China Bio Cassava Holdings Limited
中國生物資源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8129)

Annual Report 2016

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

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

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

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Kwan Kin Chung *(Managing Director)*
Mr. Yu Huaguo
Mr. Poon Yu Keung
Mr. Hung Ching Fung

NON-EXECUTIVE DIRECTOR

Mr. Leung Lap Yan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tse On Kin *(Chairman)*
(Resigned on 9 November 2016)
Mr. Chow Wing Tung
Mr. Ko Wai Lun Warren
Ms. Luk Huen Ling Claire
(Appointed on 6 February 2017)

COMPLIANCE OFFICER

Mr. Poon Yu Keung

AUDIT COMMITTEE

Mr. Chow Wing Tung *(Chairman)*
Mr. Tse On Kin
(Resigned on 9 November 2016)
Mr. Ko Wai Lun Warren
Ms. Luk Huen Ling Claire
(Appointed on 6 February 2017)

REMUNERATION COMMITTEE

Mr. Chow Wing Tung *(Chairman)*
Mr. Tse On Kin
(Resigned on 9 November 2016)
Mr. Ko Wai Lun Warren
Ms. Luk Huen Ling Claire
(Appointed on 6 February 2017)

NOMINATION COMMITTEE

Mr. Chow Wing Tung *(Chairman)*
Mr. Tse On Kin
(Resigned on 9 November 2016)
Mr. Ko Wai Lun Warren
Ms. Luk Huen Ling Claire
(Appointed on 6 February 2017)

AUTHORISED REPRESENTATIVES

Mr. Kwan Kin Chung
Mr. Poon Yu Keung

COMPANY SECRETARY

Ms. Chan Pui Chi
(Resigned on 28 November 2016)
Ms. Ng Man Kwan
(Appointed on 28 November 2016)

AUDITOR

Asian Alliance (HK) CPA Limited
Suites 313–316, 3/F
Shui On Centre
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Hong Kong

Corporate Information

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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(Cayman) Limited
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Grand Cayman KY1-1110
Cayman Island

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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as to Hong Kong law
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Hong Kong

as to Cayman Islands law
Maples and Calder
53/F, The Center
99 Queen's Road Central
Hong Kong

PRINCIPAL BANK

The Hongkong and Shanghai Banking
Corporation Limited

STOCK CODE

8129

WEBSITE ADDRESS

www.bio-cassava.com

Management's Discussion and Analysis

HIGHLIGHTS OF THE YEAR

The Group recorded turnover of HK$7,004,000 for the year ended 31 December 2016, representing a decrease of HK$318,000 or 4.3% when compared to the previous year.

The Group recorded loan interest income of HK$3,251,000 from provision of financing services for the year ended 31 December 2016, representing a marginal decrease of 1.9% from the previous year (2015: HK$3,313,000).

The Group recorded revenue of HK$1,522,000 from sales and licensing of software and embedded systems through online platform for the year ended 31 December 2016, representing an increase of 4.1% from the previous year (2015: HK$1,462,000).

Packaged software sales for the year ended 31 December 2016 was HK$2,231,000, representing a decrease of 12.4% from the previous year (2015: HK$2,547,000).

The Group's total operating expenses in 2016 decreased by HK$979,000, representing a decrease of 6.3% from the previous year. The decrease is primarily attributable to the results of adopting more tightened cost policies for the Group and reduced the cost of research and development of biotech renewable energy segment to minimal.

The Group recorded a net loss attributable to owners of the Company for the year ended 31 December 2016 for HK$7,117,000 (2015: HK$7,132,000). Loss per share attributable to the owners of the Company for the year ended 31 December 2016 was HK0.29 cent (loss per share for the year ended 31 December 2015: HK0.29 cent).

RESULTS

The consolidated turnover of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016 amounted to HK$7,004,000, representing a decrease of 4.3% from the previous year. Loss attributable to owners of the Company for the year 2016 was HK$7,117,000 (2015: HK$7,132,000). The loss per share was HK0.29 cent (2015: HK0.29 cent).

REVIEW OF OPERATIONS

The Group continuously promotes and strengthens its market positions in both provision of financing services and sales and licensing of software and embedded systems. An increase of 4.1% in revenue derived from sales and licensing of software and embedded systems through online platform was contributed by the favorable returns from the launch of the updated version of Qcode Chinese Input System for supporting Window 10. However, a decrease in packaged software sales of 12.4% was recorded due to decrease in customer demand in market.

The Group has been focusing on property mortgage financing services for several years and in this year, the mortgage loan market is relatively keen and competitive attributable to the lowered minimum requirements for mortgage loans in an intensive price war among local banks and other financing business entities since second half of 2016. The interest income for the year ended 31 December 2016 had slightly dropped by around 1.9% when compared with last year. Managing credit risk has been challenging in property mortgage industry and the management has been enhancing the credit policies in order to improve the quality of our customers, for example, our staffs serve the customers more closely leading to a prompt response to changes in customers' behavior. A HK$520,000 reversal of impairment loss in respect of loan and interest receivables was an evidence of the improvement that the Group had made in regards to managing credit and business risks.

In 2016, the Group's total operating expenses decreased by HK$979,000 compared with 2015, representing a decrease of 6.3% from the previous year. Due to the uncertainty and ineffectiveness in development of biotech renewable energy, the Group has successfully reduced the cost of research and development of biotech renewable energy to minimal.

PROSPECTS

With the new-turn pages of both the U.S. government and Hong Kong Special Administrative Region of the PRC, as well as the Brexit effect from the United Kingdom, uncertainties hover in the air of the world economic and political developments. Global economy growth is expected to move in slow pace. The management of the Group will closely monitor the businesses and prompt response will be made with the changes in market conditions. Improving credit risk assessment and balancing between the risks and benefits are the priorities for the management of the Group. Even a challenging business environment with unstable global economy and rise in interest rate of the U.S. is anticipated, in addition to the intense competition in the mortgage loan market, the Group will provide all necessary resources and supports for obtaining growth in profitability in financing services. The Group will also continue its marketing effort in promoting Q9 CIS & Qcode CIS to institutional customers and end users.

