Global Energy Resources International Group Limited

(continued in Bermuda with limited liability)
Stock Code: 8192

2016
ANNUAL REPORT

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

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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.

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Contents

Group Financial Summary

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Continuing operations					
Turnover	**276,371**	247,709	210,147	6,975	9,662
Loss before taxation	**(71,798)**	(105,008)	(24,318)	(15,308)	(20,188)
Taxation	**–**	–	(8)	(4)	(71)
Loss for the year from continuing operations	**(71,798)**	(105,008)	(24,326)	(15,312)	(20,259)
Loss for the year from discontinued operation	**(13,762)**	(8,571)	–	–	–
Loss for the year	**(85,560)**	(113,579)	(24,326)	(15,312)	(20,259)
Loss for the year attributable to:					
Owners of the Company	**(75,054)**	(105,974)	(22,930)	(14,859)	(17,185)
Non-controlling interests	**(10,506)**	(7,605)	(1,396)	(453)	(3,074)
	(85,560)	(113,579)	(24,326)	(15,312)	(20,259)

	At 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**305,124**	355,630	295,511	75,994	36,394
Total liabilities	**(41,437)**	(13,693)	(16,206)	(28,937)	(16,400)
Net assets	**263,687**	341,937	279,305	47,057	19,994

Corporate Information

EXECUTIVE DIRECTORS

Mr. Chan Kwok Wing *(Chief Executive Officer)*
Mr. Wang An Zhong *(appointed on 2 September 2016)*
Mr. Zhao Liang *(resigned on 10 March 2017)*
Mr. Lu Zhi Qiang *(resigned on 2 September 2016)*

NON-EXECUTIVE DIRECTOR

Mr. Shi Guang Rong *(appointed on 10 March 2017)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wah
Ms. Sun Ching *(appointed on 14 November 2016)*
Ms. Wong Mei Ling *(appointed on 13 December 2016)*
Mr. Wei Zhi Hong *(resigned on 23 September 2016)*
Mr. Lu Lin Yu *(resigned on 14 November 2016)*
Mr. Chen Fu Rong *(appointed on 23 September 2016 and resigned on 13 December 2016)*

COMPANY SECRETARY

Mr. Choi Wing Koon

AUDIT COMMITTEE

Mr. Leung Wah *(Chairman)*
Ms. Sun Ching *(appointed on 14 November 2016)*
Ms. Wong Mei Ling *(appointed on 13 December 2016)*
Mr. Wei Zhi Hong *(resigned on 23 September 2016)*
Mr. Lu Lin Yu *(resigned on 14 November 2016)*
Mr. Chen Fu Rong *(appointed on 23 September 2016 and resigned on 13 December 2016)*

NOMINATION COMMITTEE

Mr. Leung Wah *(Chairman)*
Mr. Chan Kwok Wing
Ms. Sun Ching *(appointed on 14 November 2016)*
Mr. Lu Lin Yu *(resigned on 14 November 2016)*

REMUNERATION COMMITTEE

Mr. Leung Wah *(Chairman)*
Mr. Chan Kwok Wing
Ms. Sun Ching *(appointed on 14 November 2016)*
Mr. Lu Lin Yu *(resigned on 14 November 2016)*

CORPORATE GOVERNANCE COMMITTEE

Mr. Leung Wah *(Chairman)*
Mr. Chan Kwok Wing
Ms. Sun Ching *(appointed on 14 November 2016)*
Mr. Lu Lin Yu *(resigned on 14 November 2016)*

COMPLIANCE OFFICER

Mr. Chan Kwok Wing

AUTHORISED REPRESENTATIVES

Mr. Chan Kwok Wing
Mr. Choi Wing Koon

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F., Gloucester Tower,
The Landmark, 11 Pedder Street,
Central, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3008–10, 30th Floor, Tower 6,
The Gateway, Harbour City,
9 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building,
69 Pitts Bay Road,
Pembroke HM08,
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

COMPANY HOMEPAGE

www.8192.com.hk

GEM STOCK CODE

8192

Chairman's Statement

Dear shareholders,

On behalf of the board of directors (the "Board" or the "Directors") of Global Energy Resources International Group Limited (the "Company"), I herein present the results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016.

BUSINESS AND FINANCIAL OVERVIEW

Rental of Air-conditioners

The Group commenced the rental business of energy-saving air-conditioners in May 2015. For the year under review, the Group recorded approximately HK$4,086,000 of revenue from the rental business of energy-saving air-conditioners, representing an increase of approximately 166.88% compared with the last corresponding period of approximately HK$1,531,000. Loss of this segment increased by approximately 54.53% from approximately HK$9,462,000 for the year ended 31 December 2015 to HK$14,622,000 for the year ended 31 December 2016. The rental business is still at the preliminary stage of development and the Group expected that the revenue of this segment will grow at a reasonable rate.

Trading Business

During the year under review, revenue from trading business was a major revenue of the Group amounted to approximately HK$263,960,000, representing an increase of approximately 7.85% compared with the last corresponding period of approximately HK$244,750,000. The Group's trading business includes trading of some computer related products. The results of this segment improved from a loss of approximately HK$666,000 for the year ended 31 December 2015 to a profit of approximately HK$2,936,000 for the year ended 31 December 2016. The impact of fluctuation of the Renminbi on this segment was limited during the year ended 31 December 2016. The Group will consider to do hedging in order to reduce the foreign exchange risk when necessary.

The Carbon Emission Trading Platform and Related Business

During the year under review, the Group has no revenue from the operations of carbon emission trading platform ("CETP"), representing a decrease of approximately 100.00% compared with the last corresponding period of approximately HK$179,000. Loss of this segment decreased by approximately 51.04% from approximately HK$48,460,000 for the year ended 31 December 2015 to approximately HK$23,726,000 for the year ended 31 December 2016. Excluding the impairment loss on the CETP of approximately HK$18,057,000 (2015: approximately HK$39,300,000), a non-cash item, the loss of this segment for the year ended 31 December 2016 was approximately HK$5,669,000 (2015: approximately HK$9,160,000), representing a decrease of approximately 38.11% as compared with previous year. The impairment loss on the CETP will not have any impact on the cash position of the Group. Details of the impairment loss on the CETP are set out in Note 15 to the consolidated financial statements. Since the commission income derived from the trading transactions of the CETP is limited, the Group is considering different ways to broaden the revenue base of the CETP.

Money Lending Business

Revenue from money lending business became a stable revenue of the Group since the Group commenced its money lending business in November 2015. The Group recorded loans interest income of approximately HK$7,225,000 from this business for the year ended 31 December 2016, representing an increase of approximately 478.46% compared with the last corresponding period of approximately HK$1,249,000. Profit of this segment increased by approximately 971.23% from approximately HK$424,000 for the year ended 31 December 2015 to approximately HK$4,542,000 for the year ended 31 December 2016. Loan portfolio (excluding loan interest receivables) was approximately HK$26,000,000 as at 31 December 2016 (2015: approximately HK$31,900,000). Loans receivable is interest-bearing at a range of rate between 24.00% and 31.80% per annum (2015: 24.00% per annum). There was no default event happened in respect of the Group's loan portfolio during the year under review. The Group will continue to expand the money lending business when the Group has sufficient fund.

Securities Trading Business

The Group commenced its securities trading business to provide brokerage services and securities margin financing to clients in July 2016. The Group recorded approximately HK$1,100,000 of revenue from securities trading business for the year ended 31 December 2016. The loss of this segment was approximately HK$1,409,000 for the year ended 31 December 2016. The Group intends to expand its securities margin financing to clients and to provide online trading services in order to facilitate the ease of securities trading and hence improve the performance of this segment.

Discontinued Operation

The Board had approved to discontinue the business of manufacturing and sales of environmental friendly air-conditioners and related products during the year due to its substantial loss from this operation segment every year since 2012 and therefore the business of manufacturing and sales of environmental friendly air-conditioners and related products was reclassified as discontinued operation for the year ended 31 December 2016. During the year under review, the Group has no revenue from the manufacturing and sales of environmental friendly air-conditioners and related products, representing a decrease of approximately 100.00% compared with the last corresponding period of approximately HK$3,753,000. Loss of this segment increased by approximately 60.56% from approximately HK$8,571,000 for the year ended 31 December 2015 to approximately HK$13,762,000 for the year ended 31 December 2016.

The Group is actively looking for new investment and business opportunities for the further development of the Group and for the benefit of our shareholders as a whole.

PROSPECTS

The Group intends to focus on expanding its money lending business and securities trading business through expanding its securities margin financing to clients and providing online securities trading services in order to diversify the Group's business into the financial services industry and broaden revenue sources of the Group. In view of the persisting high demand for loan products in the market, the Board believes that the money lending business can generate a stable income stream for the Group in the long run. The expanding of securities margin financing to clients can improve the performance of its securities trading business even though extra marketing expenses and staff cost will be incurred.

The Group realised that the profit margin of the Group's trading business is comparatively low, the Group will continue to source different products to improve the profit margin of its trading business. Moreover, the Group expects a slow economic growth will continue in the coming year and the fluctuation of the Renminbi may have a negative impact on the Group's trading business. The Group's rental business of energy-saving air-conditioners and the operations of carbon emission trading platform ("CETP") are still at the developing stage. The rental concept of air-conditioners are new to the potential customers in the PRC, so the Group does not expect the performance of this segment can be improved in a short run. Following the implementation of nationwide carbon emission trading mechanism in the PRC in 2017, the Group expects that the performance of this segment can be improved.

The Group realised the importance to diversify its businesses in order to broaden its income source and reduce the loss of its existing businesses. The Group will review the performance of its existing businesses and consider to discontinue those persist loss making businesses. In the meantime, the Group will actively identify potential investment opportunities for the further development of the Group and for the benefit of our shareholders as a whole.

Chairman's Statement

On behalf of the Board, I would like to express my heartfelt gratitude to our shareholders, customers and business partners for their continued support in the challenging economic environment. We undertake to increase value in every way we can for our customers and shareholders. My thanks also go to the Board members, management and all of our staff for their dedication and hard work.

Chan Kwok Wing
Chief Executive officer and Executive Director

Hong Kong, 27 March 2017

Management Discussion and Analysis

GENERAL

The Group is principally engaged in (i) rental of energy-saving air-conditioners, (ii) trading business, (iii) the operations of carbon emission trading platform and related services, (iv) money lending business and (v) securities trading business. The Group has discontinued its business of manufacturing and sales of environmental friendly air-conditioners and related products in the current year.

FINANCIAL REVIEW

Results

During the year under review, the Group recorded a revenue from continuing operations of approximately HK$276,371,000 (2015: approximately HK$247,709,000), representing an increase of approximately 11.57% in revenue as compared with previous year. It was mainly due to the increase in revenue of trading business and money lending business.

The administrative expenses of the Group for the year ended 31 December 2016 amounted to approximately HK$61,376,000 (2015: approximately HK$65,527,000) representing a decrease of approximately 6.33% comparing with the previous year. The decrease was mainly attributable to the decrease in recognition of equity-settled share-based payments (due to grant of share options) to approximately HK$16,100,000 (2015: approximately HK$22,335,000).

Loss attributable to owners of the Company for the year ended 31 December 2016 amounted to approximately HK$75,054,000 (2015: approximately HK$105,974,000), representing a decrease of approximately 29.18% as compared with previous year. The decrease in the loss attributable to owners of the Company was mainly due to the decrease of impairment loss on intangible asset to approximately HK$18,057,000 (2015: approximately HK$39,300,000) and the decrease in recognition of equity-settled share-based payments as mentioned above.

Liquidity and financial resources

As at 31 December 2016, the Group had assets of approximately HK$305,124,000 (2015: approximately HK$355,630,000), including cash and bank balances of approximately HK$13,925,000 (2015: approximately HK$82,743,000).

As at 31 December 2016, current ratio (defined as total current assets divided by total current liabilities) was approximately 3.45 (2015: approximately 13.98). As at 31 December 2016, the Group had approximately HK$290,000 of amounts due to a related party which has unsecured, interest-free and repayable on demand (2015: approximately HK$310,000).

As at the date of this annual report, the net proceeds raised from the open offer completed in April 2015 and the placing of shares completed in October 2015 have been fully utilised in the intended use.

As at 31 December 2016, the Group had the outstanding other borrowings and finance leases payables of approximately HK$21,000,000 (2015: Nil) and HK$392,000 (2015: approximately HK$480,000) respectively. As at 31 December 2016, the Group has pledged approximately HK$6,830,000 (2015: Nil) of financial assets at fair value through profit or loss to secure part of the other borrowings granted to the Group and the finance leases payables were secured by the lessor's charge over the leased assets with carrying amount of approximately HK$514,000 (2015: approximately HK$651,000) and repayable on demand. Since the Group has net debt of approximately HK$7,757,000 (2015: net cash of approximately HK$81,953,000), the gearing ratio of the Group (defined as the ratio between net debt and total equity attributable to owners of the Company) was 0.03 for the year ended 31 December 2016 (2015: Nil). Details of the Group's gearing ratio are set out in Note 40 to the consolidated financial statements.

During the year under review, the Group financed its operations with bank overdrafts, short-term borrowings and internally generated cash flow.

Financing and Capital Structure

Grant of share options

On 18 January 2016, 365,901,260 of share options were granted to certain eligible participants under the share option scheme adopted by the Company on 9 May 2012. Please refer to the contents headed "SHARE OPTION SCHEME" for details.

Capital reorganisation and open offer

On 3 June 2016, the Company and the underwriter entered an underwriting agreement (the "Underwriting Agreement") pursuant to which the Company offered a total of 230,306,450 consolidated shares of the Company at a subscription price of HK$0.30 per offer share to the shareholders of the Company (the "Shareholders") on the basis of one offer share for every two shares held on the record date (the "Open Offer"). The Open Offer is conditional upon, among others, the approval by the Shareholders of the capital reorganisation (the "Capital Reorganisation") by way of poll at the special general meeting.

On 15 June 2016, the Board proposed the Capital Reorganisation comprising (a) share consolidation of every ten (10) issued and unissued shares of par value of HK$0.005 each in the share capital of the Company into one (1) consolidated share of par value of HK$0.05 each (the "Share Consolidation"), and (b) increase in authorised share capital of the Company from HK$35,000,000 divided into 700,000,000 consolidated shares to HK$250,000,000 divided into 5,000,000,000 consolidated shares (subject to the Share Consolidation having become effective).

On 15 July 2016, the resolution for the Capital Reorganisation was not approved by the Shareholders at the special general meeting, as a result the Underwriting Agreement did not become unconditional and the Open Offer lapsed on the same date. Details please refer to the circular of the Company dated 28 June 2016 and the announcements of the Company dated 3 June 2016, 15 June 2016 and 15 July 2016.

Share consolidation and increase in authorised share capital

On 7 November 2016, the Board proposed a share consolidation of every eight (8) issued and unissued existing shares of par value of HK$0.005 each in the share capital of the Company into one (1) consolidated share of par value of HK$0.04 each. Subject to the share consolidation having become effective, the Board also proposed to increase the authorised share capital of the Company from HK$35,000,000 divided into 875,000,000 consolidated shares to HK$200,000,000 divided into 5,000,000,000 consolidated shares by the creation of an additional 4,125,000,000 consolidated shares. On 7 December 2016, the resolution for the share consolidation and the increase the authorised share capital of the Company was approved by the Shareholders at the special general meeting. Upon the share consolidation became effective on 8 December 2016, the board lot for trading in the shares of the Company had been changed from 32,000 shares to 12,000 shares. Details please refer to the Company's announcement dated 7 November 2016 and 7 December 2016.

As at 31 December 2016, the Group had shareholders' capital of approximately HK$23,031,000 (2015: approximately HK$23,031,000). The shareholders' capital of the Company is constituted of 575,766,125 shares (2015: 4,606,129,000 shares).

Treasury Policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce its exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Charges on Group Assets

As at 31 December 2016, the Group has pledged approximately HK$6,830,000 of financial assets at fair value through profit or loss (2015: Nil) to secure part of the other borrowings granted to the Group and a leased asset with carrying amount of approximately HK$514,000 (2015: approximately HK$651,000) were used to secure the outstanding finance leases payables.

Save as disclosed above, as at 31 December 2016 and 2015, none of the assets of the Group has been pledged to secure any loan granted to the Group.

Foreign Exchange Exposure

The Group's income and expenditure during the year ended 31 December 2016 were denominated either in Hong Kong dollars ("HK$") or Renminbi ("RMB"), and most of the assets and liabilities as at 31 December 2016 were denominated either in HK$ or RMB. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the year under review.

MAJOR EVENTS DURING THE YEAR UNDER REVIEW

Completion of the acquisition of a securities trading company

On 29 July 2016, Sea Horizon Global Limited, an indirect wholly-owned subsidiary of the Company, completed the acquisition of the entire issued share capital in Hing Lee Securities Limited (the "Acquisition") which is a licensed corporation under the SFO with the Type 1 regulated activity (dealing in securities). The principal activities are provision of brokerage services and securities margin financing to clients. Following the completion of the Acquisition, Hing Lee Securities Limited became an indirect wholly-owned subsidiary of the Company and its financial results were consolidated into the accounts of the Group.

