinary shares of HK$0.01 each	1,560,894	15,609
Issue of subscription shares (Note (i))	83,000	830
Issue of placing shares (Note (ii))	328,760	3,288
At 31 December 2015 and 1 January 2016, ordinary shares of HK$0.01 each	1,972,654	19,727
Capital reorganisation (Note (iii))	(1,578,123)	(15,782)
Issue of shares pursuant to open offer (Note (iv))	197,265	1,973
Issue of shares upon exercise of share options (Note (v))	59,000	590
Issue of placing shares (Note (ii))	118,340	1,183
At 31 December 2016, ordinary shares of HK$0.01 each	769,136	7,691

Notes:

(i) Issue of subscription shares

Pursuant to the specific mandate subscription agreement ("SM Subscription Agreement"), China Green (Holdings) Limited (the "Subscriber") has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 83,000,000 subscription shares ("SM Subscription Shares") at the subscription price of HK$0.175 per SM Subscription Share. The SM Subscription Shares were allotted and issued under the specific mandate. The completion took place on 11 February 2015 whereby 83,000,000 ordinary shares of the Company of HK$0.01 each were allotted and issued at HK$0.175 per SM Subscription Share under the SM Subscription Agreement. The net proceed from the subscription amounted to approximately HK$14,000,000.

37. SHARE CAPITAL *(continued)*

Notes: *(continued)*

(ii) Issue of placing shares

On 9 December 2015, the Company completed the placing of an aggregate of 328,760,000 ordinary shares of the Company of HK$0.01 each to not less than six placees through placing agent at HK$0.10 per ordinary share. The net proceeds from the placing of shares amounted to approximately HK$31,500,000.

On 2 December 2016, the Company completed the placing of an aggregate of 118,340,000 ordinary shares of the Company of HK$0.01 each to not less than six placees through placing agent at HK$0.10 per ordinary share. The net proceeds from the placing of shares amounted to approximately HK$11,300,000.

(iii) Capital reorganisation

Pursuant to a special general meeting held on 3 February 2016, the special resolution in relation to capital reorganisation comprising the share consolidation, the capital reduction and the share subdivision was duly passed by way of poll and took effect on 4 February 2016.

The capital reorganisation involved,

(1) Share consolidation

Every 5 issued and unissued existing shares of par value of HK$0.01 each in the share capital of the Company were consolidated into 1 consolidated share of par value of HK$0.05 each.

(2) Capital reduction

The par value of each of the then issued consolidated shares were reduced from HK$0.05 to HK$0.01 by cancelling the paid-up capital of the Company to the extent of HK$0.04 on each of the then issued consolidated shares, the credits arising from (a) such reduction of the paid up capital; and (b) the cancellation of any fractional consolidated share in the issued share capital of the Company which may arise from the share consolidation, which together, amount to approximately HK$15,782,000, were credited to the contributed surplus account of the Company.

(3) Share sub-division

Each of the then authorised but unissued consolidated shares of par value of HK$0.05 each was sub-divided into 5 new shares of par value of HK$0.01 each.

(iv) Issue of shares pursuant to open offer

On 14 April 2016, a total of 197,265,375 ordinary shares of HK$0.01 each were issued by way of an open offer at the subscription price of HK$0.10 per offer share on the basis of one offer shares for every two shares held on the record date. The net proceeds from the open offer, after deducting relevant costs and expenses, were approximately HK$17,500,000. The excess of the subscription price over the par value of the shares issued was credited to the share premium account.

37. SHARE CAPITAL *(continued)*

Notes: *(continued)*

(v) Issue of shares upon exercise of share options

During the year ended 31 December 2016, 59,000,000 ordinary shares were issued upon the exercise of a total of 59,000,000 share options at exercise price HK$0.11 per share, giving rise to aggregate net proceeds of approximately HK$6,490,000.

38. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 74 of the consolidated financial statements.

Capital reserve

The capital reserve arises from (i) capitalisation of a loan and represents the difference between the amount due to a former beneficial shareholder capitalised and the nominal value of shares; and (ii) the expiry of conversion option of convertible bonds and warranty.

Share options reserve

The share options reserve comprises the portion of the grant date fair value of unexercised share options granted to executive directors, employees and consultants of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

PRC statutory reserve

According to the relevant laws and regulations in the PRC, each of the PRC subsidiaries is required to appropriate at least 10% of its after-tax profit, based on the PRC statutory financial statements prepared in accordance with the generally accepted accounting principles ("GAAP") and financial regulations applicable to PRC enterprises, to the general reserve until the balance of the fund reaches 50% of the PRC subsidiary's registered capital. Thereafter, any further appropriation can be made at the directors' discretion. The general reserve fund can be utilised to offset the prior years' losses, or be utilised to increase the capital on the condition that the general reserve shall be maintained at a minimum of 25% of the registered capital after such increase.

39. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to an ordinary resolution passed by the Company's shareholders at the extraordinary general meeting of the Company held on 30 September 2013. Under the Share Option Scheme, the Company may grant options to eligible persons, including directors and directors of the subsidiaries of the Company, to subscribe for the shares.

The total number of shares which may be issued upon exercise of all options which may be granted under the Share Option Scheme and options which may be granted under any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue on 30 September 2013 unless the Company obtains a refresh approval from its shareholders. Options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company under which such options are granted, as the case may be, shall not be counted for the purpose of calculating whether the limit has been exceeded.

The maximum 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 options which may be granted and yet to be exercised under any other share option schemes of the Company (or the subsidiary) shall not exceed 30% of the total number of shares in issue from time to time. No options may be granted under any share option schemes of the Company (or the Subsidiary) if this will result in the limit being exceeded.

The Share Option Scheme will remain in force for a period of ten years commencing from 30 September 2013.