Currently, the Group does not have any commitment or future plans for material investments and capital assets.

ENVIRONMENTAL POLICIES AND COMPLIANCE WITH LAWS AND REGULATIONS

As a responsible corporation, the Group is committed to maintain a high environmental standard to ensure sustainable development of its business. The Group does not involve in any nature resources emissions. However, the Group executes various practices that improve energy efficiency, conserve resources for its operation and raise environmental awareness for the employees. The key environmental impacts from the Group's operations related to energy and paper consumption. The Group has been encouraging employees to switch to electronic documents by scanning to reduce the use of paper and switching off all electronic equipment after usage.

Management's Discussion and Analysis

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with relevant requirements could lead to adverse impact on business operation and financial position of the Group. To the best knowledge of the Directors, the Group has complied with relevant laws and regulations that have a significant impact on the Group during the year ended 31 December 2016. Subsequent to the end of the reporting period, with reference to the supplemental announcement dated 27 January 2017, the Company did not comply with Rule 17.17(3) of the Rules ("GEM Listing Rules") Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") to disclose the identity of a customer in relation to the provision of financial assistance transaction disclosed in the announcement on 20 January 2017, after consideration of the importance of protection of privacy and reputation of individual customers and confidentiality for loan transactions in commercial reality and for other commercial considerations. The board ("Board") of directors ("Directors") of the Company takes this non-compliance seriously and for avoidance of future occurrence of non-compliance of the GEM Listing Rules, the Company reinforces the Group's size test indicators monitoring system.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Our staff is regarded as the most important resource of the Group. The Group ensures all staff are reasonably remunerated and also continues to improve, review and update regularly its policies on remuneration and benefits, training, occupational health and safety.

We fully understand that employees, customers and partners are the key to our sustainable and stable development. The Group maintains strong relationships with its employees, has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure our sustainable development of the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties in implementing the Group's business strategies in the segments include:

(a) Sales and licensing of software and embedded systems

- ➢ if the demand for, or the prices of, the Group's limited number of products drops as a result of competition, promotional activities, technological changes or other factors such as lower growth or a contraction in the worldwide Chinese Input System ("CIS") software market, the Group's operating results will be materially and adversely affected;

- ➢ the markets for CIS are highly competitive and are characterized by an increasing number of entrants that have introduced or developed products similar to those offered by the Group and may have substantially greater resources, larger customer bases, greater brand name recognition and more established relationships than the Group;

(b) Provision of financial services

- if a customer's financial healthiness is not stable to make the repayment of interests and principals to the Group timely as schedules, there is a risk of default and the collection cost of the debt, such as legal cost, may increase which would adversely affect the Group's cash flow and reduce the Group's working capital for operations and in future development;
- the markets of money lending are increasingly competitive and the competitors and potential competitors may have substantially greater resources and flexibility in interest rate setting strategies when compared to the Group, it may impact the fairness representation of the return on the risk association with the loan granted; and
- the changes in economic condition may pose impacts on the value of collateral which would also affect the financial stability of the Group.

To address these principal risks and uncertainties, the management of the Group will highly monitor the internal control over the credit management and collection procedures so as to reduce the business risks by enhanced controls environment. The management will also regularly monitor over cash flows and capital structure to reduce liquidity risk.

COMMITMENTS

The Group has no credit facilities and no borrowing outstanding as at 31 December 2016 (2015: Nil).

(a) Capital commitments

At 31 December 2016, the Group had no capital commitment (2015: Nil).

(b) Commitments under operating leases

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

	2016	2015
	HK$'000	HK$'000
Within one year	**1,308**	1,556
In the second to the fifth years, inclusive	**346**	472
	1,654	2,028

(c) Other commitment

At 31 December 2016, the Group had no other commitment (2015: Nil).

Management's Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The Group has no interest bearing debt. The Group relies on its internal resources, the net proceeds from the placing of new shares and issue of warrants as the sources of funding. The Group keeps most of its cash in Hong Kong dollars in the bank accounts and a minimum amount of cash in Renminbi in the bank account of its subsidiaries in the PRC as working capital of the Group.

There was no borrowings on the Group's assets as at 31 December 2016 (2015: Nil). The Group had no debt as at 31 December 2016 (2015: Nil).

The gearing ratio of the Group, based on total borrowings to shareholder's equity, was nil as at 31 December 2016 (2015: Nil).

ORDER BOOK

Due to the nature of the Group's business, the Group does not maintain an order book.

INVESTMENT

There was no significant investment made during the year ended 31 December 2016.

ACQUISITION, DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisition and disposal of subsidiaries or affiliated companies for the year ended 31 December 2016 (2015: Nil).

HUMAN RESOURCES

Staff number

As at 31 December 2016, the Group employed 28 staff (2015: 32). Total staff costs, including directors' emoluments were approximately HK$8.9 million for the year ended 31 December 2016 as compared with those of approximately HK$10.2 million in 2015.

Remuneration policies

The Group remunerated its employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus and share options may be granted to the eligible staff by reference to the Group's performance as well as individual's performance.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group currently does not have any commitment or future plans for material investments and capital assets.

HEDGING POLICY

The Group does not have any material exposure to fluctuations in exchange or interest rates. Therefore, no hedging measures have been taken at present.

CONTINGENT LIABILITIES

The Group does not have any contingent liabilities as at 31 December 2016 (2015: Nil).

CREDIT POLICY

The credit terms given to customers are generally based on the financial strengths of individual customers. The Group generally allows an average credit term of 0-30 days to its trade customers.

SEGMENTAL INFORMATION

Details of the segmental information are set out in Note 5 to the consolidated financial statements.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance. Maintaining a good and solid framework of corporate governance will ensure the Company to run its business in the best interests of the shareholders. Throughout the year ended 31 December 2016, the Company has complied with the code provisions of the Corporate Governance Code (the "Code") set out in Appendix 15 of the GEM Listing Rules, with the exception of deviation set out below.