Share consolidation and increase in authorised share capital

On 7 November 2016, the Board proposed a share consolidation of every eight (8) issued and unissued existing shares of par value of HK$0.005 each in the share capital of the Company into one (1) consolidated share of par value of HK$0.04 each. Subject to the share consolidation having become effective, the Board also proposed to increase the authorised share capital of the Company from HK$35,000,000 divided into 875,000,000 consolidated shares to HK$200,000,000 divided into 5,000,000,000 consolidated shares by the creation of an additional 4,125,000,000 consolidated shares. On 7 December 2016, the resolution for the share consolidation and the increase the authorised share capital of the Company was approved by the Shareholders at the special general meeting. The share consolidation became effective on 8 December 2016.

Principal Risks

The Group's financial position, business results and prospects would be affected by a number of risks including operational risk, market risk and financial risk. A Group's subsidiary which operates a carbon emission trading platform is susceptible to information technology risk. The Group's money lending business and securities trading business are subject to credit risk. Moreover, the Group's trading business is subject to foreign currency risk. The Group's financial risk management objectives and policies are shown in Note 39 to the consolidated financial statements.

Environmental Policies and Practice

The Group is committed to the long term sustainability of the environment and communities. The Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. The Group has adopted green initiatives and measures in its business operations such as recycling of used papers, energy saving measures and water saving practices.

Employees and Remuneration Policies

As at 31 December 2016, the Group had 60 (2015: 88) full-time employees in Hong Kong and the PRC. Total staff costs (including Directors' remuneration but excluding share-based compensation) were approximately HK$18,846,000 for the year ended 31 December 2016 (2015: approximately HK$19,610,000). Remuneration is determined with reference to market terms, employment conditions, responsibilities and the performance, qualification and experience of individual employee. Other benefits include Corporate Liabilities Insurance for the Directors and Officers, contributions to the statutory mandatory provident fund scheme for its employees in Hong Kong and social insurance for its employees in the PRC, and are paid at appropriate levels.

Material Investments

Completion of the acquisition of a securities trading company

On 29 July 2016, the Group completed the acquisition of the entire issued share capital in Hing Lee Securities Limited which is a licensed corporation under the SFO with the Type 1 regulated activity (dealing in securities). The principal activities are provision of brokerage services and securities margin financing to clients.

Discontinued operation

On 31 December 2016, the Board had approved to discontinue the business of manufacturing and sales of environmental friendly air-conditioners and related products due to its substantial loss from this operation segment every year since 2012.

Saved as disclosed above, the Group had no significant or material investments during the year under review.

Future Plans for Material Investments

The Group is seeking for investment opportunities, including but not limited, in the energy conservation and emission reduction business in order to expand the source of income and prospects of the Group.

Directors and Senior Management Profiles

EXECUTIVE DIRECTORS

Mr. Chan Kwok Wing, aged 59, was appointed as an executive Director on 7 November 2013 with effect from 8 November 2013. He is also the Chief Executive Officer, a member of each of the remuneration committee, nomination committee and corporate governance committee of the Board, authorised representative and compliance officer of the Company, and a director in a number of subsidiaries of the Group. Mr. Chan graduated from Economics Studies at the Chinese University of Hong Kong in 1982. He has been working in securities brokerage and funds management professions. Mr. Chan has commenced and participated in projects financing and management since 1990. He wholly devoted to energy aspect in particular green power, petroleum and natural gas development area since 2006. He led and participated in discussions on various energy projects in China and internationally. He was an executive director and chief executive officer of China Energy Development Holdings Limited and was an executive director of Energy International Investments Holdings Limited, the shares of both companies are listed on the Main Board of the Stock Exchange.

Mr. Wang An Zhong, aged 60, was appointed as an executive Director on 2 September 2016. Mr. Wang graduated with a master's degree in engineering from the Department of Computer Science of Beijing University of Technology. He was an associate professor and has extensive experience in lecturing and scientific research. He has managed and was involved in a number of the State's research projects and won several awards. From January 2000 to June 2016, he was the executive director of Yuxing InfoTech Investment Holdings Limited, a company listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange.

NON-EXECUTIVE DIRECTOR

Mr. Shi Guang Rong, aged 56, was appointed as a non-executive Director on 10 March 2017. Mr. Shi graduated with a bachelor's degree in engineering from the Department of Automatic Control of the Beijing University of Technology. He has extensive experience in marketing and investment management for many years. He is currently the executive director of Yuxing InfoTech Investment Holdings Limited, a company listed on the GEM of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wah, aged 52, was appointed as an independent non-executive Director on 12 January 2010. Mr. Leung is also the chairman of each of the audit committee, remuneration committee, nomination committee and corporate governance committee of the Board. He is a member of Hong Kong Institute of Certified Public Accountants, a member of Institute of Chartered Accountants in England and Wales and a fellow member of Association of Chartered Certified Accountants. He graduated from the University of Hong Kong with a Bachelor of Science degree. Mr. Leung has extensive experience in finance and accounting including working experience in international accounting firms, including Ernst & Young and Deloitte Touche Tohmatsu. Mr. Leung acted as an independent non-executive director of Seamless Green China (Holdings) Limited on 6 May 2013 and retired as an executive director on 28 May 2014, the share of which is listed on the GEM of the Stock Exchange. Mr. Leung was an independent non-executive director of TC Orient Lighting Holdings Limited between 1 September 2014 and 5 June 2015, the share of which is listed on the Main Board of the Stock Exchange.

Ms. Sun Ching, aged 62, was appointed as an independent non-executive Director on 14 November 2016. She is also the member of each of the audit committee, remuneration committee, nomination committee and corporate governance committee of the Board. Ms. Sun graduated from the Department of Journalism of National Chengchi University in Taiwan with a bachelor's degree in Journalism and obtained a master's degree in Telecommunication of Michigan State University in the United States of America. She worked at Public Television Service Foundation around 20 years and has extensive experience in international public media policy, the development of public radio and television media and the media management.

Ms. Wong Mei Ling, aged 55, was appointed as an independent non-executive Director on 13 December 2016. She is also the member of the audit committee of the Board. Ms. Wong obtained a master degree of Finance of the Curtin University. Ms. Wong is a member of Hong Kong Institute of Certified Public Accountants. Ms. Wong has over 20 years of experience in accounting field. From July 2011 to January 2016, Ms. Wong was the Chief Financial Officer of Sun Television Cybernetworks Enterprise Limited.

COMPANY SECRETARY

Mr. Choi Wing Koon, aged 39, is the Financial Controller and Company Secretary of the Company. He holds a bachelor's degree of business administration in accounting awarded by the Hong Kong University of Science and Technology and a master degree of business administration awarded by the University of Hong Kong. Mr. Choi is a fellow of Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Public Accountants. Mr. Choi has extensive experience in accounting and company secretarial field. Mr. Choi was an independent non-executive director of Zhidao International (Holdings) Limited and the financial controller and company secretary of Taung Gold International Limited, each a company whose shares are listed on the Main Board of the Stock Exchange. He is currently an independent non-executive director of G Neptune Berhad (a company listed on the ACE Market of Bursa Malaysia Securities Berhad) and of Universe International Holdings Limited (a company listed on the Main Board of the Stock Exchange).

* *The English transliteration of the Chinese name(s), where indicated, is included for information only, and should not be regarded as the official English name(s) of such Chinese name(s).*

Directors' Report

The Directors are pleased to present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 31 to the consolidated financial statements.

BUSINESS REVIEW

The Group's business review for the year ended 31 December 2016 is set out from pages 4 to 5 of this annual report.

KEY RISK FACTORS

The principal risks faced by the Group are set out in page 9 of this annual report. As it is a non-exhaustive list, there may be other risks and uncertainties further to the disclosure. Besides, this annual report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company. Investors are advised to make their own judgement or consult professionals before making any investment in the securities of the Company.

FINANCIAL KEY PERFORMANCE INDICATORS

For the year ended 31 December 2016, the Group's total revenue from continuing operations increased by 11.57% to approximately HK$276,371,000 (2015: approximately HK$247,709,000). Loss attributable to owners of the Company decreased by 29.18% to approximately HK$75,054,000 (2015: approximately HK$105,974,000). Loss per share attributable to owners of the Company for the year was approximately HK13.04 cents (2015: approximately HK22.97 cents (restated)). The decrease in loss was mainly due to the decrease in impairment loss on intangible asset of approximately HK$18,057,000 (2015: approximately HK$39,300,000) and the decrease in recognition of equity-settled share-based payments of approximately HK$16,100,000 (2015: approximately HK$22,335,000). The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil). The current ratio was approximately 3.45 (2015: approximately 13.98). Since the Group has net debt of approximately HK$7,757,000 (2015: net cash of approximately HK$81,953,000), the gearing ratio of the Group (defined as the ratio between net debt and total equity attributable to owners of the Company) was approximately 0.03 (2015: Nil). The Group's financial position remained solid.

SEGMENT INFORMATION

The analysis of the business and geographical segments of the operations of the Group are set out in Note 5 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2016, the five largest customers accounted for approximately 96.12% of the Group's total turnover. The five largest suppliers accounted for approximately 97.85% of the Group's total purchases. In addition, the largest customer accounted for approximately 37.36% of the Group's total turnover while the largest supplier accounted for approximately 47.02% of the Group's total purchases.

None of the Directors, their associates or any shareholders (which, to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 33 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

GROUP FINANCIAL SUMMARY

A summary of the results, and assets and liabilities of the Group announced in previous years are set out on page 2 of this annual report.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the share capital and share options of the Company are set out in Notes 29 and 30 to the consolidated financial statements respectively.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year.

PRE-EMPTIVE RIGHTS

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

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and Note 32 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

The Company had no reserves available for distribution to its shareholders as at 31 December 2016 (2015: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 14 to the consolidated financial statements.

BANK AND OTHER BORROWINGS

As at 31 December 2016, the Group had the outstanding other borrowings and finance leases payables of approximately HK$21,000,000 (2015: Nil) and HK$392,000 (2015: approximately HK$480,000) respectively. As at the date of this report, all of the other borrowings had been settled.

CONNECTED TRANSACTIONS

There were no significant connected transactions entered into by the Group for the year ended 31 December 2016. The continuing connected transactions for the year ended 31 December 2015 is set out in Note 37 to the consolidated financial statements. The related party transactions are set out in Note 36 to the consolidated financial statements. All the related party transactions did not constitute connected transactions or continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rules.

DIRECTORS

The Directors up to the date of this annual report were:

Executive Directors

Mr. Chan Kwok Wing *(Chief Executive Officer)*
Mr. Wang An Zhong (appointed on 2 September 2016)

Non-executive Director

Mr. Shi Guang Rong (appointed on 10 March 2017)

Independent non-executive Directors

Mr. Leung Wah
Ms. Sun Ching (appointed on 14 November 2016)
Ms. Wong Mei Ling (appointed on 13 December 2016)

Pursuant to bye-law no. 87(1) of the Company's bye-laws (the "Bye-laws"), at least one-third of the Directors shall retire from office by rotation and pursuant to bye-law no. 86(2) of the Bye-laws, any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. In this connection, Mr. Wang An Zhong, Mr. Shi Guang Rong, Mr. Leung Wah, Ms. Sun Ching and Ms. Wong Mei Ling will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. None of the independent non-executive Directors had served the Company for more than 9 years. The Board considers the independent non-executive Directors remained independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out in pages 11 to 12 of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

No Directors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during or at the end of the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2016, interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "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 and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in shares and underlying shares of the Company

Name of Directors	Capacity/ Nature of interest	Number of underlying shares held under share options	Percentage of the issued share capital of the Company
Chan Kwok Wing	Beneficial owner	9,321,875	1.62%
Zhao Liang (resigned on 10 March 2017)	Beneficial owner	7,464,500	1.30%

Save as disclosed herein, neither the directors nor any of their associates had any interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations as at 31 December 2016 as defined in Section 352 of the SFO. In addition, at no time during the year had the Directors and chief executives of the Company (including their spouses and children under 18 years of age) any interest in, or been granted, or exercised any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations (within the meaning of the SFO).

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

SHARE OPTION SCHEME

A share option scheme has been adopted and approved by the shareholders of the Company at the annual general meeting held on 9 May 2012 (the "Share Option Scheme"). The 10% limit of the Share Option Scheme (the "Scheme Mandate Limit") has been refreshed on 13 May 2015 and 3 May 2016. As at the date of this annual report, the Scheme Mandate Limit refreshed on 3 May 2016 has not yet been utilised and the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme is 57,576,612 shares after taking into account the effect of consolidation of the shares became effective on 8 December 2016. As at 31 December 2016, the Company has 60,808,112 options outstanding which represented approximately 10.56% of the total number of issued shares of the Company as at that date. Particulars of the Share Option Scheme are set out in Note 30 to the consolidated financial statements.

The following table discloses movements in the Company's share options during the year ended 31 December 2016:

Category of participants	Date of share options granted	Outstanding at beginning of the year	Granted during the year	Reclassification of category during the year	Adjusted during the year	Lapsed during the year	Outstanding at end of the year	Adjusted exercise price HK$	Exercise period
Directors	8 January 2015	70,866,000	–	(28,575,000)	(37,004,625)	–	5,286,375	1.752	8 January 2015–9 May 2022
	18 January 2016	–	138,000,000	(46,000,000)	(80,500,000)	–	11,500,000	0.520	18 January 2016–9 May 2022
Employees and consultant	8 January 2015	49,697,640	–	28,575,000	(68,488,560)	–	9,784,080	1.752	8 January 2015–9 May 2022
	18 January 2016	–	227,901,260	46,000,000	(239,663,603)	–	34,237,657	0.520	18 January 2016–9 May 2022
		120,563,640	365,901,260	–	(425,656,788)	–	60,808,112		

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2016, the interests or short positions of person in the shares and underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in shares and underlying shares of the Company

Name of Shareholders	Number of shares Interested *(note)*	Capacity in which shares are held	Percentage of issued share capital
Yuxing InfoTech Investment Holdings Limited	53,920,000	Interest in controlled corporation	9.36%
Yuxing Group (International) Limited	53,920,000	Interest in controlled corporation	9.36%
Yuxing Technology Company Limited	53,920,000	Beneficial owner	9.36%
Ms. Sun Fengna	40,002,000	Beneficial owner	6.95%

Note: 53,920,000 shares of the Company are held by Yuxing Technology Company Limited which is a wholly-owned subsidiary of Yuxing Group (International) Limited, which in turn is wholly owned by Yuxing InfoTech Investment Holdings Limited. By virtue of the provisions of Part XV of the SFO, each of Yuxing Group (International) Limited and Yuxing InfoTech Investment Holdings Limited was deemed to be interested in the shares of the Company in which Yuxing Technology Company Limited was interested.

Save as disclosed above, as at 31 December 2016, the Directors were not aware of any other person (other than the directors and chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors and the substantial shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any business or interest in companies that competes or may compete with the business of the Group or any other conflict of interests which any such person has or may have with the Group.

AUDIT COMMITTEE

The Company established an audit committee with terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee include the review and supervision of the financial reporting process, the internal monitoring system and risk management system of the Group. As at the date of this annual report, the audit committee has three members comprising Mr. Leung Wah, Ms. Sun Ching and Ms. Wong Mei Ling, the three independent non-executive Directors. The audit committee met 4 times during the year. The Group's audited financial results for the year have been reviewed by the audit committee, and it was in its opinion that (i) the preparation of such results complied with the applicable standards and statutory requirements and the requirements of the Stock Exchange and that (ii) the internal reporting and monitoring system of the Group had been properly implemented and was adequate to keep the Board informed of the business and the management affairs of the Group. During the year, no material matters were identified and reported by the audit committee to the Board.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, there is sufficient public float of not less than 25% of the Company's issued share as required under the GEM Listing Rules.

CORPORATE GOVERNANCE CODE

In the opinion of the directors, except for deviations from code provisions A.2.1 and A.6.7 which is explained in the section headed "Corporate Governance Report", the Group has complied with all code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules throughout the accounting period covered by this annual report. A report on the principal corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in Note 41 to the consolidated financial statements.

AUDITORS

The Company's auditors, HLB Hodgson Impey Cheng Limited ("HLB"), who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of HLB as the auditors of the Company for the forthcoming year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
Chan Kwok Wing
Chief Executive Officer and Executive Director

Hong Kong, 27 March 2017

Corporate Governance Report

The Company is committed to achieving and maintaining the highest standards of corporate governance consistent with the needs and requirements of the business and its shareholders, and consistent with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules"). The Group has considered the CG Code and has put in place corporate governance practices to meet the code provisions.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out in the CG Code throughout the year ended 31 December 2016, except for the code provision A.2.1 and A.6.7 of the CG Code as disclosed below.

- The code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The position of the chairman of the Board is vacant. The Board will appoint a chairman to fill the vacancy when the appropriate candidate has been identified.