The subscription price in respect of any particular option shall be such price as determined by the board of directors in its absolute discretion at the time of the grant of the relevant option but in any case the subscription price shall not be less than the higher of (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; or (iii) the nominal value of a share. The options must be taken up within 21 days from the date of grant upon payment of HK$1 and are exercisable over a period to be determined and notified by the directors to each grantee, which period may commence from the date of acceptance of the offer of the grant of the options but shall end in any event not later than ten years from the date of adoption of the Share Option Scheme.

The purpose of the share option scheme is to encourage the participants, including employees, business associates and trustees, to perform their best in achieving the goals of the Group and at the same time allow the participants to enjoy the results of the Company attained through their efforts and contributions and to provide the participants with incentives and help the Company in retaining its existing employees and recruiting additional employees.

39. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

No participant shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in 12-month period up to and including the date of grant to such participant would exceed 1% of the shares for the time being in issue unless the proposed grant has been approved by the shareholders in general meeting with the proposed grantee and his associates abstaining from voting. A circular must be sent to the shareholders of the Company disclosing the identity of the proposed grantee, the number and terms of the options granted and to be granted.

Where any grant of option is to a substantial shareholder (as defined in the GEM Listing Rules) of the Company or an independent non-executive Director or any of their respective associates (as defined in the GEM Listing Rules) and the proposed grant of option, when aggregated will result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of grant, (i) representing in aggregate over 0.1% of the shares in issue; and (ii) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5 million, then such proposed grant of option(s) must be subject to approval by shareholders on a poll in a general meeting where all connected persons (as defined in the GEM Listing Rules) of the Company must abstain from voting in favour at such general meeting (except where such connected person(s) (as defined in the GEM Listing Rules) intend(s) to vote against the proposed grant of option(s) and his intention to do so has been stated in the circular).

Details of specific categories of the share options granted by the Company are as follows:

Option type	**Date of grant**	**Exercise period**	**Exercise price** HK$	**Weight average fair value at grant date** HK$
2014	12 August 2014	12 August 2014 to 11 August 2016	0.4948 per share (note (i))	0.17 (note (i))
2016	10 June 2016	10 June 2016 to 9 June 2017	0.1100 per share	0.04

39. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

The following table discloses movements of the Company's share options during the current and prior year:

Name of Grantee	Option Type	Date of Grant	Exercisable Period	Exercise price per share	Outstanding as at 1 January 2015 and 31 December 2015	Granted during the year (Note (iii))	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2016
Directors:									
Mr. Zhou Jing	2014	12 August 2014	12 August 2014 to 11 August 2016	HK$0.4948(i)	2,900,000(i)	–	–	(2,900,000)	–
	2016	10 June 2016	10 June 2016 to 9 June 2017	HK$0.1100	–	5,900,000	(5,900,000)	–	–
Mr. Lam Chun Kei	2014	12 August 2014	12 August 2014 to 11 August 2016	HK$0.4948(i)	2,900,000(i)	–	–	(2,900,000)	–
	2016	10 June 2016	10 June 2016 to 9 June 2017	HK$0.1100	–	5,900,000	(5,900,000)	–	–
Mr. Lin Chuen Chow Andy	2014	12 August 2014	12 August 2014 to 11 August 2016	HK$0.552(ii)	260,000(ii)	–	–	(260,000)	–
Mr. Lee Kin Fai	2014	12 August 2014	12 August 2014 to 11 August 2016	HK$0.4948(i)	290,000(i)	–	–	(290,000)	–
Ms. Cheng Lo Yee	2014	12 August 2014	12 August 2014 to 11 August 2016	HK$0.4948(i)	290,000(i)	–	–	(290,000)	–
Sub-total					6,640,000	11,800,000	(11,800,000)	(6,640,000)	–
Employees	2014	12 August 2014	12 August 2014 to 11 August 2016	HK$0.4948(i)	5,800,000(i)	–	–	(5,800,000)	–
	2016	10 June 2016	10 June 2016 to 9 June 2017	HK$0.1100	–	11,800,000	(11,800,000)	–	–
Sub-total					5,800,000	11,800,000	(11,800,000)	(5,800,000)	–

39. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

Name of Grantee	Option Type	Date of Grant	Exercisable Period	Exercise price per share	Outstanding as at 1 January 2015 and 31 December 2015	Granted during the year (Note (iii))	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2016
Other eligible persons:									
Consultants	2014	12 August 2014	12 August 2014 to 11 August 2016	HK$0.4948[i]	8,700,000[i]	–	–	(8,700,000)	–
	2016	10 June 2016	10 June 2016 to 9 June 2017	HK$0.1100	–	29,500,000	(29,500,000)	–	–
Directors of a subsidiary	2014	12 August 2014	12 August 2014 to 11 August 2016	HK$0.4948[i]	5,800,000[i]	–	–	(5,800,000)	–
	2016	10 June 2016	10 June 2016 to 9 June 2017	HK$0.1100	–	5,900,000	(5,900,000)	–	–
Sub-total					14,500,000	35,400,000	(35,400,000)	(14,500,000)	–
Total					26,940,000	59,000,000	(59,000,000)	(26,940,000)	–
Weighted average exercise price					HK$0.4954	HK$0.1100	HK$0.1100	HK$0.4954	–
Exercisable at the end of the year					26,940,000				–

Notes:

(i) The exercise price and the number of shares to be allotted and issued upon exercising of the share options granted under the share option scheme were adjusted as a result of the capital reorganisation of the Company became effective on 4 February 2016 and completion of open offer of shares on 14 April 2016.

(ii) The exercise price and the number of shares to be allotted and issued upon exercising of the share options granted under the share option scheme were adjusted as a result of the capital reorganisation of the Company became effective on 4 February 2016.