Under Code Provision A.2.1, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. Following the resignation of Mr. Tse On Kin ("Mr. Tse") as the chairman of the Board and an independent non-executive Director with effect from 9 November 2016, the Company has not appointed chairman, and the roles and functions of the chairman have been performed by all the executive Directors collectively.

Under Code Provision A.6.7, independent non-executive directors and non-executive director should attend general meetings and develop a balanced understanding of the views shareholders. Mr. Leung Lap Yan, the non-executive Director, Mr. Tse, the former independent non-executive Director, and Mr. Chow Wing Tung, the independent non-executive Director, were unable to attend the annual general meeting of the Company held on 25 May 2016 due to their respective other important engagements elsewhere.

Under Code Provision E.1.2, the chairman of the Board should attend the annual general meeting. The former chairman of the Board was unable to attend the annual general meeting of the Company held on 25 May 2016 as he was on business trip for other important business engagement. However, an executive Director presented at the annual general meeting who then took the chair of that meeting in accordance with the Memorandum and Articles of Association of the Company.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of the Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors for the year ended 31 December 2016.

Corporate Governance Report

BOARD OF DIRECTORS

As at the date of this report, the Board comprises eight members, including four executive Directors (namely Messrs. Kwan Kin Chung, Yu Huaguo, Poon Yu Keung and Hung Ching Fung), a non-executive Director (namely Mr. Leung Lap Yan) and three independent non-executive Directors (namely Messrs. Chow Wing Tung, Ko Wai Lun Warren and Ms. Luk Huen Ling Claire). An updated list of directors and their role and functions is maintained at the websites of the Company and the Stock Exchange. The directors' biographical details are set out on pages 22 to 24 of this report. There is no other relationship, including financial, business, family or other material/relevant relationship(s) between members of the Board.

Currently, at every annual general meeting of the Company, all Directors including the independent non-executive Directors shall retire from office by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat.

Board and general meetings

The Board meets regularly. During the year ended 31 December 2016, the Board held four meetings and one general meeting on 25 May 2016 to exercise its duties including discussing and making decisions on the Group's business strategic development, finance matters, material operational matters and other matters as required.

Statistics of each Director's attendance at the board meetings and general meeting:

Name of directors	Attendance at Board Meetings/ No. of Board Meetings held	Attendance at General Meeting/ No. of General Meeting held
Mr. Kwan Kin Chung *(Managing Director)*	3/4	0/1
Mr. Yu Huaguo	4/4	1/1
Mr. Poon Yu Keung	4/4	1/1
Mr. Hung Ching Fung	4/4	1/1
Mr. Leung Lap Yan	3/4	0/1
Mr. Tse On Kin *(Chairman)* (resigned on 9 November 2016)	2/3	0/1
Mr. Chow Wing Tung	4/4	0/1
Mr. Ko Wai Lun Warren	4/4	1/1
Ms. Luk Huen Ling Claire (appointed on 6 February 2017)	0/0	0/0

Corporate Governance Report

The Board is accountable to shareholders for the activities and performance of the Group and for the preparation of financial statements which give a true and fair view. It oversees the Group's overall strategic plans, reviews the financial performance, supervises the management of the business and affairs and approves the strategic plans. The Board delegates the corporate matters to management of the Group, including preparation of annual, interim and quarterly accounts, execution of the business strategies and adopted by the Board, implementation of internal controls system and compliance with relevant statutory requirement and other rules and regulations. Management is required to present an annual budget and proposals for major investment, addition of capital assets, and changes in business strategies for the Board's approval.

Following the resignation of Mr. Tse as the chairman of the Board and an independent non-executive Director, the Company had two independent non-executive Directors and two audit committee members, the number of which fell below the minimum number required under Rules 5.05(1) and 5.28 of the GEM Listing Rules during the period from 9 November 2016 to 5 February 2017. Further, the number of independent non-executive Directors fell below one-third of the Board members as required under Rule 5.05A of the GEM Listing Rules. On 6 February 2017, the Board appointed Ms. Luk Huen Ling Claire, who has appropriate professional qualification and related management expertise, as an independent non-executive Director and an audit committee member to fill the vacancy complying with the requirements of the GEM Listing Rules.

Confirmation of independence

All three independent non-executive Directors come from professional backgrounds and two of them have appropriate accounting or related financial management expertise. The independent non-executive Directors render their valuable expertise and experience for safeguarding the best interests of the Group. The Company has received from each of the independent non-executive Directors the annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all the independent non-executive Directors are independent.

Continuous professional development

All the Directors have been informed of the requirement under Code Provision A.6.5 regarding continuous professional development, they should keep abreast of their collective responsibilities as Directors and of the business and activities of the Group. Directors receive regular updates and presentations on changes and developments to the Group's business and to environments in which the Group operates, as well as their responsibilities under the relevant statutes, laws, rules and regulations to ensure compliance and enhance their awareness of good corporate governance practices. Directors are also encouraged to attend relevant training courses at the Company's expenses.

For the year ended 31 December 2016, the Directors participated in the continuous professional developments in relation to regulatory updates, the duties and responsibilities of the Directors and the business of the Group in the following manner:

Name of directors	**Attending seminars and/or conferences and/or reading professional journals and updates relating to the economy, general business, director's duties and responsibility, etc.**
Mr. Kwan Kin Chung *(Managing Director)*	√
Mr. Yu Huaguo	√
Mr. Poon Yu Keung	√
Mr. Hung Ching Fung	√
Mr. Leung Lap Yan	√
Mr. Tse On Kin *(Chairman)* (resigned on 9 November 2016)	√
Mr. Chow Wing Tung	√
Mr. Ko Wai Lun Warren	√
Ms. Luk Huen Ling Claire (appointed on 6 February 2017)	√

CHAIRMAN AND CHIEF EXECUTIVE

Under Code Provision A.2.1., the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Mr. Tse took up the role as the chairman of the Board before his resignation on 9 November 2016 and no chief executive officer is appointed by the Company. However, the roles of the Managing Director of the Company, Mr. Kwan Kin Chung, are similar to chief executive officer. The chairman's roles are convening meetings of the Board and make decision of the Group's business strategies. The Managing Director's responsibilities are to participate in the decision on essential matters of the Company and to monitor and manage the daily business of the Company. The roles and responsibilities of the two posts were well distinct.