- Certain independent non-executive Directors, for the time when the general meetings were held in 2016, had other business engagements and thus, were not able to attend the general meetings held in 2016. The independent non-executive Directors were reminded to attend general meetings of the Company in future for compliance of code provisions A.6.7 as set out in the CG Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of the chairman of the Board is vacant. The Chief Executive Officer is Mr. Chan Kwok Wing. The responsibilities of the chairman of the Board and Chief Executive Officer are clearly established and defined by the Board in writing. The Chairman is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures, whilst the Chief Executive Officer, supported by the executive directors and senior management, is responsible for managing the Group's businesses, including the implementation of major strategies and initiatives adopted by the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Code Provision A.4.1 requires non-executive directors should be appointed for a specific term and subject to re-election. The independent non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Bye-laws of the Company. Throughout the year ended 31 December 2016, the Company complied with Rules 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules relating to the appointment of at least three Independent Non-executive Directors, at least one Independent Non-executive Director with appropriate professional qualifications, or accounting or related financial management expertise, and a sufficient number of Independent Non-executive Directors representing at least one-third of the board, respectively.

BOARD OF DIRECTORS

The Board is responsible for the Group's corporate policy formulation, business strategies, business development, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of quarterly, interim and annual accounts for the Board's approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

COMPOSITION OF THE BOARD OF DIRECTORS

The Board currently comprises six members as follows:

Executive Directors

Mr. Chan Kwok Wing *(Chief Executive Officer)*
Mr. Wang An Zhong

Non-executive Director

Mr. Shi Guang Rong

Independent non-executive Directors

Mr. Leung Wah
Ms. Sun Ching
Ms. Wong Mei Ling

The biographical information of the Directors and their relationship among the members of the Board, if any, are provided in the "Directors and Senior Management Profile" section of this annual report, which demonstrates a diversity of skills, experience and qualifications. Save as disclosed therein, to the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among the members of the Board.

Each of the executive Directors and non-executive Director has entered into a letter of employment with the Company without a specific term. Under the letter of employment, they receive a basic salary per month. Any bonus, option shares, subsequent review will be at the discretion of the Board based upon his or her performance, diligence and loyalty, as well as the Company's business result, financial standing, market conditions and/or inflationary trends and such other factors as the Company may consider relevant in its absolute discretion. Either party may terminate the employment by serving the other party not less than one month written notice or payment of an amount equivalent to one month of the basic salary and allowances in lieu of notice at any time.

Each of independent non-executive Directors has signed a letter of appointment with the Company for one-year term.

Each of the Directors are subject to retirement by rotation and/or re-election at the Company's annual general meeting in accordance with the Bye-laws. Pursuant to the Bye-laws, at least one-third of the Directors shall retire from office by rotation, and any director appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Also, all Directors are subject to retirement by rotation at least once every three years. The directors to retire every year shall be those appointed by the Board during the year and those who have been longest in office since their last election or re-election.

The Company has arranged appropriate insurance cover in respect of the legal action against the Directors.

The principal focus of the Board is on the overall strategic development of the Company. The Board also monitors the financial performance and the internal controls of the Company's business operations. With a wide range of expertise and a balance of skills, the Independent Non-executive Directors bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work.

The Independent Non-executive Directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Board considers that each Independent Non-executive Director is independent in character and judgment and that they all meet the specific independence criteria as required by the GEM Listing Rules. The Independent Non-executive Directors are explicitly identified in all corporate communications of the Company.

Saved as disclosed above, throughout the year ended 31 December 2016, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

COMPOSITION OF THE BOARD OF DIRECTORS *(Continued)*

During the year ended 31 December 2016, 17 Board meetings were held. The attendance of individual Directors at the meetings of the Board, its respective committees and general meeting during their tenure is as follows:

	Board *(note 1)*	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	General Meeting *(note 2)*
Executive Directors						
Mr. Chan Kwok Wing	17/17	N/A	4/4	6/6	2/2	3/3
Mr. Wang An Zhong *(note 3)*	6/6	N/A	N/A	N/A	N/A	0/1
Mr. Zhao Liang *(note 4)*	17/17	N/A	N/A	N/A	N/A	1/3
Mr. Lu Zhi Qiang *(note 5)*	4/9	N/A	N/A	N/A	N/A	0/2
Independent Non-executive Directors						
Mr. Leung Wah	14/17	4/4	4/4	6/6	2/2	2/3
Ms. Sun Ching *(note 6)*	1/1	0/0	1/1	1/1	N/A	0/1
Ms. Wong Mei Ling *(note 7)*	0/0	0/0	N/A	N/A	N/A	0/0
Mr. Wei Zhi Hong *(note 8)*	8/11	2/3	N/A	N/A	N/A	0/2
Mr. Lu Lin Yu *(note 9)*	4/15	1/4	2/2	1/4	1/2	0/2
Mr. Chen Fu Rong *(note 10)*	2/4	1/1	N/A	N/A	N/A	0/1

Notes:

1. During the year ended 31 December 2016, saved as other meetings, the Board held four regular meetings.
2. The annual general meeting of the Company was held on 3 May 2016 and the special general meetings of the Company were held on 15 July 2016 and 7 December 2016.
3. Appointed on 2 September 2016
4. Resigned on 10 March 2017
5. Resigned on 2 September 2016
6. Appointed on 14 November 2016
7. Appointed on 13 December 2016
8. Resigned on 23 September 2016
9. Resigned on 14 November 2016
10. Appointed on 23 September 2016 and resigned on 13 December 2016

The Directors will receive details of agenda items for decision in advance of each Board meeting. The company secretary of the Company (the "Company Secretary") is responsible for distributing detailed documents to the Directors prior to the Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings so that they may receive accurate, timely and clear information. All Directors could access the advice and services of the Company Secretary to ensure that the Board's procedures, and all applicable law, rules and regulations, are followed. The Company Secretary is also responsible for providing to the Board opinions on matters in relation to the compliance with the procedures of the Board meetings. All executive directors have given sufficient time and attention to the affairs of the Group and each of them has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

BOARD COMMITTEES

In accordance with the Code, the Board has established Audit, Remuneration, Nomination and Corporate Governance Committees, each committee is chaired by an Independent Non-Executive Director. Terms of reference for each of the Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee have been published on the websites of the GEM (http://www.hkgem.com) and the Company (http://www.8192.com.hk).

Each committee deal with matters in accordance with its terms of reference so that they could perform their functions properly, including but not limited to report back to the Board on their decisions or recommendations. All committees are provided with sufficient resources to perform their duties and have access to independent professional advice at the Company's expense if so reasonably required. The duties of the four committees are as follows:

Audit Committee

The Audit Committee comprises three Independent Non-Executive Directors. The Board is satisfied that the current mix of experience of the committee members facilitates an effective functioning of their roles. The members of the Audit Committee are:

Mr. Leung Wah – *Chairman of the Committee*
Ms. Sun Ching
Ms. Wong Mei Ling

The Audit Committee is responsible for monitoring the integrity of the financial statements of the Company, reviewing the Company's risk management process and system and overseeing the relationships between the Company and its independent auditor. The terms of reference of the Audit Committee are posted on the Company's website.

During the year ended 31 December 2016, the Audit Committee held four meetings to review the results, the accounting principles and practices adopted by the Company and discuss with senior management and the independent auditor on the matters arising from audits and the effectiveness of the Company's internal control and risk management system. The record of attendance of the members is set out in the section headed COMPOSITION OF THE BOARD OF DIRECTORS.

The Group's accounts for the year ended 31 December 2016 have been audited by HLB whose term of office will expire upon the forthcoming annual general meeting of the Company (the "AGM"). The Audit Committee has recommended to the Board that HLB be re-appointed as the auditors of the Company at the AGM.

Remuneration Committee

The Remuneration Committee comprises three Directors, two of whom are Independent Non-Executive Directors. The Remuneration Committee is responsible for reviewing and advising on the remuneration packages (including non-monetary benefits, retirement benefits and share option scheme) for all Directors and some senior management, who are not on the Board. The Remuneration Committee met four times during the year ended 31 December 2016 and the record of attendance of the members is set out in the section headed COMPOSITION OF THE BOARD OF DIRECTORS. The terms of reference of the Remuneration Committee have been reviewed with reference to the Code and are posted on the Company's website. The members of the Remuneration Committee are:

Mr. Leung Wah – *Chairman of the Committee*
Mr. Chan Kwok Wing
Ms. Sun Ching

Details of the Directors' remuneration and the five highest paid individuals during the year are set out in Note 13 to the consolidated financial statements.

BOARD COMMITTEES *(Continued)*

Nomination Committee

The Nomination Committee comprises three Directors, two of whom are Independent Non-Executive Directors. The terms of reference of the Nomination Committee were formulated in accordance with the requirements of the Code and are posted on the Company's website. The Nomination Committee is responsible for formulating nomination policy for consideration by the Board. It makes recommendations to the Board on the appointments or re-appointments of directors and succession planning for directors. The Nomination Committee met six times during the year ended 31 December 2016 and the record of attendance of the members is set out in the section headed COMPOSITION OF THE BOARD OF DIRECTORS. The members of the Nomination Committee are:

Mr. Leung Wah – *Chairman of the Committee*
Mr. Chan Kwok Wing
Ms. Sun Ching

The Board believes that building a diverse and inclusive culture is integral to the success of the Group. A truly diverse Board will include and make good use of differences in the skill, regional and industry experience, background, race, gender and other qualities of directors.

The Company has adopted a board diversity policy (the "Board Diversity Policy") in order to bring it in line with the code provisions A.3 and A.5 of the CG Code. The Board Diversity Policy sets out the general policy and measurable objectives based on a range of diversity perspectives. The Company seeks to achieve diversity of board members through the consideration of a number of factors, including but not limited to gender, age, educational background, professional experience, skills and knowledge. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee has reviewed the composition of the Board under diversified perspectives. Diversity Policy, as appropriate, and review the measurable objectives that the Board has set for implementing the Board Diversity Policy, and the progress on achieving the objectives; and make disclosure of its review results in the corporate governance report annually.

Corporate Governance Committee

The Corporate Governance Committee comprises three Directors, two of whom are Independent Non-Executive Directors. The terms of reference of the Corporate Governance Committee were formulated in accordance with the requirements of the Code and are posted on the Company's website. The Corporate Governance Committee met two times during the year ended 31 December 2016 and the record of attendance of the members is set out in the section headed COMPOSITION OF THE BOARD OF DIRECTORS. The members of the Corporate Governance Committee are:

Mr. Leung Wah – *Chairman of the Committee*
Mr. Chan Kwok Wing
Ms. Sun Ching

The principles of corporate governance adopted by the Board stress the importance of a quality board, sound internal controls, and transparency and accountability to all the shareholders of the Company. The Corporate Governance Committee is primarily responsible for developing and reviewing the policies and practice of corporate governance including the continuous professional development of directors and senior management, compliance with code of conduct of the Directors and the Company's policies and procedures, and making recommendations to the Board.

AUDITORS' REMUNERATION

The Company engaged HLB as the Company's independent auditor. For the year ended 31 December 2016, HLB provided the following services to the Group:

	2016 HK$'000	2015 HK$'000
Audit services	620	430
Non-audit services	50	320
	670	750

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for the preparation and true and fair presentation of the financial statements of the Company. In preparing the financial statements, the financial reporting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable judgements and estimates have been made. The Board is not aware of any material uncertainties relating to the events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the ongoing concern basis in preparing the financial statements.

The independent auditor's report, which contains the statement of the independent auditor about its reporting responsibilities on the Group's consolidated financial statements, is set out in the "Independent Auditors' Report" of this annual report.

INTERNAL CONTROL

The Board has overall responsibility for maintaining effective internal control to safeguard the Group's assets and the shareholders' interests. The Board, through the Audit Committee, conducted an annual review of the effectiveness of the internal control system of the Group. The review covers all material controls, including financial, operational and compliance controls and risk management functions. The Board is of the view that the internal control system in place for the year ended 31 December 2016 is sufficient to safeguard the interests of the shareholders and the Group's assets. The Board further considers that (i) there was no issue relating to the material controls, including financial, operational and compliance controls and risk management functions, of the Group; and (ii) that there were adequate staff with appropriate qualifications and experience, resources and budget of its accounting and financial reporting function, and adequate training programmes have been provided for during the year ended 31 December 2016.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiries of all Directors, each Director has confirmed that he has fully complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2016. Other employees of the Group who are likely to be in possession of unpublished inside information of the Company are also subject to compliance with guidelines on no less than exacting terms than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. No incident of non-compliance of the Written Guidelines by the relevant employees was noted by the Company.

DIRECTORS' TRAINING

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Each of the newly appointed Directors receives comprehensive and formal induction training on or before his appointment, so as to ensure that he/she has an appropriate understanding of the Company's business and the director's duties and responsibilities. In order to allow the Directors to understand the up-to-date development of regulatory and compliance issues, they are also provided with market news and regulatory updates. A summary of training received by the current Directors during the relevant period according to the records maintained by the Company is as follows:

Directors	Type of trainings
Mr. Chan Kwok Wing	B
Mr. Wang An Zhong (appointed on 2 September 2016)	B
Mr. Zhao Liang (resigned on 10 March 2017)	B
Mr. Leung Wah	A and B
Ms. Sun Ching (appointed on 14 November 2016)	B
Ms. Wong Mei Ling (appointed on 13 December 2016)	B

Type of trainings:

A Participation in conferences, seminars or courses of formal education

B Private study of material relevant to directors' duties and responsibilities

DIRECTORS' SERVICE CONTRACTS

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

COMPANY SECRETARY

All Directors have access to the advice and services of the Company Secretary, Mr. Choi Wing Koon. Mr. Choi supports the Board by ensuring good information inflow within the Board and that board policy and procedures are followed. Mr. Choi reports to the Chief Executive Officer of the Company. Mr. Choi's biography is set out in the Directors and Senior Management Profiles section of this annual report. During 2016, Mr. Choi undertook over 15 hours of professional training to update his skills and knowledge.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of maintaining clear, timely and effective communication with the shareholders of the Company (the "Shareholders") and potential investors. Information in relation to the Group is disseminated to the Shareholders in a timely manner through a number of formal channels including quarterly, interim and annual reports, announcements and circulars.

During the year ended 31 December 2016, an annual general meeting ("2016 AGM") and two special general meetings ("2016 SGM") were held. Notices of general meetings were sent to shareholders at least 20 clear business days before the annual general meeting and at least 10 clear business days for all other general meetings. The Company's auditors have also attended the annual general meeting in 2016. The Chief Executive Officer and Executive Director, Mr. Chan Kwok Wing, chaired the meetings.

Certain independent non-executive Directors, for the time when the general meetings were held in 2016, had other business engagements and thus, were not able to attend the general meetings held in 2016. The independent non-executive Directors were reminded to attend general meetings of the Company in future for compliance of code provisions A.6.7 as set out in the CG Code. The record of attendance of the Directors is set out in the section headed COMPOSITION OF THE BOARD OF DIRECTORS.

Shareholder Communication Policy

A written shareholder communication policy has been adopted by the Company on 21 March 2012, from which the general policy is extracted as follow:

1. The Board shall maintain its communication with the Shareholders and the potential investors as an on-going process, and shall regularly review this Policy to ensure its effectiveness.

2. The Company communicates with the Shareholders and the potential investors through various channels, including financial reports (annual, half-yearly and quarterly reports), annual general meetings and special general meetings, press release, road shows, investment conferences, announcements and circulars.

3. Information published by the Company pursuant to the GEM Listing Rules will be made available on the websites of the GEM and the Company (such as its history and developments, products and services, awards and achievements etc.) to enable the Shareholders and the potential investors to have better understanding of the Company and its latest development.

4. The Company shall ensure effective and timely dissemination of information to the Shareholders and the potential investors at all times. Any question regarding this Policy shall be directed to the Company Secretary.

Details of the Shareholder Communication Policy are published on the website of the Company.

Procedures for the Shareholders to Propose a Person for Election as a Director

The Company has also adopted procedures for Shareholders to propose a person for election as a director from which the nomination procedure is extracted as follow:

1. In accordance with bye-law 88 of the Bye-Laws, a notice signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at a general meeting (the "Election Meeting") for which such notice is given of his intention to propose such person for election as director (the "Nominee") and also a notice signed by the Nominee of his/her willingness to be elected (the "Nominee's Notice", and together the "Running Notices") shall be lodged at the Company's head office or at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited.

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

Procedures for the Shareholders to Propose a Person for Election as a Director *(Continued)*

2. According to bye-law 88 of the Bye-Laws, the minimum length of the period, during which such Running Notices are given, shall be at least seven (7) days and that (if the Running Notices are submitted after the dispatch of the notice of the Election Meeting) the period for lodgment of the Running Notices shall commence on the day after the dispatch of the notice of the Election Meeting and end no later than seven (7) days prior to the date of the Election Meeting. In this connection, the Running Notices shall be lodged within the seven-day (7-day) period commencing from the day after the dispatch of the notice of the Election Meeting.

3. The Nominee's Notice must include the biographical details of the Nominee as required by Rule 17.50(2) of the GEM Listing Rules. The Nominee shall warrant in the Nominee's Notice that the information provided is true and complete and undertake that he/she will discharge his/her duties as director upon election.

Details of the Procedures for the Shareholders to propose a person for election as a director are published on the website of the Company in compliance with Rule 17.50C of the GEM Listing Rules.