(iii) During the year ended 31 December 2016, 59,000,000 share options were granted on 10 June 2016 with exercise price of the share options at HK$0.1100 per share.

39. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

59,000,000 (2015: nil) share options were granted under the Share Option Scheme during the year ended 31 December 2016 and 59,000,000 (2015: nil) share options has been exercised during the year ended 31 December 2016.

As at 31 December 2016, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was nil (2015: 26,940,000 after adjusted for the effect on the capital reorganisation of the Company became effective on 4 February 2016 and completion of open offer of shares on 14 April 2016).

The fair value of the share options granted to employees and directors was determined using the Binomial Model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information.

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Inputs into the model

	Option type 2016	**Option type 2014**
Grant date share price	HK$0.1100	HK$0.107
Exercise price	HK$0.1100	HK$0.1104
Adjusted exercise price with effect to capital organisation and the open offer	N/A	HK$0.4948
Expected volatility	116.98%	85.374%
Expected multiple	1.6-2.47	1.6
Risk-free interest rate	0.35%	0.357%
Expected dividend yield	0%	0%

39. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

Options granted are fully vested at the date of grant. During the year ended 31 December 2016, equity-settled share-based payments to employees of the Group of approximately HK$603,000 (2015: nil) has been included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016, the corresponding amount of which has been credited to share options reserve (Note 38). No liabilities were recognised on the equity-settled share-based payment transactions.

The fair value of the share options granted to suppliers of service amounted to approximately HK$1,003,000 (2015: nil) has been included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016, the corresponding amount of which has been credited to share options reserve (Note 38).

The Company measures the fair value of share options granted to consultant by reference to the fair values of services rendered.

The total consideration received during the year from grant of share options amounted to HK$10 (2015: nil).

All share options have been accounted for under HKFRS 2. No share options were outstanding as at 31 December 2016. The share options outstanding as at 31 December 2015 had a weighted average remaining contractual life of 0.6 years.

40. PENSION SCHEMES

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all its eligible employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Company's PRC subsidiaries are required to participate in a central pension scheme operated by the local municipal government. The PRC subsidiaries are required to contribute a percentage of its payroll costs to the central pension scheme. The central pension scheme is responsible for the entire pension obligations payable to all retired employees and the Group has no further obligations for the pension payments on post-retirement benefits beyond the monthly contributions.

During the year ended 31 December 2016, defined contribution retirement benefits expenses of approximately HK$353,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

41. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts. The Group is not subject to any externally imposed capital requirements. The Group's overall strategy remains unchanged from prior year.

The Group monitors capital on the basis of the gearing ratio. As part of this review, the Group considers the cost of capital and the risks associated with each class of capital.

Gearing ratio

The gearing ratio at the end of the reporting period was as follows:

	2016	2015
	HK$'000	HK$'000
Debts (Note (i))	**54,870**	–
Equity (Note (ii))	**361,420**	342,054
Gearing ratio	**15.2%**	N/A

Notes:

(i) Debts include amount due to a non-controlling interest and bank and other borrowings, as detailed in notes 34 and 35 respectively.

(ii) Equity include all capital and reserve attributable to owners of the Company.

42. FINANCIAL INSTRUMENTS

42.1 Categories of financial instruments

Financial assets

	2016 HK$'000	2015 HK$'000
Fair value through profit or loss:		
Held for trading	**150,725**	90,428
Loans and receivables:		
Other assets	**230**	–
Trade receivables	**94,151**	2,477
Loans and interest receivables	**85,728**	122,192
Deposits and other receivables (included in financial assets)	**12,348**	6,775
Trust bank accounts	**26,998**	–
Cash and cash equivalents	**73,971**	69,562
AFS financial assets:		
Available-for-sale investments	**33,616**	38,503

Financial liabilities

	2016 HK$'000	2015 HK$'000
Fair value through profit or loss:		
Derivative financial instruments	**6**	–
Financial liabilities at amortised cost:		
Financial liabilities included in trade and other payables	**47,512**	6,423
Amount due to a non-controlling interest	**29,400**	–
Bank and other borrowings	**25,470**	–

42. FINANCIAL INSTRUMENTS *(continued)*

42.2 Financial risk management objectives and policies

The Group's major financial instruments include financial assets at fair value through profit or loss, other assets, trade receivables, loans and interest receivables, deposits and other receivables, trust bank accounts, cash and cash equivalents, available-for-sale investments, derivative financial instruments, trade and other payables, amount due to a non-controlling interest and bank and other borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (foreign currency risk, interest rate risk, business risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

42.2.1 Market risk

Foreign currency risk management

Transactional currency exposures arise from revenue or cost of sales by operating units in currencies other than the unit's functional currency. Substantially all the Group's revenue and cost of sales are denominated in the functional currency of the operating units making the revenue, and substantially all the cost of sales are denominated in the operating unit's functional currency. Accordingly, the directors consider that the Group is not exposed to significant foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

42. FINANCIAL INSTRUMENTS *(continued)*

42.2 Financial risk management objectives and policies *(continued)*

42.2.1 ***Market risk*** *(continued)*

Foreign currency risk management (continued)

At the end of the reporting period, the carrying amounts of the Group's major monetary assets denominated in currencies other than the functional currencies of the relevant group entities are as follows:

	2016	2015
	HK$'000	HK$'000
Assets:		
AU$	**66**	16,712

The following table details the Group's sensitivity to a 5% weakening in the HK$ against the relevant foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A positive number below indicates a decrease in loss (2015: increase in profit) where HK$ weakens against AU$. For a 5% weakening of AU$ against HK$, there would be an equal and opposite impact on the loss (2015: profit).