Currently, the Board comprises four executive Directors and Code Provision A.2.1 is not complied. But the Board believes that the Company has already have a strong corporate governance structure in place to ensure effective oversight of management. The Board will continue to review the effectiveness of current management structure from time to time and may make changes if and when appropriate. The Board will also continue to monitor and review the Company's corporate governance practices to ensure compliance with the Code.

Corporate Governance Report

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Mr. Ko Wai Lun Warren and Ms. Luk Huen Ling Claire were appointed as independent non-executive Directors on 13 February 2014 and 6 February 2017 respectively. Both of them have an appointment for a term of three years with the Company and are subject to retirement by rotation and re-election at every annual general meeting of the Company. Apart from this, the other independent non-executive Director and the non-executive Director of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at every annual general meeting of the Company.

BOARD COMMITTEES

The Board has established committees, namely Audit Committee, Remuneration Committee and Nomination Committee to oversee other particular aspects of the Company's affairs.

REMUNERATION COMMITTEE

The Remuneration Committee was reconstituted in March 2012 with defined terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and Code Provision B.1.2. It's role is to review and determine the policy for the remunerations of the Directors and other senior management members. As at the date of this report, it comprises three independent non-executive Directors, namely Mr. Chow Wing Tung (as the chairman of the Remuneration Committee), Mr. Ko Wai Lun Warren and Ms. Luk Huen Ling Claire (who replaced Mr. Tse resigned on 9 November 2016). The terms of reference of the Remuneration Committee are available at the websites of the Company and the Stock Exchange.

The Remuneration Committee is mainly responsible for:

(a) Formulating remuneration policy for approval by the Board, which shall take into consideration factors such as salaries paid by comparable companies, employment conditions, and responsibilities, and individual performance of the Directors, senior management, and the general staff. Performance shall be measured against corporate goals and objectives resolved by the Board from time to time; and implement the remuneration policy laid down by the Board;

(b) Establishing guidelines for the recruitment of the chief executive and senior management;

(c) Recommending to the Board the policy and structure for the remuneration of Directors (including non-executive Directors, and the chief executive as an ex-officio member) and senior management whilst ensuring no Director or any of his associates is involved in deciding his own remuneration;

(d) Determining the remuneration of executive Directors (including the chief executive who is an ex-officio member) and senior management, including benefits in kind, pension right, compensation payment (including compensation for loss of office or appointment etc.). The chairman and/or the chief executive shall be consulted respectively about their proposals relating to the remuneration of the chief executive and/or senior management, as the case may be;

(e) Reviewing and approving the compensation arrangements in connection with any loss or termination of their office or appointment, or dismissal or removal for misconduct to executive Directors and senior management which shall be fair and non-excessive;

(f) Determining the criteria for assessing employee performance, which should reflect the Company's business objectives and targets;

(g) Considering the annual performance bonus for executive Directors, senior management, and the general staff, having regard to their achievements against the performance criteria and by reference to market norms, and make recommendation to the Board;

(h) Engage such external professional advisors to assist and/or advise the Committee on issues as it considers necessary;

(i) Do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board; and

(j) Conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by applicable legislation and regulations.

The Remuneration Committee held a meeting during the year ended 31 December 2016 to discuss the policy and structure of the remuneration of the Directors and other senior management members.

Statistics of each Remuneration Committee member's attendance at the Remuneration Committee Meeting:

Name of members	**Attendance at Remuneration Committee Meeting/ No. of Remuneration Committee Meeting held**
Mr. Chow Wing Tung *(Chairman)*	1/1
Mr. Ko Wai Lun Warren	1/1
Mr. Tse On Kin (resigned on 9 November 2016)	1/1
Ms. Luk Huen Ling Claire (appointed on 6 February 2017)	0/0

Corporate Governance Report

NOMINATION COMMITTEE

The Nomination Committee was formed in March 2012 with defined terms of reference in compliance with Code Provisions A.5.1 and A.5.2. It is mainly responsible for the formulation of the nomination policy, reviewing the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skill, knowledge and length of service) of the Board, nomination of candidates to fill casual vacancies of elected Directors, assessing non-executive Directors' independence, reviewing the time required from a Director to perform his responsibilities, and making recommendations to the Board on the succession planning for the chairman, the chief executive as well as the senior management. As at the date of this report, it comprises three independent non-executive Directors, namely Mr. Chow Wing Tung (as the Chairman of the Nomination Committee), Mr. Ko Wai Lun Warren and Ms. Luk Huen Ling Claire (who replaced Mr. Tse resigned on 9 November 2016). The terms of reference of the Nomination Committee are available at the websites of the Company and the Stock Exchange.

The Nomination Committee shall meet as least annually and whenever it considers necessary. During the year ended 31 December 2016, the Nomination Committee held a meeting to review the structure, size and diversity of the Board.

Statistics of each Nomination Committee member's attendance at the Nomination Committee Meeting:

Name of members	**Attendance at Nomination Committee Meeting/ No. of Nomination Committee Meeting held**
Mr. Chow Wing Tung *(Chairman)*	1/1
Mr. Ko Wai Lun Warren	1/1
Mr. Tse On Kin (resigned on 9 November 2016)	1/1
Ms. Luk Huen Ling Claire (appointed on 6 February 2017)	0/0

AUDIT COMMITTEE

The Audit Committee has been established since the listing of the Company on the GEM in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules and Code Provisions C.3.3 and C3.3.7. Its' roles and functions, among others, are to review and supervise the Company's financial reporting process, risk management and internal control systems in compliance with the GEM Listing Rules. As at the date of this report, it comprises three independent non-executive Directors, namely Mr. Chow Wing Tung (as the Chairman of the Audit Committee), Mr. Ko Wai Lun Warren and Ms. Luk Huen Ling Claire (who replaced Mr. Tse resigned on 9 November 2016). The terms of reference of the Audit Committee describing the authorities and duties of the Audit Committee were adopted with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountant and the Code published by the Stock Exchange and are available at the Company's website and on the website of the Stock Exchange.