Procedures for Shareholders to Propose Convening Special General Meeting

Pursuant to bye-law 58 of the Bye-laws, 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, 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 (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (the "Act").

The written requisition must state the purposes of the general meeting, signed by the shareholder(s) concerned and may consist of several documents in like form, each signed by one or more of those shareholders. Such written requisition can be addressed to the Company Secretary in writing by mail to the Company's head office in Hong Kong.

If the requisition is in order, the Company Secretary will ask the Board to convene a special general meeting by serving sufficient notice in accordance with the statutory requirements to all the registered shareholders. On the contrary, if the requisition is invalid, the shareholder(s) concerned will be advised of this outcome and accordingly, a special general meeting will not be convened as requested.

Pursuant to Section 74(3) of the Act, if the directors do not within twenty-one (21) days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Shareholders' Enquiries

The Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company Secretary at the Company's head office in Hong Kong.

Environmental, Social and Governance Report

A separate Environmental, Social and Governance Report covering the Group's environmental policy and our relationship with various stakeholders will be available at the Group's website and the website of the Stock Exchange on or before 30 June 2017.

Independent Auditors' Report

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 GLOBAL ENERGY RESOURCES INTERNATIONAL GROUP LIMITED
(Continued in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Global Energy Resources International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 104, 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, 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 opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the 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 opinion.

Key audit matters

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

Independent Auditors' Report

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on intangible asset	
Refer to Note 15 to the consolidated financial statements	
The Group has the intangible asset of approximately HK$104,512,000 in relation to operations of Carbon Emission Trading Platform and related services segment as at 31 December 2016. Management performed impairment assessment of the intangible asset in relation to operation of Carbon Emission Trading Platform and concluded that an impairment loss on intangible asset of approximately HK$18,057,000 was recognised for the year. This conclusion was based on value-in-use model that required significant management judgment with respect to the discount rate and underlying cash flows, in particular future revenue growth rate and capital expenditure. Independent external valuation were obtained in order to support management's estimates.	Our procedures in relation to management's impairment assessment included: • Evaluation of the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of key assumptions based on our knowledge of the relevant industry and using our valuation experts; • Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and • Checking, on a sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence.
Impairment assessment on goodwill	
Refer to Note 16 to the consolidated financial statements	
The Group has the goodwill with aggregate amount approximately of HK$10,939,000 in relation to Money lending business and securities brokerage business segment. Management performed impairment assessment of money lending business and securities trading business and concluded that there is no impairment in respect of the goodwill for the year. This conclusion was based on value-in-use model that required significant management judgment with respect to the discount rate and underlying cash flows, in particular future revenue growth rate and capital expenditure. Independent external valuation were obtained in order to support management's estimates.	Our procedures in relation to management's impairment assessment included: • Evaluation of the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of key assumptions based on our knowledge of the relevant industry and using our valuation experts; • Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and • Checking, on a sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence.

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables and loans receivable Refer to Notes 19 and 21 to the consolidated financial statements As at 31 December 2016, the Group had trade receivables amounting to approximately HK$69,655,000 and loans receivable amounting to approximately HK$27,203,000. An impairment loss on trade receivables of approximately HK$4,406,000 was recognised for discontinued operation during the year ended 31 December 2016. 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 judgment.	Our procedures in relation to the management's impairment assessment of trade receivables and loans receivable included: • Discussing the Group's procedures on credit limits and credit periods given to customers with the management; • Evaluating the management's impairment assessment of trade receivables and loans receivable; and • Checking, on a sample basis, the accuracy and relevance of information included in the impairment assessment of trade receivables and loans receivable. We consider the management conclusion to be consistent with the available information.

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 ("Other Information").

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

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

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

Auditors' responsibilities for the audit of the consolidated financial statements *(Continued)*

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

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

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

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

From the matters communicated with the 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 Shek Lui.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895

Hong Kong, 27 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	6	**276,371**	247,709
Cost of sales		**(260,418)**	(238,552)
Gross profit		**15,953**	9,157
Other revenue	6	**300**	20
Other gains and losses	7	**(1,068)**	(6,373)
Impairment loss on intangible asset	15	**(18,057)**	(39,300)
Selling and distribution expenses		**(3,424)**	(2,954)
Administrative expenses		**(61,376)**	(65,527)
Loss from operations		**(67,672)**	(104,977)
Finance costs	8	**(4,126)**	(31)
Loss before taxation	9	**(71,798)**	(105,008)
Taxation	10	**–**	–
Loss for the year from continuing operations		**(71,798)**	(105,008)
Discontinued operation			
Loss for the year from discontinued operation	11	**(13,762)**	(8,571)
Loss for the year		**(85,560)**	(113,579)
Other comprehensive loss, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(8,790)**	(9,505)
Other comprehensive loss for the year, net of income tax		**(8,790)**	(9,505)
Total comprehensive loss for the year		**(94,350)**	(123,084)
Loss for the year attributable to			
Owners of the Company		**(75,054)**	(105,974)
Non-controlling interests		**(10,506)**	(7,605)
		(85,560)	(113,579)
Total comprehensive loss for the year attributable to			
Owners of the Company		**(84,135)**	(115,216)
Non-controlling interests		**(10,215)**	(7,868)
		(94,350)	(123,084)
Loss per share attributable to owners of the Company for the year			(restated)
For continuing and discontinued operations			
– Basic and diluted (HK cents)	12	**(13.04)**	(22.97)
For continuing operations			
– Basic and diluted (HK cents)	12	**(11.82)**	(22.03)

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Assets and liabilities			
Non-current assets			
Property, plant and equipment	14	**46,869**	45,582
Intangible asset	15	**104,512**	122,569
Goodwill	16	**10,939**	869
Other assets	17	**958**	597
		163,278	169,617
Current assets			
Inventories	18	**–**	3,905
Trade receivables	19	**69,655**	4,501
Other receivables, deposits and prepayments	20	**23,416**	48,370
Loans receivable	21	**27,203**	33,149
Financial assets at fair value through profit or loss	22	**6,830**	13,345
Client trust bank balances	23	**817**	–
Cash and cash equivalents	23	**13,925**	82,743
		141,846	186,013
Current liabilities			
Trade payables	24	**11,655**	5,120
Accruals and other payables	25	**8,100**	7,783
Amounts due to a related party	26	**290**	310
Finance leases payables	27	**92**	88
Other borrowings	28	**21,000**	–
		41,137	13,301
Net current assets		**100,709**	172,712
Total assets less current liabilities		**263,987**	342,329
Non-current liability			
Finance leases payables	27	**300**	392
Net assets		**263,687**	341,937
Equity			
Share capital	29	**23,031**	23,031
Reserves		**248,139**	316,174
Total equity attributable to owners of the Company		**271,170**	339,205
Non-controlling interests		**(7,483)**	2,732
Total equity		**263,687**	341,937

The consolidated financial statements were approved and authorised for issue by the board of directors on 27 March 2017 and signed on its behalf by:

Chan Kwok Wing
Director

Shi Guang Rong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company										
	Share capital HK$'000	Capital reserve *(note (i))* HK$'000	Share premium HK$'000	Special reserve *(note(ii))* HK$'000	Statutory reserve *(note (iii))* HK$'000	Share-based payment reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2015	12,795	1,030	361,795	11	324	–	1,862	(109,112)	268,705	10,600	279,305
Open offer of ordinary shares	6,398	–	121,550	–	–	–	–	–	127,948	–	127,948
Transaction costs attributable to open offer of ordinary shares	–	–	(4,151)	–	–	–	–	–	(4,151)	–	(4,151)
Placing new shares	3,838	–	36,850	–	–	–	–	–	40,688	–	40,688
Transaction costs attributable to placing new shares	–	–	(1,104)	–	–	–	–	–	(1,104)	–	(1,104)
Issuance of share options	–	–	–	–	–	22,335	–	–	22,335	–	22,335
Lapse of share options	–	–	–	–	–	(3,560)	–	3,560	–	–	–
Transaction with owners	10,236	–	153,145	–	–	18,775	–	3,560	185,716	–	185,716
Net loss for the year	–	–	–	–	–	–	–	(105,974)	(105,974)	(7,605)	(113,579)
Other comprehensive loss, net of income tax:											
Exchange differences on translating foreign operations	–	–	–	–	–	–	(9,242)	–	(9,242)	(263)	(9,505)
Total comprehensive loss for the year	–	–	–	–	–	–	(9,242)	(105,974)	(115,216)	(7,868)	(123,084)
At 31 December 2015 and 1 January 2016	23,031	1,030	514,940	11	324	18,775	(7,380)	(211,526)	339,205	2,732	341,937
Issuance of share options	–	–	–	–	–	16,100	–	–	16,100	–	16,100
Transaction with owners	–	–	–	–	–	16,100	–	–	16,100	–	16,100
Net loss for the year	–	–	–	–	–	–	–	(75,054)	(75,054)	(10,506)	(85,560)
Other comprehensive (loss)/income, net of income tax:											
Exchange differences on translating foreign operations	–	–	–	–	–	–	(9,081)	–	(9,081)	291	(8,790)
Total comprehensive loss for the year	–	–	–	–	–	–	(9,081)	(75,054)	(84,135)	(10,215)	(94,350)
At 31 December 2016	**23,031**	**1,030***	**514,940***	**11***	**324***	**34,875***	**(16,461)***	**(286,580)***	**271,170**	**(7,483)**	**263,687**

* The aggregated amount of these balances of approximately HK$248,139,000 (2015: approximately HK$316,174,000) in surplus is included as reserves in the consolidated statement of financial position.

Notes:

(i) The capital reserve of the Group represents a capital contribution by a shareholder company during the year ended 31 December 2007.

(ii) The special reserve of the Group represents the difference between the nominal amount of the shares issued by the Company and the amount of the share capital of a subsidiary acquired pursuant to a group reorganisation in 2002.

(iii) Subsidiary of the Company establish in the PRC shall appropriate 10% of its annual statutory net profit (after offsetting any prior year losses) to the statutory reserve fund account in accordance with the PRC Company law. When the balance of such reserve fund reaches 50% of the entity's share capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior year's losses or to increase capital after proper approval.

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 before taxation			
– from continuing operations		**(71,798)**	(105,008)
– from discontinued operation		**(13,762)**	(8,571)
		(85,560)	(113,579)
Adjustments for:			
Interest income		**(62)**	(59)
Loan interest income		**(7,225)**	(1,249)
Finance costs		**4,126**	171
Depreciation		**9,658**	5,208
Net loss on financial assets at fair value through profit or loss	7	**1,071**	6,274
Share-based payment expenses	9	**16,100**	22,335
Loss/(gain) on disposal of property, plant and equipment	9	**332**	(613)
Written off of trade receivables	11	**4,406**	–
Impairment loss on other receivables, deposits and prepayments	11	**4,014**	–
Written down of slow moving inventories	11	**3,822**	2,863
Impairment loss on intangible assets	15	**18,057**	39,300
Operating loss before working capital changes		**(31,261)**	(39,349)
Decrease in inventories		**–**	2,990
(Increase)/decrease in trade receivables		**(52,932)**	15,919
Decrease/(increase) in other receivables, deposits and prepayments		**7,318**	(8,823)
Decrease/(increase) in loans receivable		**5,900**	(33,149)
Decrease in client trust bank balances		**52**	–
Decrease/(increase) in financial assets at fair value though profit or loss		**5,444**	(19,619)
(Decrease)/increase in trade payables		**(2,724)**	2,518
Decrease in accruals and other payables		**(3,969)**	(2,156)
Decrease in amounts due to related parties		**–**	(4,570)
Cash used in operating activities		**(72,172)**	(86,239)
Loan interest received		**7,271**	–
Interest paid		**(3,629)**	(171)
Net cash used in operating activities		**(68,530)**	(86,410)
Cash flows from investing activities			
Interest received		**62**	59
Sales proceeds of disposal of property, plant and equipment		**–**	15,528
Net cash outflow from acquisition of subsidiaries	34	**(14,272)**	(580)
Purchase of property, plant and equipment	14	**(147)**	(52,182)
Net cash used in investing activities		**(14,357)**	(37,175)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from financing activities			
Proceeds from placing new shares	29	–	40,688
Payment for transaction costs of placing new shares	29	–	(1,104)
Proceeds from open offer of ordinary shares	29	–	127,948
Payment for transaction costs of open offer of ordinary shares	29	–	(4,151)
Repayment for finance leases payables		(88)	(120)
Repayment for bank overdrafts		(932)	–
Repayment for other borrowings		(9,000)	–
Proceeds from other borrowings		30,000	–
Net cash generated from financing activities		19,980	163,261
Net (decrease)/increase in cash and cash equivalents		(62,907)	39,676
Cash and cash equivalents at beginning of the year		82,743	49,588
Effect of foreign exchange rate changes		(5,911)	(6,521)
Cash and cash equivalents at end of the year		13,925	82,743

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1. GENERAL INFORMATION

Global Energy Resources International Group Limited is a limited liability company incorporated in the Cayman Islands and continued in Bermuda. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is Room 3008–10, 30th Floor, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 29 November 2002.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

The financial statements for the year ended 31 December 2016 were approved for issue by the board of directors on 27 March 2017.

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

In the current year, the Company has applied, for the first time, the following new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Company's financial year beginning 1 January 2016. A summary of the new HKFRSs are set out as below:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements

The application of the above new and revised HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

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

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

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

1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

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

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

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 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are relevant to the Group are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 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 reporting periods. All other debt investments and equity investments are measured at their fair values 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.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, 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 effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may impact 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 until a detailed review has been completed.

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

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

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains or losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to HKAS 28:

- The requirements on gains or losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, 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.

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

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

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

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.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows 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.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. 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, which upon the effective date will supersede HKAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of the Group's lease arrangements. These assets and liabilities are currently not required to be recognized but certain relevant information is disclosed as commitments to these financial statements. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's result.

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

HKFRS 2 Classification and Measurement of Share-based Payment Transactions

The HKICPA has issued an amendment, Amendments to HKFRS 2 – Classification and Measurement of Share-based Payment Transactions, addressing three classification and measurement issues. The amendment addresses the accounting for cash-settled share-based payments and equity-settled awards that include a "net settlement" feature in respect of withholding taxes.

The amendments to HKFRS 2 will become effective for financial statements with annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments should be applied retrospectively.

The amendments clarified the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled share-based payment to equity-settled share-based payment. It also introduces an exception to the principles in HKFRS 2 that will require an award to be treated as if it was wholly equity-settled share-based payment, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The Group anticipates that the adoption of this amendment will not have a significant impact on the Group's employees are equity-settled share-based payments and the Group is not obliged to withhold an amount for the employees' tax obligation associated with the share-based payment under the relevant tax laws in Hong Kong.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation *(Continued)*

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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. 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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in 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 interests 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 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, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interest in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified 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 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

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 acquirer 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

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

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

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

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.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. 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 profit or loss on disposal.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains or losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

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 and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the end of the reporting period. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

Revenue recognition

Revenue comprises the fair value of consideration received for the rendering of services. Provided it is probable that the economic benefit will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Rental income of air-conditioners are recognised when the services are delivered to customers.

Sales of goods are recognised when the goods are delivered and title has passed.

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

Brokerage and commission income on securities dealing is recognised on trade date basis when the relevant transaction is completed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, at the rate of 10% to 20% per annum.

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

Impairment testing of non-financial assets

Property, plant and equipment and interests in subsidiaries are subject to impairment testing at the end of each reporting period. Individual assets or cash-generating units are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated statement of profit or loss and other comprehensive income when the services are delivered to customers.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

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 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 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.

Financial assets

The Group's financial assets include trade receivables, other receivables and deposits, loans receivable, financial assets at fair value through profit or loss ("FVTPL"), client trust bank balances and cash and cash equivalents. 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. The accounting policies adopted in respect of each category of financial assets are set out below.

Loans and receivables (including trade receivables, loans receivable, other receivables and deposits, client trust bank balances and cash and cash equivalents) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL *(Continued)*

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 and Company'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 excludes any dividend or interest earned on the financial assets and is included in the "net loss on financial assets at fair value through profit or loss" in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 22 to the consolidated financial statements.

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

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At the end of each reporting period, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Impairment of financial assets

At the end of each reporting period, financial assets are reviewed to determine whether there is any objective evidence of impairment.

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

- Significant financial difficulty of the debtor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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

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

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

If any such evidence exists, the impairment loss is measured and recognised as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

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

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

Taxation

Income tax comprises current tax payable and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profits for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the end of the reporting period between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profits, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of the reporting period.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Cash and cash equivalents

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

Client trust bank balances

The Group has classified the clients' monies as client trust bank balances under the current assets section of the consolidated statement of financial position and recognised a corresponding accounts payable to respective clients on grounds that is liable for any loss or misappropriation of clients' monies.

Provisions and contingent liabilities

Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. At the end of the subsequent reporting periods, such contingent liabilities are recognised at the higher of the amount recognised in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less accumulated amortisation recognised in accordance with HKAS 18 Revenue.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented on the face of the profit or loss, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

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

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

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

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

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between the Group and a related party, regardless of whether a price is changed.