42. FINANCIAL INSTRUMENTS *(continued)*

42.2 Financial risk management objectives and policies *(continued)*

42.2.1 ***Market risk*** *(continued)*

Foreign currency risk management (continued)

	2016	2015
	HK$'000	HK$'000
AU$	3	836

In management's opinion, the sensitivity analysis is unrepresentative of the inherent exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk management

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing financial assets and financial liabilities. The Group are exposed to cash flow interest rate risk in relation to variable-rates trade receivables, bank deposits and bank borrowing and fair value interest rate risk in relation to fixed rate loans receivables and other borrowing. The directors continues to monitor the interest rate exposure of the Group.

All of the Group's loans receivables are based on fixed interest rates with original maturities in range of 12 to 300 months (2015: 3 to 300 months). The Group prices these loans receivables strategically to reflect market fluctuations and achieve a reasonable interest-rate spread.

The fixed rate instruments of the Group are insensitive to any change in market interest rates.

Changes in market interest rates may affect the Group's securities margin financing business and the Group mitigates this risk by revising the margin financing rate as and when appropriate.

Interest rates on bank deposits are relatively low and not expected to change significantly.

Management does not anticipate significant impact on interest-bearing financial assets resulted from the changes in interest rates and considers the risk is insignificant to the Group.

The Group consider the cash flow interest rate risk relating to its variable rate bank borrowing is insignificant and therefore sensitivity analysis has not been presented.

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

42. FINANCIAL INSTRUMENTS *(continued)*

42.2 Financial risk management objectives and policies *(continued)*

42.2.1 ***Market risk*** *(continued)*

Business risk

The Group is exposed to financial risks arising from changes in prices of livestock and livestock's agricultural produce and the change in cost and supply of feed ingredients, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases. The Group has little or no control over these conditions and factors.

The Group is subject to risks relating to its ability to maintain animal health status. Livestock health problems could adversely impact production and consumer confidence. The Group monitors the health of its livestock on a regular basis and has procedures in place to reduce potential exposure to infectious diseases. Although policies and procedures have been put into place, there is no guarantee that the Group will not be affected by epidemic diseases.

The Group manages its exposure to fluctuation in the price of the key raw materials used in the operations by maintaining a number of suppliers so as to limit high concentration in a particular supplier.

Other price risks

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. In addition, the Group has appointed a team to monitor the price risk and will consider hedging the risk exposure should the need arise.

42. FINANCIAL INSTRUMENTS *(continued)*

42.2 Financial risk management objectives and policies *(continued)*

42.2.1 Market risk (continued)

Other price risks (continued)

Equity price sensitivity analysis

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

If equity prices had been 15% higher/lower (2015: 15% higher/lower):

- post-tax loss for the year ended 31 December 2016 would decrease/increase by HK$18,878,000 (2015: post-tax profit would increase/decrease by HK$11,326,000). This is mainly due to the changes in fair value of held-for-trading investments.

42.2.2 Credit risk management

At 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties are arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

For the credit sales of goods to customers, the Group has concentration of credit risk as the top 5 credit sales customers accounted for approximately 40% (2015: 36%) of the Group's revenue from continuing operations for the year. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Regular review and follow up actions are carried out on overdue amounts to minimise the Group's exposure to credit risk. An aging analysis of the debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these debtors. The Group makes specific provision for receivables based on an assessment of the recoverability of the receivables.

In respect of trade receivables arising from financial services business, the Group has delegated a team responsible for determination of trading limits, trading approvals and other monitoring procedures to ensure that follow-up action is taken to recover outstanding balances. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Margin calls are made when the outstanding balances due from clients exceed their respective limits with consideration of the quality, liquidity and price volatility of individual stock, and the transaction history and credibility of the clients. Failure to meet margin calls may result in the prohibition of further purchase of securities or liquidation of the client's positions on a case-by-case basis. In this regard, the management considered that the Group's credit risk is significantly reduced.

42. FINANCIAL INSTRUMENTS *(continued)*

42.2 Financial risk management objectives and policies *(continued)*

42.2.2 Credit risk management *(continued)*

In respect of deposits and other receivables, the directors consider the credit risk is low because there was no default history, hence no impairment provision is required.

For loans and interest receivables, the Group has policies in place to evaluate credit risk when accepting new loans and to limit its credit exposure to individual borrowers. The Group makes specific provision for loans and interest receivables based on an assessment of recoverability.

For cash and cash equivalents and trust bank accounts, the credit risk is limited because the counterparties are reputable banks and securities brokers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial assets in the consolidated statement of financial position after deducting any impairment allowance.

42.2.3 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

42. FINANCIAL INSTRUMENTS *(continued)*

42.2 Financial risk management objectives and policies *(continued)*

42.2.3 Liquidity risk management *(continued)*

The following table details, the maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments. Bank borrowings with a repayment of demand clause are included in the "On demand or less than 1 year" time band in the maturity analysis.

	Effective average interest rate	On demand or less than 1 year	1-5 years	Over 5 years	Total contractual undiscounted cash flows	Total carrying amounts
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2016						
Non-derivative financial liabilities						
Trade and other payables	N/A	47,512	–	–	47,512	47,512
Amount due to a non-controlling interest	N/A	29,400	–	–	29,400	29,400
Bank and other borrowings	2.75% to 8.5%	27,077	–	–	27,077	25,470
		103,989	–	–	103,989	102,382
Derivative financial liabilities						
Derivative financial instruments	N/A	6	–	–	6	6
At 31 December 2015						
Non-derivative financial liabilities						
Trade and other payables	N/A	6,423	–	–	6,423	6,423