The Audit Committee meets regularly to review the reporting of financial and other information to shareholders, reports and make recommendations to improve the Group's financial reporting process and internal controls to the Board.

During the year ended 31 December 2016 and up to the date of this report, the Audit Committee reviewed with the management of the Group's unaudited quarterly and interim results and reports as well as annual audited results and report for the year ended 31 December 2016, and discussed internal controls and financial reporting matters. The Audit Committee also reviewed this report, and confirmed that this report complies with the applicable standard, the GEM Listing Rules and other applicable legal requirements and that adequate disclosures have been made. The Audit Committee also met with the external auditor of the Company and reported that there is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditor of the Company.

The Audit Committee should meet at least four times per year and whenever it demands and four meetings were held during the year ended 31 December 2016.

Statistics of each Audit Committee member's attendance at the Audit Committee Meetings:

Name of members	**Attendance at Audit Committee Meetings/ No. of Audit Committee Meetings held**
Mr. Chow Wing Tung *(Chairman)*	4/4
Mr. Ko Wai Lun Warren	4/4
Mr. Tse On Kin (resigned on 9 November 2016)	2/3
Ms. Luk Huen Ling Claire (appointed on 6 February 2017)	0/0

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions under Code Provision D.3.1, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and (e) to review the Company's compliance with the Code and disclosures in the corporate governance report.

Corporate Governance Report

EXTERNAL AUDITOR

During the year ended 31 December 2016, the Company's external auditor, Asian Alliance (HK) CPA Limited (formerly known as ZHONGLEI (HK) CPA Company Limited), provided its annual audit services and taxation advisory service to the Group. The Audit Committee is responsible for considering the appointment of the external auditor and reviewing the non-audit functions, if any, performed by the external auditor. In particular, the Audit Committee also considers, before they are contracted for such service, whether such non-audit service could lead to any potential material conflict of interest. Nothing has come to the Board's attention to cause the Audit Committee to believe that the non-audit services provided by the external auditor would affect their independence, objectivity and effectiveness in the audit processes in accordance with applicable standards.

The remuneration paid or payable in respect of services provided by Asian Alliance (HK) CPA Limited (formerly known as ZHONGLEI (HK) CPA Company Limited) for the year ended 31 December 2016 is as follow:

	2016 **HK$**
Annual audit services	**382,000**

COMPANY SECRETARY

Ms. Ng Man Kwan ("Ms. Ng") was appointed as the company secretary of the Company on 28 November 2016. Ms. Ng obtained a bachelor's degree in Accountancy from The Hong Kong Polytechnic University and she is a member of the Hong Kong Institute of Certified Public Accountants. Ms. Ng has over nine years of experience in auditing, accounting and financial management and had been working in an international accounting firm prior to joining the Company. The selection, appointment or dismissal of the company secretary is approved by the Board. Ms. Ng is a full time employee of the Company and has day-to-day knowledge of the Company's affairs.

For the year ended 31 December 2016, Ms. Ng has confirmed that she has taken no less than 15 hours of relevant professional training in compliance with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting and putting forward proposals at Shareholders' meetings

Pursuant to the article 72 of the articles of association of the Company, general meetings shall be convened on the written requisition of any two or more members of the Company deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Procedures by which enquiries may be put to the Board

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Board/ company secretary at the Company's principal place of business in Hong Kong. For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the Company's principal place of business in Hong Kong and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law. Shareholders may also make enquiries with the Board at the general meetings of the Company.

During the year ended 31 December 2016, there was no significant change in the Company's constitutional documents.

COMMUNICATION WITH SHAREHOLDERS

Information shall be communicated to shareholders through the Company's financial reports (quarterly, interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the (i) corporate communication documents including, but not limited to, copy of annual reports, interim reports, quarterly reports, notices of meeting, circulars, proxy forms; (ii) other documents issued by the Company which are published on the website of the GEM for the information or action of holders of any of its securities, including announcements, monthly returns on movements in the Company's securities for each month and next day disclosure returns; (iii) constitutional documents of the Company and board committees; (iv) corporate information including list of Directors; and (v) other corporate publications including the procedures shareholders can use to propose a person for election as a Director on the Company's website.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for ensuring that an adequate system of internal controls is maintained in place within the Group, and for reviewing its effectiveness together with the Audit Committee.

The internal control system of the Group comprises of a well-defined management structure with specified limits of authority and control procedures, designed to achieve the following objectives: (a) ensure proper maintenance of account records; (b) ensure the completeness and accuracy of accounting transactions recorded in the accounting system, and timely reporting of actual financial results of the Group with comparison against budgets; (c) safeguard the Group's assets and management acts within its limits of authorities; and (d) ensure compliance with relevant legislation, regulations and listing rules, including but not limited to present a balanced, clear and understandable assessment and regular review of the Group's financial reports, other price-sensitive announcements and other financial disclosures required under the GEM Listing Rules, and report to regulators as well as to information required to be disclosed pursuant to statutory requirements.

Risk Management and Internal Control Systems Review

To review the effectiveness of the risk management and internal control systems of the Group and to resolve (if any) material internal control defects of the Group for the year ended 31 December 2016, the Company has engaged an independent consultancy firm ("Internal Control Consultants") to act as an internal control consultant to conduct independent risk assessment and internal audit review for the year ended 31 December 2016 on the Company and its major subsidiaries. The Group has adopted a COSO ERM – Integrated Framework (2004) which is issued by the Committee of Sponsoring Organizations ("COSO") of The Treadway Commission to perform the risk assessment (the "Review") on the Group for the year ended 31 December 2016. The Review is designed to enhance the risk management of the Group through a holistic and integrated framework so that all material risks faced by the Group are identified and appropriately managed to:

(i) promote consistent risk identification, measurement, reporting and mitigation;

(ii) set a common risk language to avoid any conflicting terminology or confusion in risk reporting;

(iii) develop and communicate policies on risk management and controls aligned with the business strategy; and

(iv) enhance reporting to provide transparency of risks across the Group.