Retirement benefit costs and short-term employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group contributes to a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees who are eligible to participate in the MPF scheme. 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 Group's subsidiaries which operates in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans is limited to the fixed percentage contributions payable.

Short-term employee benefits

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based Payment

Share Options Granted to Employees

For grant of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based payment reserve).

At the end of the reporting period, the Group revises its estimates of number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss with a corresponding adjustment to share-based payment reserve.

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

When the share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to retained earnings.

Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are completed.

Financial liabilities

The Group's financial liabilities include trade payables, accruals and other payables, amounts due to a related party, finance leases payables and other borrowings. They are included in the line items in the consolidated statement of financial position as "Trade payables", "Accruals and other payables", "Amounts due to a related party", "Finance leases payables" and "Other borrowings" under current liabilities and non-current liability.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Trade payables and accruals and other payables

Trade payables and accruals and other payables are recognised initially at their fair values and subsequently measured at amortised costs, using the effective interest method.

Other financial liabilities

Other financial liabilities (including finance leases payables, amounts due to a related party and other borrowings) are subsequently measured at amortised cost using the effective interest method.

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.

Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations.

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

4. ACCOUNTING ESTIMATES AND JUDGMENTS

In the application of the Group's accounting policies which are described in Note 3 to the consolidated financial statements, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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.

The following is the critical judgment, apart from those involving estimations that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4. ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Depreciation

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The Group annually reviews the useful life of an asset and its residual value, if any. The useful life is based on the Group's historical experience with similar assets and taking into account anticipated technology changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates.

Valuation of inventories

Inventories are stated at the lower of cost and net realisable value at the end of the reporting period. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The directors estimate the net realisable value for raw materials and finished goods based primarily on the latest invoice prices and current market conditions. In addition, the directors perform an inventory review on a product-by-product basis at the end of each reporting period and assess the need for write down of inventories.

Impairment of trade receivables

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. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Management reassesses the adequacy of impairment on a regular basis. Where the actual cash flows are less than expected, an impairment loss may arise.

Impairment losses for property, plant and equipment

Property, plant and equipment are assessed at the end of each reporting period to identify indications that they may be impaired. If any such indication exists, the recoverable amount of the property, plant and equipment is estimated. The recoverable amount of the property, plant and equipment is based on value-in-use calculations. These calculations are determined based on cash flow projections with reasonable assumptions that represent management's best estimate of the range of economic conditions over the remaining useful life of the assets. Changes in facts and circumstances may result in revisions to whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

Income taxes

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

4. ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Impairment of intangible asset

Determine whether the intangible asset is impaired requires estimation of the value-in-use. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

The carrying amount of intangible asset at the end of the year was approximately HK$104,512,000 (2015: approximately HK$122,569,000) and an impairment loss approximately of HK$18,057,000 (2015: approximately HK$39,300,000) was recognised during the year. Details of the impairment testing on intangible asset are provided in Note 15 to the consolidated financial statements.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Group estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Details of the impairment testing on goodwill are provided in Note 16 to the consolidated financial statements.

5. SEGMENT INFORMATION

Information reported to executive director and chief executive officer of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's reportable segments under HKFRS 8 are as follows:

- Rental of energy-saving air-conditioners ("Rental of air-conditioners")
- Trading business
- Operations of Carbon Emission Trading Platform ("CETP") and related services ("Operations of the CETP")
- Money lending business
- Securities trading business ("Securities trading")

The segment of manufacturing and sales of air-conditioners and related products was discontinued during the year ended 31 December 2016.

Part of the segment information reported on the next pages does not include any amounts for the discontinued operation, which are described in more details in Note 11.

The corresponding information for the year ended 31 December 2015 has been re-presented accordingly.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments.

For the year ended 31 December 2016

	Continuing operations					
	Rental of air-conditioners	Trading business	Operations of the CETP	Money lending business	Securities trading	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue	4,086	263,960	–	7,225	1,100	276,371
Segment results	(14,622)	2,936	(23,726)	4,542	(1,409)	(32,279)
Other revenue						300
Other gains and losses						3
Net loss on financial assets at fair value through profit or loss						(1,071)
Central administrative costs						(34,625)
Finance costs						(4,126)
Loss before taxation						(71,798)

For the year ended 31 December 2015

	Continuing operations					
	Rental of air-conditioners	Trading business	Operations of the CETP	Money lending business	Securities trading	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue	1,531	244,750	179	1,249	–	247,709
Segment results	(9,462)	(666)	(48,460)	424	–	(58,164)
Other revenue						20
Other gains and losses						(99)
Net loss on financial assets at fair value through profit or loss						(6,274)
Central administrative costs						(40,460)
Finance costs						(31)
Loss before taxation						(105,008)

All of the segment revenue reported above is generated from external customers.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

The accounting policies of the operating segments are the same as the Group's accounting polices described in Note 3 to the consolidated financial statements. Segment results for the continuing operations represent the profit or loss recorded by each segment without allocation of other revenue, central administrative costs including directors' remuneration, finance costs and taxation. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

Segment assets and liabilities

For the year ended 31 December 2016

	Continuing operations					Discontinued operation	
	Rental of air-conditioners	Trading business	Operations of the CETP	Money lending business	Securities trading	Sales of air-conditioners	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	49,185	67,386	106,740	28,530	15,981	13,710	281,532
Unallocated assets							23,592
Total assets							305,124
Segment liabilities	4,527	127	188	532	7,124	6,638	19,136
Unallocated liabilities							22,301
Total liabilities							41,437

For the year ended 31 December 2015

	Continuing operations					Discontinued operation	
	Rental of air-conditioners	Trading business	Operations of the CETP	Money lending business	Securities trading	Sales of air-conditioners	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	95,641	41,985	128,643	35,321	–	27,441	329,031
Unallocated assets							26,599
Total assets							355,630
Segment liabilities	507	465	693	699	–	10,713	13,077
Unallocated liabilities							616
Total liabilities							13,693

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

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

– all assets are allocated to reportable segments other than assets held by the Company and its subsidiaries which the roles are investment holding companies; and

– all liabilities are allocated to reportable segments other than liabilities held by the Company and its subsidiaries which the roles are investment holding companies.

Other segment information

For the year ended 31 December 2016

	Continuing operations						
	Rental of air-conditioners	Trading business	Operations of the CETP	Money lending business	Securities trading	Unallocated	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK'000
Capital expenditure	13,871	-	-	-	118	29	14,018
Depreciation of property, plant and equipment	6,113	1,575	399	280	8	1,118	9,493
Equity-settled share-based payments	-	-	-	-	-	16,100	16,100
Impairment loss on intangible asset	-	-	18,057	-	-	-	18,057
Net loss on financial assets at fair value through profit or loss	-	-	-	-	10	1,061	1,071

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2015

	Continuing operations						
	Rental of air-conditioners	Trading business	Operations of the CETP	Money lending business	Securities trading	Unallocated	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK'000
Capital expenditure	47,806	4,161	–	1,387	–	31	53,385
Depreciation of property, plant and equipment	1,834	1,666	399	47	–	1,117	5,063
Equity-settled share-based payments	–	–	–	–	–	22,335	22,335
Impairment loss on intangible asset	–	–	39,300	–	–	–	39,300
Net loss on financial assets at fair value through profit or loss	–	–	–	–	–	6,274	6,274

Revenue from major operations

The Group's revenue from its major operations is set out in Note 6.

Geographical information

The Group's revenue from external customers for continuing operations and its non-current assets (other than financial instruments) are divided into the following geographical areas:

	Continuing operations			
	Revenue from external customers		Non-current assets	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**268,046**	246,281	**42,413**	38,830
Hong Kong	**8,325**	1,428	**120,865**	130,075
Total	**276,371**	247,709	**163,278**	168,905

The geographical location of customers is based on the location at which the services were rendered or the goods were delivered. The geographical location of the non-current assets is based on the physical location of the assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. SEGMENT INFORMATION *(Continued)*

Information about major customers

Continuing operations:

For the year ended 31 December 2016, approximately HK$263,960,000 or 95.5% (2015: approximately HK$244,750,000 or 98.8%) of the Group's revenue generated from continuing operations from four customers (2015: two customers (the trading business segment)). Each customer has individually accounted for over 10% of the Group's total revenue. No other single customer contributed 10% or more to the Group's revenue for the year ended 31 December 2016 (2015: Nil).

Revenue from major customers, each of them amounted to 10% or more of the Group's revenue from continuing operations, are set out below:

	2016 **HK$'000**	2015 HK$'000
Customer A	**60,808**	138,698
Customer B	**103,243**	106,052
Customer C *(note)*	**65,850**	–
Customer D *(note)*	**34,059**	–

Note: No information on revenue for the year ended 31 December 2015 is disclosed for these customers since none of them contributed 10% or more to the Group's revenue for the year ended 31 December 2015.

6. REVENUE

Continuing operations:

Revenue, which is also the Group's turnover, represents the aggregate of the amounts received and receivable from third parties. Revenue and other revenue recognised from continuing operations during the year are as follows:

	2016 **HK$'000**	2015 HK$'000
Revenue		
Rental of air-conditioners	**4,086**	1,531
Trading business	**263,960**	244,750
Operations of the CETP	**–**	179
Money lending business	**7,225**	1,249
Securities trading business	**1,100**	–
	276,371	247,709
Other revenue		
Interest income	**43**	19
Sundry income	**257**	1
	300	20

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

7. OTHER GAINS AND LOSSES

Continuing operations:

	2016 HK$'000	2015 HK$'000
Net loss on financial assets at fair value through profit or loss		
– Realised gain on financial assets at fair value through profit or loss	1,256	–
– Unrealised loss on financial assets at fair value through profit or loss	(2,327)	(6,274)
	(1,071)	(6,274)
Exchange gain/(loss), net	3	(99)
	(1,068)	(6,373)

8. FINANCE COSTS

Continuing operations:

	2016 HK$'000	2015 HK$'000
Interest on bank overdraft	66	–
Interest on other borrowings		
– secured and wholly repayable within one year	1,030	–
– unsecured and wholly repayable within one year	3,012	29
Interest expenses on finance leases payables	18	2
	4,126	31

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

9. LOSS BEFORE TAXATION

Continuing operations:

	2016 HK$'000	2015 HK$'000
Loss before taxation is arrived at after charging or (crediting):		
Auditors' remuneration		
– Audit services	**620**	430
– Non-audit services	**50**	320
Depreciation		
– Owned property, plant and equipment	**9,356**	5,040
– Leased property, plant and equipment	**137**	23
Cost of inventories recognised as an expense	**254,828**	236,961
Operating lease rentals in respect of rented premises	**8,455**	7,400
Loss/(gain) on disposal of property, plant and equipment	**332**	(613)
Impairment loss on intangible asset	**18,057**	39,300
Equity-settled share-based payments	**16,100**	22,335
Employee benefit expenses (excluding directors' remuneration) *(Note 13)*		
– Salaries allowances and benefits in kind	**14,581**	12,549
– Contributions to retirement benefits scheme	**773**	682

10. TAXATION

The Company is not subject to taxes in profits, income or dividends in Bermuda. Its subsidiaries in Hong Kong are subject to Hong Kong profits tax at the rates of 16.5% (2015: 16.5%) on the estimated assessable profits for the year.

The income tax provision in respect of operations in the PRC is calculated at the applicable rates on the estimated assessable profits for the year based on the unification of income tax rates for domestic-invested and foreign-invested enterprises at 25% (2015: 25%).

No provision for taxation has been made in the consolidated financial statements as the subsidiaries in Hong Kong and the PRC had no assessable profits for the year (2015: Nil).

	2016 HK$'000	2015 HK$'000
Current tax:		
PRC enterprise income tax	**–**	–
Hong Kong profits tax	**–**	–
	–	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

10. TAXATION *(Continued)*

A reconciliation of the tax expenses applicable to loss before taxation at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the statutory tax rates to the effective tax rates, are as follows:

	2016 **HK$'000**	2015 HK$'000
Continuing operations		
Loss before taxation	**(71,798)**	(105,008)
Tax on loss before taxation, calculated at the rates applicable to loss in the tax jurisdiction concerned	**(12,752)**	(17,654)
Tax effect of non-deductible expenses	**8,098**	12,502
Tax effect of non-taxable income	**(13)**	(1)
Tax effect of unused tax losses not recognised	**4,667**	5,153
Income tax for the year	**–**	–

Deferred taxation

Deferred taxation is calculated in full on temporary difference under the liabilities method using a principal taxation rate of 16.5% (2015: 16.5%). During the years ended 31 December 2016 and 2015, no deferred taxation was recognised by the Group.

Unrecognised deferred tax assets

As at 31 December 2016, the Group has obtained the tax assessment in regarding to the accumulated tax losses. In accordance to the tax assessment, no tax losses can be brought forward to offset the future taxable profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

11. DISCONTINUED OPERATION

During the second half of year 2016, the board of directors of the Company was approved to abandon and ceased the manufacturing and sales of air-conditioners segment.

The comparative consolidated income statement and related notes have been re-presented as if the operation discontinued during the year had been discontinued at the beginning of the comparative period.

The results and cash flows of the discontinued operation for the year are set out below:

	2016 HK$'000	2015 HK$'000
Revenue	**–**	3,753
Cost of sales	**–**	(3,416)
Gross profit	**–**	337
Other revenue	**21**	40
Other gains and losses	**(12,240)**	(1,351)
Selling and distribution expenses	**–**	(1,875)
Administrative expenses	**(1,543)**	(5,582)
Loss from operations	**(13,762)**	(8,431)
Finance costs	**–**	(140)
Loss before taxation	**(13,762)**	(8,571)
Taxation	**–**	–
Loss for the year from discontinued operation	**(13,762)**	(8,571)
Loss for the year attributable to		
Owners of the Company	**(7,019)**	(4,371)
Non-controlling interests	**(6,743)**	(4,200)
	(13,762)	(8,571)
Loss for the year from discontinued operation include the followings:		
Depreciation of property, plant and equipment	**165**	145
Cost of inventories recognised as an expense	**–**	3,416
Operating lease rentals in respect of rented premises	**487**	2,342
Written off of trade receivables	**4,406**	–
Impairment loss on other receivables, deposits and prepayments *(note (i))*	**4,014**	–
Written down of slow moving inventories *(note (ii))*	**3,822**	2,863
Employee benefit expenses		
– Salaries allowances and benefits in kind	**374**	2,435
– Contributions to retirement benefits scheme	**54**	94
Cash flows from discontinued operation:		
Net cash outflow from operating activities	**(4,862)**	(2,007)
Net cash outflow from investing activities	**–**	(144)
Net cash outflow from financing activities	**–**	(140)

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11. DISCONTINUED OPERATION *(Continued)*

Notes:

(i) According to the assessment by the Group, the directors of the Company in the opinion that an impaired amount in relation to other receivables, deposits and prepayments from discontinued operation was likely unrecoverable and an impairment loss of approximately HK$4,014,000 (2015: Nil) was recognised in profit or loss for the year.

(ii) Since the manufacturing and sales of air-conditioners segment was being abandoned and ceased in the current year, in the opinion of the directors of the Company, written down of slow moving inventories of approximately HK$3,822,000 (2015: approximately HK$2,863,000) has been recognised in profit or loss for the year.

12. LOSS PER SHARE

	2016	2015 (restated)
Loss for the year attributable to the owners of the Company (HK$)		
– for continuing and discontinued operations	**(75,054,000)**	(105,974,000)
– for continuing operations	**(68,035,000)**	(101,603,000)
– for discontinued operation	**(7,019,000)**	(4,371,000)
Weight average number of ordinary shares in issue *(note)*	**575,766,125**	461,278,821
Basic loss per share (HK cents)		
– for continuing and discontinued operations	**(13.04)**	(22.97)
– for continuing operations	**(11.82)**	(22.03)
– for discontinued operation	**(1.22)**	(0.94)

Note:

Basic loss per share is calculated by dividing the loss attributable to the owners of the Company over the weighted average number of ordinary shares in issue during the year.

On 5 February 2015, the Company entered an underwriting agreement with an underwriter in connection with the open offer. Pursuant to the underwriting agreement, the Company offered a total of 1,279,483,000 new ordinary shares of the Company of HK$0.005 each at a subscription price of HK$0.1 per offer share to the shareholders of the Company on the basis of one offer share for every two shares held on the record date, 3 March 2015. All conditions set out in the underwriting agreement have been fulfilled on 21 April 2015 and the offer shares were issued on 24 April 2015.

On 12 October 2015, the Company and a placing agent entered into a placing agreement, pursuant to which the Company issued 767,680,000 new ordinary shares of HK$0.005 each at a price of HK$0.053 per placing share on 29 October 2015.

Pursuant to the share consolidation became effective on 8 December 2016, the issued share capital of the Company was consolidated from 4,606,129,000 shares of HK$0.005 each to 575,766,125 consolidated shares of HK$0.04 each.

The weighted average number of ordinary shares for the year ended 31 December 2016 are 575,766,125 ordinary shares (2015: 461,278,821 ordinary shares (restated)) in issue during the year. For the year ended 31 December 2015, the weighted average number of ordinary shares has been restated and adjusted with the effect of share consolidation which occurred during the current year.