42. FINANCIAL INSTRUMENTS *(continued)*

42.3 Fair value measurements of financial instruments

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

Fair value hierarchy

	2016	2015
	HK$'000	HK$'000
Financial assets included in Level 1		
Financial assets at fair value through profit or loss (Note 30)	**150,725**	90,428
Financial assets included in level 2		
Available-for-sale investment (Note 24)	**7,188**	7,300
Financial assets included in level 3		
Available-for-sale investment (Note 24)	**–**	1,073
Financial liabilities included in level 1		
Derivative financial instruments (Note 33)	**6**	—

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the quoted market bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

42. FINANCIAL INSTRUMENTS *(continued)*

42.3 Fair value measurements of financial instruments *(continued)*

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis *(continued)*

Fair value hierarchy (continued)

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair value of the unlisted equity investment included in level 3 is based on cash flows discounted using a rate of 14% (2015: 12%) based on the market interest rate and the risk premium specific to the unlisted investment. For the fair value of the unlisted equity investment, the directors estimated that with all other variables held constant, an increase in discount rate by 1% would have decrease the fair value of the unlisted equity investment by approximately HK$458,000 and a decrease in discount rate by 1% would have increase the fair value of the unlisted equity investment by approximately HK$574,000 for the year ended 31 December 2015.

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair value:

	2016	2015
	HK$'000	HK$'000
At 1 January	**1,073**	6,723
Total gains (losses):		
– in profit or loss	**(1,073)**	(5,934)
– in other comprehensive income	**–**	284
At 31 December	**–**	1,073

42. FINANCIAL INSTRUMENTS *(continued)*

42.3 Fair value measurements of financial instruments *(continued)*

Fair value of financial assets and financial liabilities that are carried at other than fair value

The directors consider that the carrying amounts of the Group's and the Company's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2016 and 2015.

Financial assets and financial liabilities offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC on the same settlement date and the Group intends to settle on a net basis.

42. FINANCIAL INSTRUMENTS *(continued)*

42.3 Fair value measurements of financial instruments *(continued)*

Financial assets and financial liabilities offsetting *(continued)*

	Gross amounts of recognised financial assets (liabilities)	Gross amounts of recognised financial assets (liabilities) set off in the consolidated statement of financial position	Net amounts of financial assets (liabilities) presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		
				Financial instruments	Collateral received	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2016						
Financial asstes						
Trade receivables						
— clearing house	16,515	(10,299)	6,216	—	—	6,216
Financial liabilities						
Trade payables						
— clearing house	(35,542)	10,299	(25,243)	—	—	(25,243)

43. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION

Year ended 31 December 2016

(a) Acquisition of Profit Network

During the year, the Group completed the acquisition of a total of 51% equity interests in Profit Network at an aggregated cash consideration of HK$40,800,000. On 6 January 2016, the Group acquired 7% equity interests in Profit Network from Trinity Worldwide Capital Holding Limited ("Trinity Worldwide"), a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Ng Ting Kit, elder brother of Mr. Ng Ting Ho, an executive director of the Company, at a cash consideration of HK$5,600,000. On 2 September 2016, the Group acquired a further 44% equity interests in Profit Network from Trinity Worldwide at a cash consideration of HK$35,200,000. The acquisition of a further 44% equity interest in Profit Network constituted a major and connected transaction of the Company under the GEM Listing Rules and the ordinary resolution relating thereto was passed by the shareholders of the Company at a special general meeting held on 27 July 2016. Upon completion of the acquisition on 2 September 2016, Profit Network Group became non-wholly owned subsidiaries of the Company and the financial results of the Profit Network Group was consolidated into the consolidated financial statements of the Company.

Acquisition-related costs amounting to approximately HK$886,000 have been excluded from the cost of acquisitions and recognised directly as an expenses in the consolidated statement of profit or loss and other comprehensive income.

43. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION *(continued)*

Year ended 31 December 2016 *(continued)*

(a) Acquisition of Profit Network *(continued)*

The subsidiary of Profit Network is a company incorporated in Hong Kong with limited liability and a licensed corporation to carry out on businesses in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance ("SFO"). In the opinion of the directors, the acquisition by the Group is to diversify the Group's business into the financial services industry in addition to the Group's existing securities investment and trading and related businesses.

Asset acquired and liabilities recognised at the date of acquisition:

	HK$'000
Property, plant and equipment (Note 16)	1,165
Intangible asset (Note 20)	500
Other assets	230
Trade receivables	42,518
Deposit, prepayments and other receivables	1,459
Financial assets at fair value through profit or loss	43
Cash and cash equivalents	17,674
Trusts bank accounts	21,666
Trade and other payables	(30,174)
Bank borrowing	(2,000)
Current tax liabilities	(192)
Deferred tax liabilities (Note 36)	(34)
	52,855

43. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION *(continued)*

Year ended 31 December 2016 *(continued)*

(a) Acquisition of Profit Network (continued)

The fair value of receivables acquired, which principally comprised trade receivables and other receivables. The fair value of trade receivables at the date of acquisition amounted to HK$42,518,000. The gross contractual amounts of those trade receivables acquired amounted to HK$44,488,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to HK$1,970,000. The fair value of other receivables was approximated to the gross contractual amounts.

	HK$'000
Goodwill arising on acquisition	
Consideration transferred on acquiring 44% equity interest in Profit Network	35,200
Add: Non-controlling interests	25,899
Fair value of previously held interests	5,600
Less: Net assets acquired	(52,855)
Goodwill arising on acquisition (Note 19)	13,844

Goodwill arising from the acquisition was attributable to the anticipated profitability and future development of the financial services business.

The non-controlling interests in Profit Network recognised at the acquisition date were measured at the non-controlling interests' to the proportionate share of the Profit Network Group's identifiable net assets.