During the Review, the Internal Control Consultants conducted the following procedures:

– interviewing with the department heads and management to identify the risks over the Company business units;

– quantifying the risks by financial data and market searches; and

– prioritizing the identified risks as high, medium and low risk.

The Internal Control Consultants have submitted its report of findings and recommendations to the management and the management has responded and taken necessary actions and formulated plans to remedy the findings. The Audit Committee has reviewed the report prepared by the Internal Control Consultants. The Audit Committee discharged its responsibilities, reviewed and discussed the financial results, risk management and internal control system of the Group. All material financial results, risk management and internal control system of the Group have been discussed and reviewed.

Management maintains and monitors the system of internal controls on an ongoing basis. Based on the evaluations made by the Board, external auditor and the Internal Control Consultants, the Audit Committee is satisfied that the Group has fully complied with the Code Provisions on internal controls during the year ended 31 December 2016 as set forth in the Code, except that an internal audit function has not been set up within the Group. The Company will perform the ongoing assessment to update the entity-level risk factors and report to the Board on a regular basis.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Kwan Kin Chung ("Mr. Kwan"), aged 47, joined the Group in February 2001 and was appointed as an Executive Director. He was subsequently appointed as the Managing Director of the Company in January 2007 and responsible for the restructuring of the group businesses and corporate investments. He holds directorship in certain subsidiaries of the Company. From 1998 to 2002, Mr. Kwan held the position as a vice president of Culturecom Holdings Limited ("Culturecom"), a company whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 343), a substantial shareholder of the Company. He is currently the managing director of Culturecom. Mr. Kwan holds a Bachelor of Arts in Economics from Zhongshan University, Guangzhou, the PRC.

Mr. Yu Huaguo ("Mr. Yu"), aged 50, was appointed as an Executive Director in March 2013. He holds directorship in certain subsidiaries of the Company. He holds a Master degree of Business Administration from the Hong Kong Polytechnic University. Mr. Yu has over 20 years of experience in finance, capital securities and enterprise management.

Mr. Yu was an executive director of Zhuhai Holdings Investment Group Limited (formerly known as Jiuzhou Development Company Limited) ("ZHIGL"), a company whose shares are listed on the Stock Exchange (Stock Code: 908), and a deputy general manager of Zhuhai Jiuzhou Port Group Corporation (a substantial shareholder of ZHIGL) from 2006 to 2008. He was also the chief executive officer of Culturecom from May 2008 to March 2014. He is also a director of Poly Opulence Limited (a member of China Poly Group).

Mr. Poon Yu Keung ("Mr. Poon"), aged 52, was appointed as an Executive Director in June 2013. He holds directorship in a subsidiary of the Company. Mr. Poon is currently an independent non-executive director of Renewable Energy Trade Board Corporation (formerly known as "China Technology Development Group Corporation"), a company whose shares were listed on NASDAQ stock exchange and has voluntarily delisted since February 2013. Mr. Poon was the financial controller and company secretary of ZHIGL for the period from April 1998 to December 2011. Prior to joining ZHIGL, he worked in an international public accounting firm and assumed the accounting and financial management positions in a number of China affiliated and multinational companies.

Mr. Poon graduated from The Hong Kong Polytechnic (now known as "The Hong Kong Polytechnic University") with a Professional Diploma in Accountancy and obtained an Executive Master Degree of Business Administration from The Chinese University of Hong Kong in 2004. He is a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Poon has over twenty years' experience in auditing, accounting and finance.

Biographical Details of Directors

Mr. Hung Ching Fung ("Mr. Hung"), aged 33, was appointed as an Executive Director in August 2013. He holds directorship in a subsidiary of the Company. He graduated from Macquarie University in Australia with a Bachelor Degree in Commerce in 2006. Mr. Hung worked as an auditor in Deloitte Touche Tohmatsu and Grant Thornton from 2007 to 2010. He is a full member of CPA Australia.

Mr. Hung is currently an executive director of Jimei International Entertainment Group Limited, a company whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1159). He is also a non-executive director of Asa Resource Group Plc., whose shares are listed on the London Stock Exchange (AIM) market (AIM Stock Code: ASA).

NON-EXECUTIVE DIRECTOR

Mr. Leung Lap Yan ("Mr. Leung"), aged 68, was appointed as the Chairman of the Company and an Executive Director in 2001. He was re-designated as a Non-executive Director in May 2007 and remained as the Chairman of the Company after the re-designation. Subsequently, he stepped down from his position of the Chairman of the Company in June 2014. He holds directorship in certain subsidiaries of the Company. Apart from being an inventor, Mr. Leung is a well-known script writer, having written such dramas as New Justice Pao, Dynasty and The Pride of Chao Zhou. From 1978 to 1980, Mr. Leung was employed as the manager of programme planning of Rediffusion Television and from 1986 to 1989 as the assistant to the controller of production of Television Broadcasts Limited. During the period 1983 to 1986, he was the director (drama) of the Singapore Broadcasting Corporation. In 1993, he moved to Taiwan where he developed the first version of QCode, a character input system. A year later he worked together with Mr. Lau Man Kin to upgrade QCode and founded the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Wing Tung ("Mr. Chow"), aged 42, was appointed as an Independent Non-executive Director in June 2013. He is the chairman of each of the audit committee, remuneration committee and nomination committee of the Company. Mr. Chow graduated from the University of Toronto with a Bachelor degree in Commerce in 1997. He is the financial controller of Synear Food Holdings Limited ("Synear") since April 2005. Synear and its subsidiaries engage in the manufacture and sales of quick freeze food products in the PRC and whose shares were listed on the Main Board of Singapore Exchange Securities Trading Limited ("Singapore Exchange") and has voluntarily delisted since December 2013.

Mr. Chow worked as an auditor in Deloitte Touche Tohmatsu from January 1998 to December 2003. From January 2004 to January 2005, Mr. Chow was the financial controller of China Paper Holdings Limited, a company engaged in the manufacture and sales of paper and paper chemical products in the PRC and whose shares are listed on the Main Board of Singapore Exchange. He is a member of the American Institute of Certified Public Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

He is also an independent non-executive director of each of Jimei International Entertainment Group Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1159), and Chuan Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1420).