The basic and diluted loss per share for the year ended 31 December 2016 and 2015 are the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the year was anti-dilutive.

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For the year ended 31 December 2016

13. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(a) Directors' remuneration

	Fees	Salaries, allowances and benefits in kind	Employer's retirement benefit schemes	Share-based compensation	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2016					
Executive directors					
Mr. Chan Kwok Wing					
(Chief executive officer)	–	1,300	18	2,024	3,342
Mr. Wang An Zhong (a)	–	139	–	–	139
Mr. Zhao Liang (b)	–	600	–	2,024	2,624
Mr. Lu Zhi Qiang (c)	–	645	–	2,024	2,669
	–	2,684	18	6,072	8,774
Independent non-executive directors					
Mr. Leung Wah	120	–	–	–	120
Ms. Sun Ching (d)	16	–	–	–	16
Ms. Wong Mei Ling (e)	6	–	–	–	6
Mr. Lu Lin Yu (f)	105	–	–	–	105
Mr. Wei Zhi Hong (g)	88	–	–	–	88
Mr. Chen Fu Rong (h)	27	–	–	–	27
	362	–	–	–	362
Total	362	2,684	18	6,072	9,136

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13. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

(a) Directors' remuneration *(Continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employer's retirement benefit schemes HK$'000	Share-based compensation HK$'000	Total HK$'000
2015					
Executive directors					
Mr. Chan Kwok Wing					
(Chief executive officer)	–	1,300	18	4,450	5,768
Mr. Lu Zhi Qiang (c)	–	992	–	4,450	5,442
Mr. Zhao Liang (b)	–	632	–	2,136	2,768
Mr. Chen Hong Bo (i)	–	187	–	1,780	1,967
Ms. Ge Yan Hong (j)	–	360	–	1,780	2,140
	–	3,471	18	14,596	18,085
Independent non-executive directors					
Mr. Leung Wah	120	–	–	–	120
Mr. Lu Lin Yu (f)	5	–	–	–	5
Mr. Wei Zhi Hong (g)	120	–	–	–	120
Mr. Yeung Chun Wai, Anthony (k)	53	–	–	–	53
Mr. Sun Sizhi (l)	63	–	–	–	63
	361	–	–	–	361
Total	361	3,471	18	14,596	18,446

Notes:

a) Mr. Wang An Zhong has been appointed as executive director with effective from 2 September 2016.

b) Mr. Zhao Liang has been appointed as executive director with effective from 13 May 2015 and resigned with effective on 10 March 2017.

c) Mr. Lu Zhi Qiang has resigned as executive director with effective on 2 September 2016.

d) Ms. Sun Ching has been appointed as independent non-executive director with effective from 14 November 2016.

e) Ms. Wong Mei Ling has been appointed as independent non-executive director with effective from 13 December 2016.

f) Mr. Lu Lin Yu has been appointed as independent non-executive director with effective from 17 December 2015 and resigned with effective on 14 November 2016.

g) Mr. Wei Zhi Hong has resigned as independent non-executive director with effective on 23 September 2016.

h) Mr. Chen Fu Rong has been appointed as independent non-executive director with effective from 23 September 2016 and resigned with effective on 13 December 2016.

i) Mr. Chen Hong Bo has resigned as executive director with effective on 15 May 2015.

j) Ms. Ge Yan Hong has resigned as executive director with effective on 17 December 2015.

k) Mr. Yeung Chun Wai, Anthony has resigned as independent non-executive director with effective on 8 June 2015.

l) Mr. Sun Sizhi has been appointed as independent non-executive director with effective from 8 June 2015 and resigned with effective on 17 December 2015.

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For the year ended 31 December 2016

13. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five highest paid individuals during the year included three directors (2015: three directors) whose emoluments are disclosed in above. The aggregate of the emoluments in respect of the other two individuals (2015: two individuals) with the highest emoluments are as follows:

	2016 **HK$'000**	2015 HK$'000
Basic salaries and allowances	**1,673**	1,296
Retirement benefits scheme contributions	**18**	36
Share-based compensation	**3,956**	5,874
	5,647	7,206

The emoluments of the other two individuals (2015: two individuals) with the highest emoluments are within the following bands:

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

During the years ended 31 December 2016 and 2015, no emoluments were paid by the Group to any of the senior management as an inducement to join or upon joining the Group or as compensation for loss of office. No senior management waived or to waive any emoluments during both years.

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14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Motor vehicle HK$'000	Furniture, fixtures and equipment HK$'000	Air-conditioners equipment HK$'000	Total HK$'000
Cost:					
At 1 January 2015	3,061	6,599	6,260	–	15,920
Acquisition of a subsidiary *(Note 34(i))*	586	674	127	–	1,387
Additions	410	3,593	373	47,806	52,182
Disposals	–	–	(4)	(14,913)	(14,917)
Exchange alignment	(60)	(456)	(99)	(1,299)	(1,914)
At 31 December 2015 and 1 January 2016	3,997	10,410	6,657	31,594	52,658
Acquisition of a subsidiary *(Note 34(ii))*	–	–	35	–	35
Additions	–	–	147	13,871	14,018
Disposals	(1,151)	–	(455)	–	(1,606)
Exchange alignment	(24)	(585)	(101)	(2,665)	(3,375)
At 31 December 2016	2,822	9,825	6,283	42,800	61,730
Accumulated depreciation and impairment:					
At 1 January 2015	577	588	917	–	2,082
Charge for the year	818	1,576	1,294	1,520	5,208
Disposals	–	–	(2)	–	(2)
Exchange alignment	(25)	(105)	(22)	(60)	(212)
At 31 December 2015 and 1 January 2016	1,370	2,059	2,187	1,460	7,076
Charge for the year	897	1,859	1,312	5,590	9,658
Disposals	(854)	–	(420)	–	(1,274)
Exchange alignment	(11)	(190)	(55)	(343)	(599)
At 31 December 2016	1,402	3,728	3,024	6,707	14,861
Carrying amount:					
At 31 December 2016	**1,420**	**6,097**	**3,259**	**36,093**	**46,869**
At 31 December 2015	2,627	8,351	4,470	30,134	45,582

As at 31 December 2016, the net book value of a motor vehicle of approximately HK$514,000 (2015: approximately HK$651,000) held under finance leases (Note 27).

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15. INTANGIBLE ASSET

During the year 2014, the Group acquired an intangible asset of the using right of carbon emission trading platform (the "CETP"). CETP is an intangible asset which is dedicated to a variety of carbon emission rights and carbon derivatives electronic trading systems integrated product transactions. The platform is including members of management, financial asset management, transaction prices showing, trading orders placed and cleared. It provides a communication channel for the carbon rights registration institutions and banks, offering management and tracking the whole life cycle from entering the carbon products into the system to trading until its maturity to be written off.

	Carbon Emission Trading Platform HK$'000
Cost:	
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	161,869
Accumulated impairment:	
At 1 January 2015	–
Impairment losses recognised in profit or loss	39,300
At 31 December 2015 and 1 January 2016	39,300
Impairment losses recognised in profit or loss	18,057
At 31 December 2016	57,357
Carrying amount:	
At 31 December 2016	**104,512**
At 31 December 2015	122,569

Note:

In the assumption of continuity or going concern convention, the CETP will create economic benefits for the Group continuously if maintenance expenses are paid periodically. The useful life of the CETP is indefinite as there is no foreseeable limit on the period over which the asset is expected to generate net cash inflows for the Group. It will be tested for impairment annually, instead of amortising over its useful life, and whenever there is an indication that may be impaired.

The Group's operations of CETP are still at the developing stage since the PRC market just started in 2013. The directors of the Company are in the opinion that the operations of CETP business has been postponed compare with the Group's original business development plan. The Group carried out a review of the recoverable amount of the CETP for the year ended 31 December 2016. Based on the business valuation report issued by China Intangible Asset Appraisement Company Limited for the CETP, the value-in-use at 31 December 2016 was calculated to be lower than the carrying amount of the CETP and accordingly an impairment loss of approximately HK$18,057,000 (2015: approximately HK$39,300,000) was recognised during the year ended 31 December 2016. As the CETP has been reduced to its recoverable amount of approximately HK$104,512,000 (2015: approximately HK$122,569,000), any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment loss.

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15. INTANGIBLE ASSET *(Continued)*

Note: (Continued)

The valuation of CETP is based the relief-from-royalty method and using the discounted cash flows. The recoverable amount of CETP for the year ended 31 December 2016 was determined based on value-in-use calculations. The impairment review of the CETP is based on the expected future cash flows and based on the financial budgets approved by management covering a 10-year period. Discount rate of 26.66% (2015: 26.53%) was applied on the value-in-use calculations.

Carbon emission trading market has just started in the PRC in 2013, it will be expected a high growth rate when the market become mature in development. Owing to the high growth rate of operating revenue of the CETP, the management of the Company views that using a longer cash flow projection, ten years, can more reasonably reflect the recoverable amount of CETP.

16. GOODWILL

	HK$'000
Cost:	
At 1 January 2015	–
Acquisition of a subsidiary *(Note 34(i))*	869
At 31 December 2015 and 1 January 2016	869
Acquisition of a subsidiary *(Note 34(ii))*	10,070
At 31 December 2016	10,939
Accumulated impairment:	
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	–
Carrying amount:	
At 31 December 2016	**10,939**
At 31 December 2015	869

Particular of impairment testing on goodwill is disclosed below:

Goodwill has been allocated for impairment testing purposes to the following cash-generating units ("CGU"):

– Money lending business

– Securities trading business

Before recognition of impairment losses, the carrying amount of goodwill was allocated to groups of CGUs units as follows:

	2016 **HK$'000**	2015 HK$'000
Money lending business	**869**	869
Securities trading business	**10,070**	–
	10,939	869

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For the year ended 31 December 2016

16. GOODWILL *(Continued)*

Impairment testing on cash generating unit

Money lending business

Goodwill arose from the acquisition of United Property Finance Limited which has completed on 29 October 2015. Goodwill was allocated to the groups of cash-generating units identified according to the operations, which was substantially allocated to the investment in money lending business.

The recoverable amount of the CGU is determined based on value-in-use calculation, which is based on discounted cash flow sourced from the financial budgets approved by the management covering a 5-years period, and the discount rate approximately 11.49% (2015: 12.1%) that reflects current market assessment of the time value of money and the risks specific to the CGU. Cash flows beyond 5-years period have been extrapolated using 3.0% growth rate per annum. The directors believe that any reasonably possible further change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed its recoverable amount.

Securities trading business

Goodwill arose from the acquisition of Hing Lee Securities Limited which has completed on 29 July 2016. Goodwill was allocated to the groups of cash-generating units identified according to the operations, which was substantially allocated to the investment in securities trading business.

The recoverable amount of the CGU is determined based on value-in-use calculation, which is based on discounted cash flow sourced from the financial budgets approved by the management covering a 5-years period, and the discount rate approximately 23.6% that reflects current market assessment of the time value of money and the risks specific to the CGU. Cash flows beyond 5-years period have been extrapolated using 3.0% growth rate per annum. The directors believe that any reasonably possible further change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed its recoverable amount.

The key assumptions used in the value in use calculations for the cash-generating units are as follows:

Budgeted market share	Average market share in the period immediately before the budget period. The values assigned to the assumption reflect past experience.
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period which reflect past experience.

Notes to the Consolidated Financial Statements

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17. OTHER ASSETS

	2016 HK$'000	2015 HK$'000
Club membership *(note (i))*	**558**	597
Statutory deposits *(note (ii))*	**400**	–
	958	597

Notes:

(i) The club membership represents entrance fee paid to a golf club held on long-term basis.

(ii) The statutory deposits represent deposits paid to exchanges and clearing houses held on long-term basis.

18. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	**–**	1,815
Semi-finished products	**–**	204
Finished goods	**–**	1,886
	–	3,905

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

19. TRADE RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables from securities trading business		
– Cash clients	3,352	–
– Margin clients	421	–
– Clearing house	3,497	–
	7,270	–
Trade receivables	62,385	4,501
	69,655	4,501

The directors of the Company consider that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The settlement term of trade receivables arising from securities trading business is normally 2 days after trade date. No ageing analysis for securities trading business is disclosed as, in the opinion of the directors of the Company, the ageing analysis for securities trading business does not give additional value in view of its business nature.

For the year ended 31 December 2016, the Group allows a credit period of 30–180 days (2015: 30-180 days) to its trade customers of its trading business. The following is an ageing analysis of trade receivables from other than securities trading business at the end of the reporting period based on the invoice date and net of provision for impairment:

	2016 HK$'000	2015 HK$'000
0–90 days	62,385	1,208
91–180 days	–	–
181–365 days	–	112
Over 365 days	–	3,181
	62,385	4,501

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19. TRADE RECEIVABLES *(Continued)*

The ageing analysis of trade receivables that are past due but not impaired:

	2016 HK$'000	2015 HK$'000
0–90 days	**58,914**	–
91–180 days	**–**	–
181–365 days	**–**	112
Over 365 days	**–**	3,181
	58,914	3,293

As at 31 December 2016, trade receivables of approximately HK$58,914,000 (2015: approximately HK$3,293,000) was past due but not impaired. These were related to few third party customers for whom there was no recent history of default. Based on past experience, the directors of the Group are of the opinion that no provision for impairment on trade receivables is necessary for these balances as there has not been a significant change in credit quality. Accordingly, these balances are still considered to be fully recoverable. The Group does not hold any collateral over these balances.

Movement in the impairment losses recognised on trade receivables:

	2016 HK$'000	2015 HK$'000
Balance at beginning	**–**	–
Impairment loss recognised on trade receivables	**4,406**	–
Written off	**(4,406)**	–
	–	–

The directors of the Company in the opinion that written off of trade receivables from discontinued operation with amounting to approximately HK$4,406,000 (2015: Nil) is due to the Group's assessment on the recoverability of these trade receivables for the year ended 31 December 2016.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016 HK$'000	2015 HK$'000
Deposits paid and prepayments to suppliers	**14,390**	36,533
Earnest money and deposit paid for acquisition of a subsidiary *(note)*	**–**	3,000
Other receivables and deposits	**2,440**	3,333
Value added tax receivables	**6,586**	5,504
	23,416	48,370

Note:

In December 2015, a total of HK$3,000,000 of earnest money and deposit were paid for the acquisition of entire interest in a securities trading company. On 29 July 2016, the acquisition was completed and the earnest money and deposit paid in 2015 formed part of the consideration paid for the acquisition (Note 34(ii)).

21. LOANS RECEIVABLE

	2016 HK$'000	2015 HK$'000
Loans receivable	**26,000**	31,900
Interest receivables	**1,203**	1,249
	27,203	33,149

The maturity profile of the loans receivable at the end of the reporting period, analysed by the maturity date, is as follow:

	2016 HK$'000	2015 HK$'000
Receivables:		
Within 1 year	**27,203**	33,149

The Group's loans receivable, which arise from the money lending business in Hong Kong, are denominated in Hong Kong dollars.

All loans receivable are unsecured, bear interest and receivable with fixed terms agreed with customers. They are neither past due nor impaired. The maximum exposure to credit risk at the reporting date is the carrying value of the loans receivable.

Loans receivable is interest-bearing at rates of range from 24.0% to 31.8% (2015: 24.0%) per annum. Loans receivable includes the interest receivables of approximately HK$1,203,000 (2015: approximately HK$1,249,000) which receivable on the date of repayment. During the year ended 31 December 2016, interest income of approximately HK$7,225,000 (2015: approximately HK$1,249,000) has been recognised in revenue in the consolidated statement of profit or loss and other comprehensive income.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The following table presents the Group's financial assets that are measured at fair value at 31 December 2016 and 31 December 2015 and categorised according to the level of fair value hierarchy defined as follows:

Level 1 – Fair values measured at quoted prices (unadjusted) in active markets.

	2016	2015
	HK$'000	HK$'000
Listed securities:		
Equity securities – Hong Kong (level 1)	**6,830**	13,345

For the disposals of financial assets at fair value through profit or loss during the year, the realised gain is recognised in the consolidated statement of profit or loss and other comprehensive income.

For fair value changes of financial assets at fair value through profit or loss, the unrealised loss on financial assets at fair value through profit or loss is recorded in the consolidated statement of profit or loss and other comprehensive income.

The fair value of all equity securities is based on their closing prices at 31 December 2016 in an active market.

The Group pledged the financial assets at fair value through profit or loss of approximately HK$6,830,000 (2015: Nil) as collateral for other borrowings with carrying amount HK$10,000,000.

23. CASH AND CASH EQUIVALENTS

	2016	2015
	HK$'000	HK$'000
Cash at bank and in hand	**13,925**	82,743

The effective interest rates of the bank balances of the Group ranged from 0.01% to 0.26% (2015: 0.01% to 0.258%) per annum.

Included in bank and cash balances of the Group is approximately HK$3,988,000 (2015: approximately HK$72,915,000) of bank balances denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

Client trust bank balances from security trading business

The Group maintains segregated trust accounts with licensed banks to hold clients' monies arising from the regulated activities of its securities trading business licensed by the SFC. The Group has classified these clients' monies as client trust bank balances under the current assets section to the consolidated statement of financial position and recognised the corresponding trade payable to the respective clients. The Group is not permitted to offset those payables with the clients' monies.