Net cash outflow on acquisition of Profit Network

	HK$'000
Cash consideration paid	40,800
Less: Cash and cash equivalents acquired	(17,674)
	23,126

43. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION *(continued)*

Year ended 31 December 2016 *(continued)*

(a) Acquisition of Profit Network *(continued)*

Impact of acquisition on the results of the Group

Profit Network Group contributed revenue of approximately HK$7,888,000 and net profit of approximately HK$2,615,000 to the Group for the period from the date of acquisition to 31 December 2016. If the acquisition had occurred on 1 January 2016, the Group revenue would have been approximately HK$69,438,000 and loss for the year would have been approximately HK$22,953,000. This pro forma information was for illustrative purpose only and was not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition occurred on 1 January 2016, nor was it intended to be a projection of future results.

(b) Acquisition of Delight Sky Finance Limited

On 3 October 2016, the Group completed the acquisition of 100% of the issued shares of Delight Sky Finance Limited (formerly known as "Trinity Financing Limited"), a limited liability company incorporated in Hong Kong at a cash consideration of approximately HK$993,000 from Trinity Financing Holdings Limited, a company wholly owned by Mr. Ng Ting Kit, elder brother of Mr. Ng Ting Ho, an executive director of the Company. The acquisition constituted a connected transaction of the Company under the GEM Listing Rules. Delight Sky Finance Limited is principally engaged in money lending business in Hong Kong. In the opinion of the directors, Delight Sky Finance Limited was acquired so as to continue the expansion of the Group's money lending business.

	HK$'000
Consideration transferred	
Cash paid	993

Assets acquired and liabilities recognised at the date of acquisition:

	HK$'000
Loan receivables	668
Other receivables	6
Cash and cash equivalents	325
Other payables	(6)
	993

43. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION *(continued)*

Year ended 31 December 2016 *(continued)*

(b) Acquisition of Delight Sky Finance Limited *(continued)*

The fair value of receivables acquired, which principally comprised loan receivables and other receivables approximated to the gross contractual amounts. There were no contractual cash flows not expected to be collected.

Net cash outflow on acquisition of Delight Sky Finance Limited

	HK$'000
Cash consideration paid	993
Less: Cash and cash equivalents acquired	(325)
	668

Impact of acquisition on the results of the Group

Delight Sky Finance Limited contributed revenue of approximately HK$55,000 and net profit of approximately HK$52,000 to the Group for the period from the date of acquisition to 31 December 2016. If the acquisition had occurred on 1 January 2016, the Group revenue would have been approximately HK$61,727,000 and loss for the year would have been approximately HK$14,344,000. This pro forma information was for illustrative purpose only and was not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition occurred on 1 January 2016, nor was it intended to be a projection of future results.

43. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION *(continued)*

Year ended 31 December 2016 *(continued)*

Year ended 31 December 2015

(c) Acquisition of Treasure Easy Limited

During the year ended 31 December 2015, the Group entered into a sale and purchase agreement for the acquisition of 51% of the issued shares of Treasure Easy Limited, a limited liability company incorporated in Hong Kong, and the shareholder's loan at a consideration of HK$1,275,000. Treasure Easy Limited is principally engaged in the provision of the food and beverage service in Hong Kong. The acquisition was completed on 8 April 2015.

In the opinion of the directors, the acquisition provided the opportunity for the Group expanding its business into the food and beverage business in Hong Kong.

Consideration transferred:

	HK$'000
Consideration satisfied by:	
Cash paid	1,275
Less: assignment of shareholder's loan	(1,007)
	268

Assets acquired and liabilities recognised at the date of acquisition:

	HK$'000
Non-current assets	
Property, plant and equipment (Note 16)	250
Current assets	
Deposits, prepayments and other receivables	1,597
Current liabilities	
Other payables and accruals	(2,053)
	(206)

43. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION *(continued)*

Year ended 31 December 2015 *(continued)*

(c) Acquisition of Treasure Easy Limited *(continued)*

The fair value of receivables acquired, which principally comprised deposits and other receivables approximated to the gross contractual amounts. There were no contractual cash flows not expected to be collected.

The non-controlling interest at the acquisition date were measured at the non-controlling interests' proportionate share of the acquiree's identifiable net liabilities.

	HK$'000
Goodwill arising on acquisition	
Consideration transferred	1,275
Add: fair value of identifiable net liabilities acquired	206
Less: non-controlling interest	(101)
shareholder's loan assigned	(1,007)
Goodwill arising on acquisition (Note 19)	373

None of the goodwill on this acquisition was expected to be deductible for tax purposes.

Goodwill arising from the acquisition was attributable to the anticipated profitability and future development of food and beverage service.

	HK$'000
Net cash outflow arising on acquisition of subsidiary	
Consideration paid in cash	1,275

Impact of acquisition on the results of the Group

Treasure Easy Limited contributed revenue of approximately HK$4,392,000 and net losses of approximately HK$413,000 to the Group for the period from the date of acquisition to 31 December 2015. If the acquisition had occurred on 1 January 2015, the Group revenue would have been approximately HK$57,800,000 and profit would have been approximately HK$12,773,000 for the year ended 31 December 2015. This pro forma information was for illustrative purpose only and was not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition occurred on 1 January 2015, nor was it intended to be a projection of future results.

44. OPERATING LEASE COMMITMENTS

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

	2016	2015
	HK$'000	HK$'000
Land and buildings		
– Within one year	**3,141**	1,308
– In the second to fifth years inclusive	**720**	1,218
	3,861	2,526

Operating leases for land and buildings relate to office premises, staff's quarter and restaurant premises with lease terms of between 2 to 4 years (2015: 1 to 3 years). The lease does not include contingent rental.