Biographical Details of Directors

Mr. Ko Wai Lun Warren ("Mr. Ko"), aged 49, was appointed as an Independent Non-executive Director in February 2014. He is a member of each of the audit committee, remuneration committee and nomination committee of the Company. Mr. Ko was educated in England and Canada. He obtained his Bachelor of Science Degree from Simon Fraser University in Canada and Bachelor of Laws Degree from University of Leeds in England. He is currently a partner at the law firm, Robertsons and specializes in corporate finance work including initial public offerings, mergers and acquisitions, gaming and restructuring. Mr. Ko is a solicitor of The Supreme Court of Hong Kong Special Administrative Region and The Supreme Court of England and Wales.

Mr. Ko is an independent non-executive director of each of Li Heng Chemical Fibre Technologies Limited whose shares are listed on the Singapore Exchange and Roma Group Limited ("ROMA Group") whose shares are listed on GEM (Stock Code: 8072). Mr. Ko was a non-executive director of Global Tech (Holdings) Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 143) and Singapore Exchange, from September 2003 to March 2016.

Ms. Luk Huen Ling Claire ("Ms. Luk"), aged 38, was appointed as an Independent Non-executive Director in February 2017. She obtained a bachelor's degree in fine arts from the Hong Kong Academy for Performing Arts in July 2003 and a master's degree of business in marketing from the University of Technology, Sydney, Australia in March 2010. Ms. Luk has approximately ten years of experience in corporate communications and marketing. From November 2006 to May 2008, she worked as a wardrobe manager at the Ocean Park, one of the largest theme parks in Hong Kong. She worked as head of communications, Asia at Aedas Limited between March 2010 and December 2010. In addition, Ms. Luk also gained experiences in marketing, business development and investor relation activities in previous engagements. She joined ROMA Group from December 2008 to February 2015 and her last position was the business development director where she was responsible for development and execution of sales and marketing strategies and management of local and international public and media relationship. In November 2014, Ms. Luk founded STAGE Group Limited, a company specialising in innovation strategy, corporate training and marketing strategy consultancy.

Ms. Luk is an independent non-executive director of Season Pacific Holdings Limited, a company whose shares are listed on GEM (Stock Code: 8127).

CHANGES IN INFORMATION OF DIRECTORS

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

Name of Directors	Details of Changes
Mr. Chow Wing Tung	Appointed as an independent non-executive director of Chuan Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1420), on 10 May 2016

The Directors present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in Note 33 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income on pages 43 and 44 of this report and the financial position of the Group as at 31 December 2016 is set out in the consolidated statement of financial position on page 45 of this report.

The financial position of the Company as at 31 December 2016 is set out in Note 32 to the consolidated financial statements.

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

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 is set out in the section headed "Management Discussion and Analysis" of this report.

RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2016 are set out in the consolidated statement of changes in equity on page 46 and Note 32 to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2016 are set out in Note 11 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2016 are set out in Note 23 to the consolidated financial statements.

Directors' Report

SUBSCRIPTION OF UNLISTED WARRANTS

On 9 May 2014, the Company entered into the warrant subscription agreements with not less than six independent warrant subscribers in relation to the warrant subscription of a total of 496,180,000 unlisted warrants by the warrant subscribers at the warrant issue price of HK$0.015 per warrant. Upon the exercise of the subscription rights attaching to the warrants in full, a maximum of 496,180,000 new ordinary shares of HK$0.01 each in the share capital of the Company (with an aggregate nominal value of HK$4,961,800), will be issued and allotted by the Company at a subscription price of HK$0.16 per New Shares. As at 9 May 2014 (the date where the terms of the unlisted warrants were fixed), the market closing price per shares of the Company was HK$0.163.

The warrant subscription was completed on 22 May 2014. An aggregate of 496,180,000 unlisted warrants, which are exercisable during two years from 22 May 2014 to 21 May 2016 (both days inclusive), have been issued to the warrant subscribers. The Board considered that the warrant subscription represented an opportunity to raise additional funds for the Company while broadening the shareholder and capital base of the Company.

The net proceeds from the warrant subscription, after the deduction of the related expenses, was approximately HK$6,952,000, represented a net price of approximately HK$0.014 per warrant. The net proceeds from the warrant subscription have been used as general working capital of the Group.

During the year ended 31 December 2016, no warrants were exercised and all warrants were lapsed.

ADVANCE TO ENTITY

Pursuant to Rule 17.15 of the GEM Listing Rules, a disclosure obligation arises where advance to an entity from the Company exceeds 8% of the total assets of the Company. As at 31 December 2016, the Company's total assets were approximately HK$30,221,000. Pursuant to Rule 17.22 of the GEM Listing Rules, details of the advances which remained outstanding as at 31 December 2016 were set out below.

Loan Agreement A

Date of Agreement:	23 June 2015
Lender:	Fortune Credit Limited, an indirect wholly-owned subsidiary of the Company
Borrower:	Customer A, an individual and third party independent of the Company
Principal:	HK$2,600,000
Interest rate:	22% per annum
Term:	12 months
Repayment:	Customer A shall pay the interest accrued on the loan on a monthly basis and shall repay the principal amount of the loan together with any outstanding interest accrued thereon on the due date of the loan
Collateral:	A first mortgage in respect of properties located in Hong Kong

Loan Agreement B

Date of Agreement:	21 March 2016
Lender:	Fortune Credit Limited, an indirect wholly-owned subsidiary of the Company
Borrower:	Customer B, an individual and third party independent of the Company
Principal:	HK$3,000,000
Interest rate:	18% per annum
Term:	12 months
Repayment:	Customer B shall pay the interest accrued on the loan on a monthly basis and shall repay the principal amount of the loan together with any outstanding interest accrued thereon on the due date of the loan
Collateral:	A first mortgage in respect of properties located in Hong Kong

Note:

It is required under Rule 17.17(3) of the GEM Listing Rules to disclose the identities of the Customer A and Customer B. As both the Customer A and Customer B were unwilling to disclose their identities to public and also for other commercial considerations, the Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 17.17(3) of the GEM Listing Rules to disclose the identities of the Customer A and the Customer B.