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24. TRADE PAYABLES

	2016 HK$'000	2015 HK$'000
Trade payables from securities trading business		
– Cash clients	**4,110**	–
– Clearing house	**2,667**	–
	6,777	–
Trade payables	**4,878**	5,120
	11,655	5,120

For securities trading business, the settlement terms of trade payables to cash clients and clearing house is 2 days after trade date. No ageing analysis for securities trading business is disclosed as, in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of its business nature.

The Group was granted by its trade suppliers credit periods ranging from 30 to 180 days. Based on the invoice dates, the ageing analysis of the trade payables from other than securities trading business were as follows:

	2016 HK$'000	2015 HK$'000
0–90 days	**91**	38
91–180 days	**–**	–
181–365 days	**–**	2,650
Over 365 days	**4,787**	2,432
	4,878	5,120

25. ACCRUALS AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Accruals	**1,813**	2,967
Receipt in advances	**4,129**	3,070
Other payables	**1,661**	1,746
Interest payables	**497**	–
	8,100	7,783

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26. AMOUNTS DUE TO A RELATED PARTY

The amounts due to a related party is unsecured, interest-free and repayable on demand.

27. FINANCE LEASES PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**106**	106	**92**	88
Between one to five years	**319**	426	**300**	392
	425	532	**392**	480
Less: future finance charges	**(33)**	(52)	**–**	–
	392	480	**392**	480

The Group has leased the motor vehicle under finance leases and the lease term in 5 years. The annual effective interest rates of the obligations under finance lease at the end of the reporting period is 2.15% per annum. The obligations under finance lease is denominated in Hong Kong dollars and its carrying amount approximate its fair value. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

As at 31 December 2016, the finance leases payables of the Group with carrying amounts of approximately HK$392,000 (2015: approximately HK$480,000) were secured by the lessor's charge over the leased assets with carrying amount of approximately HK$514,000 (2015: approximately HK$651,000) (Note 14).

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28. OTHER BORROWINGS

	2016 **HK$'000**	2015 HK$'000
Carrying amount repayable:		
Other borrowings due within one year	**21,000**	–

As at 31 December 2016, the Group entered into four loan agreements with the independent third parties for borrowing of approximately HK$21,000,000 (2015: Nil), in which principal amount of HK$10,000,000 (2015: Nil) secured by the financial assets at fair value through profit or loss held by the Group. The remaining principal balance of outstanding borrowings were unsecured. The other borrowings carries a fixed interest rate range from 3.0% to 3.5% per month (2015: Nil). As at the date of this report, all the other borrowings together with interest payable of approximately HK$497,000 (2015: Nil) had been settled.

29. SHARE CAPITAL

	Number of shares '000	**Nominal value** HK$'000
Authorised:		
Ordinary shares of HK$0.005 each at 1 January 2015	4,000,000	20,000
Increase during the year	3,000,000	15,000
Ordinary shares of HK$0.005 each at 31 December 2015 and 1 January 2016	7,000,000	35,000
Share consolidation *(note 1)*	(6,125,000)	–
Increase during the year *(note 2)*	4,125,000	165,000
Ordinary shares of HK$0.04 each at 31 December 2016	**5,000,000**	**200,000**
Issued and fully paid:		
Ordinary shares of HK$0.005 each at 1 January 2015	2,558,966	12,795
Open offer shares *(note 3)*	1,279,483	6,398
Issue of the placing new shares *(note 4)*	767,680	3,838
Ordinary shares of HK$0.005 each at 31 December 2015 and 1 January 2016	4,606,129	23,031
Share consolidation *(note 1)*	(4,030,363)	–
Ordinary shares of HK$0.04 each at 31 December 2016	**575,766**	**23,031**

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29. SHARE CAPITAL *(Continued)*

Notes:

(1) Pursuant to the share consolidation became effective on 8 December 2016, the authorised share capital of the Company are HK$200,000,000 divided into 5,000,000,000 consolidated shares of HK$0.04 each and the issued share capital of the Company was consolidated from 4,606,129,000 shares of HK$0.005 each to 575,766,125 consolidated shares of HK$0.04 each.

(2) Upon the share consolidation became effective on 8 December 2016, the authorised share capital of the Company increased from HK$35,000,000 divided into 875,000,000 consolidated shares to HK$200,000,000 divided into 5,000,000,000 consolidated shares by the creation of an additional 4,125,000,000 consolidated shares.

(3) On 5 February 2015, the Company entered into an underwriting agreement with underwriter by issuing 1,279,483,000 offer shares of HK$0.005 each on the basis of one offer share for every two shares at subscription price of HK$0.1. All conditions set out in the underwriting agreement have been fulfilled on 21 April 2015, and the offer shares were issued on 24 April 2015. The net proceeds raised from the open offer in aggregate amount was approximately HK$123,797,000.

(4) On 12 October 2015, the Company and a placing agent entered into a placing agreement, pursuant to which the Company appointed the placing agent to place for a total of 767,680,000 new ordinary shares of nominal value of HK$3,838,400 in the capital of the Company at a price of HK$0.053 per placing share to not less than six independent third parties. The net proceeds raised from the placing in aggregate amount was approximately HK$39,584,000.

30. SHARE OPTION SCHEME

The Share Option Scheme

Pursuant to an ordinary resolution passed in the annual general meeting held on 9 May 2012 ("Adoption Date"), the Company conditionally approved and adopted a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group and to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from the Adoption Date.

Eligible participants of the Share Option Scheme include the following:

(i) any employee (whether full time or part time employee, including any executive directors) of the Group or any entity in which the Group holds any equity interest (the "Invested Entity");

(ii) any non-executive director (including independent non-executive directors) of the Group or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliances or other business arrangement, or otherwise, to the development and growth of the Group.

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For the year ended 31 December 2016

30. SHARE OPTION SCHEME *(Continued)*

The Share Option Scheme *(Continued)*

The number of shares which may be issued under the Share Option Scheme is subject to the following limitations:

(i) The maximum number of Shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of the Group must not in aggregate exceed 30% of the total number of Shares in issue from time to time; and

(ii) The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the total number of Shares in issue as at the adoption.

Pursuant to an ordinary resolution passed in the annual general meeting held on 13 May 2015 (the "2015 AGM"), the Company approved the refreshment of the scheme mandate limit, which is 10% of the total number of the issued shares of the Company as at the date of the 2015 AGM, under the Share Option Scheme. After the refreshment of the scheme mandate limit, a total of 383,844,900 share options (the "Scheme Mandate Limit") is available for issue under the Share Option Scheme as at the date of the 2015 AGM which represented 10% of the total number of the issued shares of the Company as at the date of the 2015 AGM. As at the date of this annual report, the Scheme Mandate Limit was fully utilised for the upward adjustment of 17,943,640 share options after the open offer completed in 2015 and for the grant of 365,901,260 of share options to certain eligible participants on 18 January 2016, subject to acceptance of the eligible participants, under the Share Option Scheme.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive Directors (excluding independent non-executive Director who is the grantee of the options). In addition, where any grant of share options to a substantial shareholder or an independent non-executive Director, or to any of their respective associates, would 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 excess of 0.1% of the Shares in issue and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK$5 million, in a 12-month period up to and including the date of grant, such grant of share options are subject to Shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 by the grantee. The exercise period for the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Share Option Scheme.

The subscription price for Shares under the Share Option Scheme shall be a price determined by the Board, but shall not be less than the highest of:

(i) the closing price of Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the grant, which must be a business day;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and

(iii) the nominal value of the Shares.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

30. SHARE OPTION SCHEME *(Continued)*

Details of specific categories of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price	Adjusted exercise price
8 January 2015	Vested upon granted	8 January 2015 to 9 May 2022	HK$0.250	HK$1.752
18 January 2016	Vested upon granted	18 January 2016 to 9 May 2022	HK$0.065	HK$0.520

Note:

The exercise price of share options was adjusted subsequent to the completion of open offer on 24 April 2015 and share consolidation on 8 December 2016.

During the year ended 31 December 2015, the Company granted 125,480,000 share options to the certain Directors and employees of the Company under the Share Option Scheme at the subscription price of HK$0.250 per share option which were vested immediately and exercisable for the period between 8 January 2015 and 9 May 2022 (both dates inclusive) on 8 January 2015. As a result of the open offer which completed in April 2015, the said outstanding 125,480,000 share options were adjusted to 143,423,640 share options conferring holders thereof to subscribe for up to a total of 143,423,640 Shares, out of which 22,860,000 share options were lapsed during the year and 120,563,640 share options remained outstanding as at 31 December 2015. Furthermore, as a result of the share consolidation which completed in December 2016, the outstanding 120,563,640 share options were adjusted to 15,070,455 share options and remained outstanding as at 31 December 2016. The subscription price per share option was adjusted from HK$0.219 to HK$1.752 per share option after taking into account of the effect of the share consolidation in December 2016.

During the year ended 31 December 2016, the Company granted 365,901,260 share options to the certain Directors, employees and consultant of the Company under the Share Option Scheme at the subscription price of HK$0.065 per share option which were vested immediately and exercisable for the period between 18 January 2016 and 9 May 2022 (both dates inclusive) on 18 January 2016. As a result of the share consolidation which completed on 8 December 2016, the said outstanding 365,901,260 share options were adjusted to 45,737,657 share options conferring holders thereof to subscribe for up to a total of 45,737,657 Shares, and the share options remained outstanding as at 31 December 2016. The subscription price per share option was adjusted from HK$0.065 to HK$0.520 per share option after taking into account of the effect of share consolidation in December 2016.

The inputs into the model as grant date were as follows:

Grant date:	18 January 2016	8 January 2015
Share price at the grant date:	HK$0.064	HK$0.216
Exercise price:	HK$0.065	HK$0.250
Expected volatility:	80.08%	100.91%
Risk-free rate:	1.144%	1.53%
Option period:	6.30 years	7.33 years
Fair value per option	HK$0.044	HK$0.178

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

30. SHARE OPTION SCHEME *(Continued)*

Expected volatility was determined by using the historical volatility of the Company's share price over the expected option period. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

As the fair value of the services received could not be estimated reliably by the Company, the fair value of services received in return for share options granted is measured by reference to the fair value of share options granted and determined by an independent professionally qualified valuer. The estimate of the fair value of the share options granted is measured based on Black-Scholes Option Pricing Model for both the year ended 31 December 2015 and 2016. The contractual life of the share option is used as an input into this mode. Expectations of early exercise multiple are incorporated into the Black-Scholes Option Pricing Model.

During the year ended 31 December 2016, the share-based payments of approximately HK$16,100,000 (2015: approximately HK$22,335,000) were charged to the consolidated statement of profit or loss and other comprehensive income.

Details of the terms and movements of the share options granted pursuant to the Share Option Scheme are as follows:

2016

Category of grantee	Date of grant	Exercise price HK$	Exercise price per share after adjustments HK$ (note (i) and (ii))	Number of share options outstanding at 1 January '000	Granted during the year '000	Reclassification of category during the year '000	Adjusted during the year '000	Lapsed during the year '000	Number of share options outstanding at 31 December '000
Directors									
Mr. Chan Kwok Wing	8 January 2015	0.250	1.752	28,575	–	–	(25,003)	–	3,572
	18 January 2016	0.065	0.520	–	46,000	–	(40,250)	–	5,750
Mr. Lu Zhi Qiang	8 January 2015	0.250	1.752	28,575	–	(28,575)	–	–	–
(resigned on 2 September 2016)	18 January 2016	0.065	0.520	–	46,000	(46,000)	–	–	–
Mr. Zhao Liang	8 January 2015	0.250	1.752	13,716	–	–	(12,002)	–	1,714
(resigned on 10 March 2017)	18 January 2016	0.065	0.520	–	46,000	–	(40,250)	–	5,750
				70,866	138,000	(74,575)	(117,505)	–	16,786
Employees	8 January 2015	0.250	1.752	49,698	–	28,575	(68,489)	–	9,784
and consultant	18 January 2016	0.065	0.520	–	227,901	46,000	(239,663)	–	34,238
				49,698	227,901	74,575	(308,152)	–	44,022
				120,564	365,901	–	(425,657)	–	60,808
Exercisable at the end of the year									60,808

Notes to the Consolidated Financial Statements

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30. SHARE OPTION SCHEME *(Continued)*

2015

Category of grantee	Date of grant	Exercise price HK$	Exercise price per share after adjustments HK$ (note (i))	Number of share options outstanding at 1 January '000	Granted during the year '000	Adjusted during the year '000	Lapsed during the year '000	Number of share options outstanding at 31 December '000
Directors								
Mr. Chan Kwok Wing	8 January 2015	0.250	0.219	–	25,000	3,575	–	28,575
Mr. Lu Zhi Qiang	8 January 2015	0.250	0.219	–	25,000	3,575	–	28,575
Mr. Zhao Liang	8 January 2015	0.250	0.219	–	12,000	1,716	–	13,716
Mr. Chen Hong Bo (resigned on 15 May 2015)	8 January 2015	0.250	0.219	–	10,000	1,430	(11,430)	–
Ms. Ge Yan Hong (resigned on 17 December 2015)	8 January 2015	0.250	0.219	–	10,000	1,430	(11,430)	–
				–	82,000	11,726	(22,860)	70,866
Employees	8 January 2015	0.250	0.219	–	43,480	6,218	–	49,698
				–	125,480	17,944	(22,860)	120,564
Exercisable at the end of the year								120,564

Notes:

(i) For the share options granted on 8 January 2015, the exercise price per share as at 31 December 2016 has been adjusted with the effects of the share consolidation on 8 December 2016 and the open offer on 24 April 2015. Further details are set out in Note 29 to the consolidated financial statements.

(ii) For the share options granted on 18 January 2016, the exercise price per share as at 31 December 2016 has been adjusted with the effects of the share consolidation on 8 December 2016. Further details are set out in Note 29 to the consolidated financial statements.

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31. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2016 are as follows:

Name of subsidiary	Place of incorporation and kind of legal entity	Issued and paid-up share capital	Percentage of issued capital held by the Company Directly	Indirectly	Principal activities and place of operations
8192 Limited	Hong Kong, limited liability company	HK$1	100%	–	Provision of services in Hong Kong
Leading Ocean Limited	British Virgin Islands	US$1	100%	–	Investment holding in Hong Kong
SINO CMB (Group) Holding Company Limited	Hong Kong, limited liability company	HK$1	–	100%	Securities investment in Hong Kong
Sino Unique Limited	British Virgin Islands	US$1	100%	–	Investment holding in Hong Kong
China Glory International Holdings Limited	Hong Kong, limited liability company	HK$1	–	100%	Inactive
Global Environmental Engineering Company Limited	British Virgin Islands	US$10,000	100%	–	Investment holding in Hong Kong
Hong Kong Environmental Engineering Holdings Limited	Hong Kong, limited liability company	HK$1	–	100%	Investment holding in Hong Kong
Hong Kong Environmental Engineering & Services Limited	Hong Kong, limited liability company	HK$1	–	100%	Inactive
Hong Kong Environmental Engineering Company Limited	Hong Kong, limited liability company	HK$1	–	100%	Investment holding and administrative services in Hong Kong
蔚藍環保技術服務(深圳)有限公司	The PRC, limited liability company	RMB39,717,870	–	100%	Trading business in the PRC
Energy China Investment Company Limited	Hong Kong, limited liability company	HK$50,000	100%	–	Investment holding and marketing services in Hong Kong
中達博誠能源科技(深圳)有限公司	The PRC, limited liability company	RMB105,081,240	–	100%	Investment holding and trading business in the PRC

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

31. SUBSIDIARIES *(Continued)*

Details of the Company's subsidiaries at 31 December 2016 are as follows: *(Continued)*

Name of subsidiary	Place of incorporation and kind of legal entity	Issued and paid-up share capital	Percentage of issued capital held by the Company Directly	Percentage of issued capital held by the Company Indirectly	Principal activities and place of operations
深圳市順天運環保科技有限公司	The PRC, limited liability company	RMB20,000,000	–	51%	Rental of air-conditioners in the PRC
深圳市瑞風節能環保設備有限公司	The PRC, limited liability company	RMB5,000,000	–	51%	Inactive
Wonderful Dream Limited	British Virgin Islands	US$1	100%	–	Investment holding in Hong Kong
Vax Limited	British Virgin Islands	US$1,000	–	100%	Investment holding in Hong Kong
Hong Kong Carbon Emission Trading Limited	Hong Kong, limited liability company	HK$10,000	–	100%	Operations of carbon emission trading platform in Hong Kong
Instant Wealth Global Limited	British Virgin Islands	US$1	100%	–	Investment holding in Hong Kong
Force Green Limited	British Virgin Islands	US$1	–	100%	Investment holding in Hong Kong
United Property Finance Limited	Hong Kong, limited liability company	HK$4	–	100%	Money lending in Hong Kong
Triplezoom Investments Limited	British Virgin Islands	US$1	100%	–	Investment holding in Hong Kong
Sea Horizon Global Limited	British Virgin Islands	US$1	–	100%	Investment holding in Hong Kong
Hing Lee Securities Limited	Hong Kong, limited liability company	HK$13,000,000	–	100%	Securities trading in Hong Kong

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year. The financial statements of the above subsidiaries have been audited by HLB Hodgson Impey Cheng Limited, Hong Kong for statutory purpose and/or for the purpose of group consolidation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

31. SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiary that has material non-controlling interests:

Name of subsidiary	Place of incorporation/ registration and operation	Proportion of ownership interests and voting rights held by non-controlling interests	Loss allocated to non-controlling interests		Accumulated non-controlling interests	
			2016	2015	**2016**	2015
			HK$'000	HK$'000	**HK$'000**	HK$'000
深圳市順天運環保科技有限公司	The PRC	49%	**(8,838)**	(7,666)	**(7,345)**	1,282

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 amounts before intragroup eliminations.