45. COMMITMENTS

Capital commitments

At the end of the reporting period, the Group had the following significant commitments which were not provided for in the consolidated financial statements:

	2016	2015
	HK$'000	HK$'000
Authorised and contracted for:		
Acquisition of available-for-sale investments	**6,016**	11,265

Other commitments

At 31 December 2016, the Group entered into a sub-underwriting agreement with an independent third party in relation to an initial public offering of shares in Hong Kong by way of placing and had a gross commitment of approximately HK$3,100,000.

46. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the year:

(a) Transactions with related parties

Related party	Nature of transaction	*Notes*	**2016** **HK'000**	2015 *HK$'000*
Mr. Ng Man Chun, Paul	Consultancy fee	*(i)*	**847**	–
	Commission income from securities dealing	*(ii)*	**11**	–
	Interest income from securities	*(iii)*	**17**	–
	Placing commission	*(iv)*	**105**	–
Mr. Ng Ting Kit or his close family members	Commission income from securities dealing	*(ii)*	**18**	–
	Interest income from securities	*(iii)*	**8**	–
Companies controlled by Mr. Ng Ting Kit or his close family member	Commission income from securities dealing	*(ii)*	**4**	–
	Interest income from securities	*(iii)*	**2**	–
A former substantial shareholder	Consultancy fee	*(i)*	–	1,200

Notes:

(i) The consultancy fee paid were based on the terms mutually agreed between the parties involved.

(ii) The commission income from securities dealings was calculated at rates ranged from 0.03% to 0.05%.

(iii) The interest income from securities dealings was based on the rates which substantially in line with those normally received by the Group from third parties.

(iv) The placing commission was based on terms stipulated an the agreements entered between the contracting parties.

46. RELATED PARTY TRANSACTIONS *(continued)*

(b) Outstanding balances with related parties

Included in the trade receivables and payables arising from the ordinary course of business of the financial services business are amounts due from and (to) certain related parties, the details of which are as follows:

Related party	Nature of account	**2016** ***HK'000***	2015 *HK$'000*
Mr. Ng Man Chun, Paul	Cash account	**(6)**	–
	Margin account	**(1,118)**	–
Mr. Ng Ting Kit and his close family members	Cash account	**(493)**	–
	Margin account	**(35)**	–
Companies controlled by Mr. Ng Ting Kit or his close family members	Cash account	**(351)**	–
	Margin account	**622**	–

The outstanding balances of cash accounts above represent the net balance of trading accounts at the end of the reporting period.

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Short-term benefits	**1,922**	2,220
Post-employment benefits	**24**	18
Share option expense	**530**	–
Discretionary bonus	**129**	–
	2,605	2,238

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND RESERVE MOVEMENT

Statement of financial position of the Company

	2016	2015
	HK$'000	HK$'000
Non-current assets		
Investments in subsidiaries	**21,899**	21,899
Current assets		
Deposits, prepayments and other receivables	**389**	856
Amounts due from subsidiaries	**337,221**	306,862
Cash and cash equivalents	**22,909**	45,419
	360,519	353,137
Current liabilities		
Amounts due to subsidiaries	**26,348**	26,367
Other payables and accruals	**1,607**	1,966
	27,955	28,333
Net current assets	**332,564**	324,804
Net assets	**354,463**	346,703
Capital and reserves		
Share capital	**7,691**	19,727
Reserves	**346,772**	326,976
Total equity	**354,463**	346,703

The statement of financial position of the Company was approved and authorised for issue by the board of directors on 23 March 2017 and are signed on its behalf by:

Director	*Director*
Mr. Zhou Jing	**Mr. Lam Chun Kei**

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND RESERVE MOVEMENT *(continued)*

Movement in the Company's reserve

	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2015	42,900	348,685	77,317	4,672	(183,943)	289,631
Loss for the year	–	–	–	–	(4,489)	(4,489)
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	–	(4,489)	(4,489)
Issue of subscription shares	13,695	–	–	–	–	13,695
Issue of placing shares	29,588	–	–	–	–	29,588
Transaction costs attributable to issue of shares	(1,449)	–	–	–	–	(1,449)
Amount transferred to write off accumulated losses (Note)	–	(188,432)	–	–	188,432	–
Balance at 31 December 2015 and 1 January 2016	84,734	160,253	77,317	4,672	–	326,976
Loss for the year	–	–	–	–	(30,021)	(30,021)
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	–	(30,021)	(30,021)
Capital reorganisation (Note 37(iii))	–	15,782	–	–	–	15,782
Issue of shares pursuant to open offer (Note 37(iv))	17,754	–	–	–	–	17,754
Issue of share upon exercise of share options (Note 37(v))	8,036	–	–	(2,136)	–	5,900
Issue of placing shares (Note 37(ii))	10,651	–	–	–	–	10,651
Transaction costs related to issue of shares	(2,406)	–	–	–	–	(2,406)
Recognition of equity-settled share-based payment (Note 39)	–	–	–	2,136	–	2,136
Lapse of share options	–	–	–	(4,672)	4,672	–
Amount transferred to write off accumulated loss (Note)	–	(22,484)	–	–	22,484	–
Balance at 31 December 2016	118,769	153,551	77,317	–	(2,865)	346,772

Note:

Pursuant to the special resolution passed in an EGM and SGM held on 24 April 2014 and 3 February 2016, respectively and took effect on 5 June 2014 and 4 February 2016, the directors were authorised to use HK$195,134,000 and HK$15,782,000 credit balances in the contribution surplus account result from the reduction of the paid-up capital of the Company to eliminating or setting off the accumulated losses of the Company. During the year ended 31 December 2016, approximately HK$22,484,000 (2015: HK$188,432,000) credit balance in the contribution surplus account was used to eliminate the accumulated losses of the Company.

48. EVENTS AFTER THE REPORTING PERIOD

(a) On 18 January 2017, an indirect non-wholly owned subsidiary of the Company, Xiamen Dongyu Trading Company Limited as vendor entered into an equity transfer agreement with a purchaser, pursuant to which the purchaser, conditionally agreed to purchase, and the Group conditionally agreed to sell, the sale interest at a cash consideration of RMB1,100,000. The sale interest represents 100% of the equity interest in Wuping Jian Jun Ecology Breeding Company Limited, a limited liability company established in the PRC (the "Disposal"). Wuping Jian Jun Ecology Breeding Company Limited is principally engaged in breeding and sales of live swine in the PRC.

Pursuant to a special general meeting on 8 March 2017, the ordinary resolution in relation to the Disposal was duly passed by way of poll. The Disposal has been completed in March 2017.

(b) On 24 February 2017, the Group entered into the sale and purchase agreement with Trinity Worldwide, the non-controlling shareholder of Profit Network (the "Vendor"), pursuant to which Group conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the remaining 49% equity interest in Profit Network at a total consideration of HK$39,200,000 (the "Acquisition").

The Acquisition constituted a major and connected transaction of the Company under the GEM Listing Rules, and the acquisition is subjected to the approval from shareholders and certain conditions precedent. Up to the date of approval of these consolidated financial statements, the Acquisition has not yet completed.

FIVE-YEARS FINANCIAL SUMMARY

FOR THE YEAR ENDED 31 DECEMBER 2016

	1.1.2016 to 31.12.2016 HK$'000	1.1.2015 to 31.12.2015 HK$'000	1.1.2014 to 31.12.2014 HK$'000	1.1.2013 to 31.12.2013 HK$'000	1.8.2011 to 31.12.2012 HK$'000
RESULTS					
Revenue					
Continuing operations	**61,703**	57,721	18,063	24,765	160,715
Discontinued operations	**–**	65,423	10,676	–	–
	61,703	123,144	28,739	24,765	160,715
(Loss) profit from operations					
Continuing operations	**(10,899)**	16,614	(11,751)	(11,815)	6,179
Discontinued operations	**–**	2,659	214	–	–
	(10,899)	19,273	(11,537)	(11,815)	6,179
Finance costs					
Continuing operations	**(870)**	(252)	(101)	(310)	(2,661)
Discontinued operations	**–**	(168)	–	–	–
	(870)	(420)	(101)	(310)	(2,661)
Gain on scheme					
Continuing operations	**–**	–	–	–	67,494
Discontinued operations	**–**	–	–	–	–
	–	–	–	–	67,494

FIVE-YEARS FINANCIAL SUMMARY

FOR THE YEAR ENDED 31 DECEMBER 2016

	1.1.2016 to 31.12.2016 HK$'000	1.1.2015 to 31.12.2015 HK$'000	1.1.2014 to 31.12.2014 HK$'000	1.1.2013 to 31.12.2013 HK$'000	1.8.2011 to 31.12.2012 HK$'000
Gain on deconsolidation of subsidiaries					
Continuing operations	**–**	–	–	–	401
Discontinued operations	**–**	1,359	–	–	–
	–	1,359	–	–	401
Assets impairments					
Continuing operations	**(2,949)**	(5,934)	(6,214)	(27,758)	–
Discontinued operations	**–**	–	–	–	–
	(2,949)	(5,934)	(6,214)	(27,758)	–
Restructuring cost					
Continuing operations	**–**	–	–	–	(9,867)
Discontinued operations	**–**	–	–	–	–
	–	–	–	–	(9,867)
(Loss) profit before tax					
Continuing operations	**(14,718)**	10,428	(18,066)	(39,883)	61,546
Discontinued operations	**–**	3,850	214	–	–
	(14,718)	14,278	(17,852)	(39,883)	61,546

FIVE-YEARS FINANCIAL SUMMARY

FOR THE YEAR ENDED 31 DECEMBER 2016

	1.1.2016 to 31.12.2016 HK$'000	1.1.2015 to 31.12.2015 HK$'000	1.1.2014 to 31.12.2014 HK$'000	1.1.2013 to 31.12.2013 HK$'000	1.8.2011 to 31.12.2012 HK$'000
Income tax credit (expenses)					
Continuing operations	**361**	(1,273)	(24)	(170)	(2,005)
Discontinued operations	**–**	–	–	–	–
	361	(1,273)	(24)	(170)	(2,005)
(Loss) profit to the year/ period					
Continuing operations	**(14,357)**	9,155	(18,090)	(40,053)	59,541
Discontinued operations	**–**	3,850	214	–	–
	(14,357)	13,005	(17,876)	(40,053)	59,541
(Loss) profit attributable to:					
Owners of the Company					
Continuing operations	**(17,683)**	5,600	(15,503)	(40,053)	59,541
Discontinued operations	**–**	568	214	–	–
	(17,683)	6,168	(15,289)	(40,053)	59,541
Non-controlling interests					
Continuing operations	**3,326**	3,555	(2,587)	–	–
Discontinued operations	**–**	3,282	–	–	–
	3,326	6,837	(2,587)	–	–
	(14,357)	13,005	(17,876)	(40,053)	59,541

FIVE-YEARS FINANCIAL SUMMARY

FOR THE YEAR ENDED 31 DECEMBER 2016

	31.12.2016	31.12.2015	31.12.2014	31.12.2013	31.12.2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**506,433**	362,594	399,196	102,285	66,891
Total liabilities	**(107,052)**	(10,948)	(54,098)	(15,174)	(19,993)
	399,381	351,646	345,098	87,111	46,898
Equity attributable to					
Owners of the Company	**361,420**	342,054	290,558	87,111	46,898
Non-controlling interests	**37,961**	9,592	54,540	–	–
	399,381	351,646	345,098	87,111	46,898