	2016	2015
	HK$'000	HK$'000
Non-current assets	**43,589**	38,260
Current assets	**20,092**	45,156
Current liabilities	**(75,505)**	(77,634)
Equity attributable to owners of the Company	**(4,479)**	4,500
Non-controlling interests	**(7,345)**	1,282

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

31. SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiary that has material non-controlling interests: *(Continued)*

	2016 HK$'000	2015 HK$'000
Revenue	**4,137**	5,286
Expenses	**(22,173)**	(20,930)
Loss for the year	**(18,036)**	(15,644)
Loss attributable to owners of the Company	**(9,198)**	(7,978)
Loss attributable to owners of the non-controlling interests	**(8,838)**	(7,666)
Loss for the year	**(18,036)**	(15,644)
Other comprehensive income/(loss) attributable to owners of the Company	**219**	(281)
Other comprehensive income/(loss) attributable to owners of the non-controlling interests	**211**	(270)
Other comprehensive income/(loss) for the year	**430**	(551)
Total comprehensive loss attributable to owners of the Company	**(8,979)**	(8,259)
Total comprehensive loss attributable to owners of the non-controlling interests	**(8,627)**	(7,936)
Total comprehensive loss for the year	**(17,606)**	(16,195)
Dividend paid to non-controlling interests	**–**	–
Net cash inflow from operating activities	**14,911**	35,740
Net cash outflow from investing activities	**(13,871)**	(35,050)
Net cash inflow	**1,040**	690

Significant restriction

Cash at bank and in hand dominated in RMB held in the PRC are subject to local exchange control regulations. These local exchange control regulations provide restrictions on exporting capital from the PRC, other than through normal dividend.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

32. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position

		2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**1,324**	1,894
Interests in subsidiaries		**261,998**	332,494
		263,322	334,388
Current assets			
Other receivables, deposits and prepayments		**1,114**	1,148
Cash and cash equivalents		**494**	3,802
		1,608	4,950
Current liabilities			
Accruals and other payables		**1,116**	540
Amount due to a subsidiary		**–**	33
Other borrowings		**21,000**	–
		22,116	573
Net current (liabilities)/assets		**(20,508)**	4,377
Total assets less current liabilities		**242,814**	338,765
Net assets		**242,814**	338,765
Equity			
Share capital	29	**23,031**	23,031
Reserves		**219,783**	315,734
Total equity		**242,814**	338,765

The financial statements were approved and authorised for issue by the board of directors on 27 March 2017 and signed on its behalf by:

Chan Kwok Wing
Director

Shi Guang Rong
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

32. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserves movement

	Share premium HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015	361,795	1,030	742	–	(107,828)	255,739
Open offer of ordinary shares	121,550	–	–	–	–	121,550
Transaction costs attributable to open offer of ordinary shares	(4,151)	–	–	–	–	(4,151)
Placing new shares	36,850	–	–	–	–	36,850
Transaction costs attributable to placing new shares	(1,104)	–	–	–	–	(1,104)
Issuance of share options	–	–	–	22,335	–	22,335
Lapse of share options	–	–	–	(3,560)	3,560	–
Net loss for the year	–	–	–	–	(115,485)	(115,485)
At 31 December 2015 and 1 January 2016	514,940	1,030	742	18,775	(219,753)	315,734
Issuance of share options	–	–	–	16,100	–	16,100
Net loss for the year	–	–	–	–	(112,051)	(112,051)
At 31 December 2016	**514,940**	**1,030**	**742**	**34,875**	**(331,804)**	**219,783**

The contributed surplus of the Company represents the difference between the aggregate net assets of the subsidiaries acquired by the Company under the group reorganisation in 2002 and the nominal amount of the Company's shares issued for the acquisition.

33. OPERATING LEASE COMMITMENTS

As at 31 December 2016, the total future minimum lease payments of the Group under non-cancellable operating lease in respect of rented premises are payable as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**4,203**	8,303
Between one to five years	**6,888**	14,814
	11,091	23,117

The Group leases premises under operating leases. The leases run for an initial period from two to three years (2015: two to four years), without any option to renew the lease terms at the expiry date and do not include any contingent rentals.

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For the year ended 31 December 2016

34. ACQUISITION OF SUBSIDIARIES

(i) Acquisition of United Property Finance Limited

On 29 October 2015, the Group entered into a sale and purchase agreement for the acquisition of 100% equity interest of United Property Finance Limited from independent third parties for cash consideration of HK$600,000. The acquisition was completed on 29 October 2015. United Property Finance Limited is principally operating the money lending business in Hong Kong.

The fair value of the identifiable assets and liabilities acquired and the goodwill arising are as follows:

	Notes	HK$'000
Property, plant and equipment	14	1,387
Deposits		139
Bank balances		20
Accruals and other payables		(1,215)
Finance leases payables		(600)
Total identifiable net liabilities at fair value		(269)
Goodwill	16	869
		600
Satisfied by:		
Cash		600
Net cash outflow in respect of acquisition of subsidiaries:		
Cash consideration paid		(600)
Add: Cash balance acquired		20
		(580)

Included in the profit for the year of approximately HK$411,000 and revenue for the year of approximately HK$1,249,000 attributable to the Group during the year end 31 December 2015. Has these business combination been effected at 1 January 2015, the profit for the year of approximately HK$142,000 and revenue for the year of approximately HK$1,249,000 attributable to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

(ii) Acquisition of Hing Lee Securities Limited

On 15 December 2015, the Group entered into a sale and purchase agreement for the acquisition of 100% equity interest of Hing Lee Securities Limited from independent third parties for a maximum cash consideration of HK$20,070,000. The acquisition was completed on 29 July 2016 with a final cash consideration of approximately HK$20,039,000 subject to consideration adjustment clause in sale and purchase agreement. Hing Lee Securities Limited is principally operating the securities trading business in Hong Kong.

The fair value of the identifiable assets and liabilities acquired and the goodwill arising are as follows:

	Notes	HK$'000
Property, plant and equipment	14	35
Other assets		400
Trade and other receivables		17,181
Client trust bank balances		869
Bank balances		2,767
Accruals and other payables		(10,351)
Bank overdraft		(932)
Total identifiable net liabilities at fair value		9,969
Goodwill	16	10,070
		20,039
Satisfied by:		
Cash		20,039
Net cash outflow in respect of acquisition of subsidiary:		
Cash consideration		(20,039)
Earnest money and deposit paid in prior year (Note 20)		3,000
Cash consideration paid in current year		(17,039)
Add: Cash balance acquired		2,767
		(14,272)

Included in the loss for the year of approximately HK$1,356,000 and revenue for the year of approximately HK$1,100,000 attributable to the additional to the Group. Has these business combination been effected at 1 January 2016, the loss for the year of approximately HK$2,366,000 and revenue for the year of approximately HK$2,116,000 attributable to the Group.

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For the year ended 31 December 2016

35. CAPITAL COMMITMENT

	2016 HK$'000	2015 HK$'000
Contracted but not provided for:		
Acquisition of a subsidiary *(Note 34(ii))*	–	17,070

36. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had also entered into the following related party transactions during the reporting period.

	2016 HK$'000	2015 HK$'000
Total remuneration of directors and other members of key management during the year was as follows:		
Salary and other short-term employee benefits	6,306	5,128
Employer's contribution to retirement scheme	72	54
Share-based compensation	12,052	20,470
	18,430	25,652

37. CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2015

On 29 December 2014, Shenzhen Shun Tian Yun Environmental Technology Limited ("Shun Tian Yun"), an indirect non-wholly owned subsidiary of the Company, entered into (i) the Exclusivity Agreement with Shenzhen Li Bing Air-conditioners Limited ("Li Bing"), an indirect wholly-owned company of a shareholder of Shun Tian Yun, whereby Shun Tian Yun is conditionally granted an exclusivity right in respect of the energy-saving air-conditioners manufactured by Li Bing; and (ii) the Purchase Agreement whereby Shun Tian Yun conditionally agrees to purchase from Li Bing's energy-saving air-conditioners up to an annual cap of RMB150,000,000 (equivalent to approximately HK$188,775,000) for the year ended 31 December 2015. The entering into of the agreements constituted a major and continuing connected transactions for the Group. Details could be referred to the Company's announcements dated 29 December 2014 and 17 April 2015; and the Company's circular dated 24 April 2015.

38. DIVIDENDS

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest risk and certain other price risks, which result from both its operating and investing activities. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether these changes are caused by factors specific to the individual financial instrument or its issuers, or factors affecting all similar financial instrument traded in the market. The Group does not have written risk management policies and guidelines. However, the directors closely monitor and focus on actively securing the Group's short to medium term cash flows by minimising the exposure to financial market.

The Group does not actively involve in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

(i) Interest rate risk

The Group's exposure to changes in interest rates mainly due to cash and cash equivalents which earn interest at floating rates. However, the directors are of the opinion that the sensitivity of the Group's result for the year to the reasonably possible change in interest rate in the coming twelve months is considered as minimal.

(ii) Foreign currency risk

The Group mainly operates in Hong Kong and the PRC. The functional currencies of the Company and its subsidiaries are mainly HK$ and RMB with certain of their business transactions being settled in RMB. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. As the functional currency of the PRC subsidiary is also RMB, thus, the management considered the foreign exchange exposure is minimal. The Group currently has not entered into any contracts to hedge its foreign currency risk. However, the management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise. The sensitivity analysis of 5% change in foreign currency rates as followings:

Sensitivity analysis

	Liabilities		Assets	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**11,292**	11,685	**130,281**	165,067
Increase/(decrease) in loss for the year			**5,949**	7,669

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(iii) Credit risks

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfil its obligation which results in financial loss. The carrying amounts of cash and cash equivalents and trade and other receivables and loans receivable included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

In respect of loans receivable, the management of the Group has delegated a team responsible for determination of credit limits, credit approval and other monitoring procedures to ensure that follow-up action is taken for the recoverable amount. In addition, the Group reviews the recoverable amount of each individual's loans receivable at the end of each reporting period to ensure that adequate impairment loss are made for irrecoverable amounts. As at 31 December 2016, based on past experience, the directors of the Company are of the opinion that no provision for impairment on individual loans 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 manages and analyses the credit risk for each of their new and existing clients before standard payment terms and conditions are offered. If there is no independent rating, the Group assesses the credit quality of the customer based on the customer's financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the directors. The utilisation of credit limits is regularly monitored.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arises when the Group has significant exposure to individual customers. At the end of the reporting period, there was no trade receivables was due from the Group's largest customer (2015: Nil).

In relation to the Group's deposit with bank, the Group limits its exposure to credit risk by placing deposits with financial institution with high credit rating and no recent history of default. The directors consider that the Group's credit risk on the bank deposits is low. Management continues to monitor the position and will take appropriate action if their ratings are changed. As at 31 December 2016 and 2015, the Group has no significant concentration of credit risk in relation to deposit with bank.

(iv) Price risk

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.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate remains as 15% in the current year as a result of the volatile financial market. If equity prices had been 15% higher/lower (2015: 15%): – Post-tax loss for the year ended 31 December 2016 would decrease/increase by approximately HK$855,000 (2015: approximately HK$1,671,000). This is mainly due to the changes in fair value of listed equity securities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(v) Liquidity risks

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs are identified monthly.

The Group's liquidity is dependent upon the cash received from its customers. The directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future.

As at 31 December 2016 and 31 December 2015, the remaining contractual maturities of the Group's financial liabilities which are based on contractual undiscounted cash flows are summarised below:

	Weighted average effective interest rate	Total carrying amount	Total undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 5 years
	%	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2016					
Trade payables	**–**	**11,655**	**11,655**	**11,655**	**–**
Accruals and other payables	**–**	**3,971**	**3,971**	**3,971**	**–**
Amounts due to a related party	**–**	**290**	**290**	**290**	**–**
Finance leases payables	**2.15**	**392**	**425**	**106**	**319**
Others borrowings	**39.14**	**21,000**	**21,000**	**21,000**	**–**
		37,308	**37,341**	**37,022**	**319**
At 31 December 2015					
Trade payables	–	5,120	5,120	5,120	–
Accruals and other payables	–	4,713	4,713	4,713	–
Amounts due to a related party	–	310	310	310	–
Finance leases payables	2.15	480	532	106	426
		10,623	10,675	10,249	426

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(vi) Fair values of financial instrument

The fair value of financial assets and financial liabilities are determined as follows:

(i) The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid prices and ask prices respectively, and

(ii) The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities.

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of the Group's financial assets are measured at fair value on a recurring basis.

Financial assets	Fair value as at 31 December 2016 HK$'000	Fair value as at 31 December 2015 HK$'000	Fair value hierarchy	Valuation Techniques and key inputs	Significant unobservable inputs
Financial assets at FVTPL equity securities listed in Hong Kong	**6,830**	13,345	Level 1	Quoted bid prices in an active market	N/A

Except as disclosed as above, the Directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximates to their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(vii) Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2016 and 2015 may be categorised as follows. See Note 3 for explanations about how the category of financial instruments affects their subsequent measurement.

(i) Financial assets

	2016 **HK$'000**	2015 HK$'000
Financial assets at FVTPL	**6,830**	13,345
Client trust bank balances	**817**	–
Cash and cash equivalents	**13,925**	82,743
Loans and receivables:		
Trade receivables	**69,655**	4,501
Other receivables and deposits	**2,440**	3,333
Loans receivable	**27,203**	33,149
	120,870	137,071

(ii) Financial liabilities

Financial liabilities at amortised cost:

	2016 **HK$'000**	2015 HK$'000
Current liabilities:		
Trade payables	**11,655**	5,120
Accruals and other payables	**3,971**	4,713
Amounts due to a related party	**290**	310
Finance leases payables	**392**	480
Other borrowings	**21,000**	–
	37,308	10,623

40. CAPITAL MANAGEMENT

The Group's capital management objectives are:

(i) to ensure the Group's ability to continue as a going concern;

(ii) to provide an adequate return to the owners of the Company;

(iii) to support the Group's sustainable growth; and

(iv) to provide capital for the purpose of potential mergers and acquisitions.

The Group sets the amount of equity capital in proportion to its overall financing structure. 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 amount of dividends paid to owners of the Company; return capital to owners of the Company; issue new shares; or sell assets to reduce debt.

Gearing ratio

The directors reviewed the capital structure on an annual basis. As part of this review, the directors considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the end of the reporting period was as follows:

	2016 **HK$'000**	2015 HK$'000
Debts *(note 1)*	**21,682**	790
Cash and cash equivalents	**(13,925)**	(82,743)
Net debt/(cash)	**7,757**	(81,953)
Equity *(note 2)*	**271,170**	339,205
Net debt to equity ratio	**0.03**	N/A

Notes:

1. Debt comprises amounts due to a related party, finance leases payables and other borrowings as detail in Notes 26, 27 and 28 respectively.

2. Equity includes all capital and reserves attributable to owners of the Company.

41. EVENTS AFTER THE REPORTING PERIOD

Subscription of new shares under general mandate

On 4 January 2017, the Company and the subscribers entered into the subscription agreements pursuant to which the Company has conditionally agreed to allot and issue, and the subscribers have agreed to subscribe for a total of 115,153,225 shares of the Company at the subscription price of HK$0.329 per subscription share. The 115,153,225 subscription shares represent 20.00% of the existing issued share capital of the Company as at the date of the subscription agreements and approximately 16.67% of the issued share capital of the Company as enlarged by the subscription shares. The subscription shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 3 May 2016. The net proceeds raised from the subscription in aggregate amount was approximately HK$37,750,000 which was intended to be used (i) as to approximately HK$21,000,000 for repayments of short-term loans; (ii) as to approximately HK$8,000,000 for expansion of securities trading business; and (iii) as to the remaining balance of approximately HK$8,750,000 for general working capital and future development of the Group. The subscription was completed on 18 January 2017. Details of the subscription are set out in the Company's announcements dated 4 January 2017 and 18 January 2017.

42. COMPARATIVE

The comparative consolidated statement of profit or loss and other comprehensive income has been re-presented as the segment of the manufacturing and sales of air-conditioners was discontinued during the current year. Certain comparative amounts have been reclassified to conform to the current year's presentation. In the opinion of the company's directors, such reclassification provides a more appropriate presentation of the Group's business segments.

43. AUTHORISATION OF ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2017.