Directors' Report

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements, is set out on page 108 of this report. The summary does not form part of the consolidated financial statements for the year ended 31 December 2016.

DISTRIBUTABLE RESERVES

In accordance with the Companies Law of Cayman Islands, the Company has no reserves available for distribution to the owners of the Company as at 31 December 2016 (2015: Nil). The payment of dividends and distribution out of the share premium account is however subject to a solvency test of the Company and the provisions of the Articles of Association of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of the Cayman Islands or the Company's Articles of Association, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company did not redeem any of its listed securities during the year ended 31 December 2016. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the year ended 31 December 2016.

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date prior to the issue of this report, to the best knowledge of the Directors and based on the information publicly available to the Company, there is a sufficient public float as required by the GEM Listing Rules.

DONATIONS

During the year ended 31 December 2016, the Group did not make any charitable donations (2015: Nil).

DIRECTORS

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

Executive Directors
Mr. Kwan Kin Chung *(Managing Director)*
Mr. Yu Huaguo
Mr. Poon Yu Keung
Mr. Hung Ching Fung

Non-executive Director
Mr. Leung Lap Yan

Independent Non-executive Directors
Mr. Chow Wing Tung
Mr. Ko Wai Lun Warren
Ms. Luk Huen Ling Claire (appointed on 6 February 2017)

In accordance with Article 116 of the Company's Articles of Association, all Directors retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of Directors are set out on pages 22 to 24 of this report.

DIRECTORS' SERVICE CONTRACTS

None of Directors has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director and the Director's connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2016.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director.

The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group throughout the year.

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

As at 31 December 2016, save for the interest of the Directors in share options as below, neither of the Directors nor the chief executive of the Company had interests and/or short positions in the shares of the Company ("Shares"), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO") which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

Share Option

As at 31 December 2016, there were a total of 14,300,000 outstanding share options of the Company granted to the Directors, details of which are summarised in the following table:

		Options to subscribe for shares of the Company							
Directors	Date of grant	Outstanding as at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2016	Option exercise period	Exercise price per share	Approximate percentage of shareholding
Kwan Kin Chung	29/5/2007	4,000,000	–	–	–	**4,000,000**	29/5/2007 to 28/5/2017	HK$0.450	0.26%
	21/9/2011	1,250,000	–	–	–	**1,250,000**	21/9/2011 to 20/9/2021	HK$0.172	
	10/1/2014	1,200,000	–	–	–	**1,200,000**	10/1/2014 to 9/1/2024	HK$0.147	
Yu Huaguo	10/1/2014	1,200,000	–	–	–	**1,200,000**	10/1/2014 to 9/1/2024	HK$0.147	0.05%
Poon Yu Keung	10/1/2014	1,200,000	–	–	–	**1,200,000**	10/1/2014 to 9/1/2024	HK$0.147	0.05%
Hung Ching Fung	10/1/2014	1,200,000	–	–	–	**1,200,000**	10/1/2014 to 9/1/2024	HK$0.147	0.05%
Leung Lap Yan	29/5/2007	2,000,000	–	–	–	**2,000,000**	29/5/2007 to 28/5/2017	HK$0.450	0.13%
	21/9/2011	250,000	–	–	–	**250,000**	21/9/2011 to 20/9/2021	HK$0.172	
	10/1/2014	1,000,000	–	–	–	**1,000,000**	10/1/2014 to 9/1/2024	HK$0.147	
Chow Wing Tung	10/1/2014	1,000,000	–	–	–	**1,000,000**	10/1/2014 to 9/1/2024	HK$0.147	0.04%
Total		14,300,000	–	–	–	**14,300,000**			

Note:

The option exercise period is commenced from the date of grant for ten years. The options may be exercised at any time within the option period provided that the options have been vested. As at 31 December 2016, all options have been vested.

Save as disclosed above, none of the Directors or the chief executives of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31 December 2016.

Directors' Report

SHARE OPTION SCHEMES

On 27 April 2007, a new share option scheme (the "New Share Option Scheme") was adopted by the shareholders of the Company and the share option scheme adopted by the Company on 30 April 2002 (the "Old Share Option Scheme") was terminated accordingly on the same date. No share option was outstanding under the Old Share Option Scheme. A summary of the New Share Option Scheme is as follows:

1. **Purpose**

The purpose of the New Share Option Scheme is to enable the Board to grant options to eligible participants as incentives and/or rewards in recognition or acknowledgement of the contributions that eligible participants have made and/or will make to the Group.

The New Share Option Scheme will provide the eligible participants with an opportunity to have a personal stake in the Company and the Directors believe this will motivate the eligible participants to utilise their performance and efficiency for the benefit of the Group and will attract and retain or otherwise maintain an on-going relationship with the eligible participants whose contributions are or will be beneficial to the long term growth of the Company.

2. **Eligible participants**

The eligible participants of the New Share Option Scheme may include:

(a) any director (whether executive, non-executive or independent non-executive director), employee (whether full time or part time employee), consultant, customer, supplier, agent, partner or advisers of or contractor to the Group or any Invested Entity;

(b) any discretionary trust whose discretionary objects include any director (whether executive, non-executive or independent non-executive director), employee (whether full time or part time employee), consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any Invested Entity; and

(c) any company beneficially owned by any director (whether executive, non-executive or independent non-executive director), employee (whether full time or part time employee), consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any Invested Entity.

3. **Total number of shares available for issue**

As of the date of this report, the total number of shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme was 418,330,000 Shares, representing about 16.85% of the shares in issue.

4. **Maximum entitlement of each eligible participant**

Unless approved by the shareholders of the Company, the total number of securities issued and to be issued upon exercise of the options granted to each eligible participant (including both exercised and outstanding options) in any 12 month period must not exceed 1% of the shares in issue. Where any further grant of options to an eligible participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such eligible participant (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of securities in issue, such further grant must be separately approved by the shareholders of the Company in general meeting with such eligible participant and his associates abstaining from voting. The Company must send a circular to the shareholders of the Company and the circular must disclose the identity of the eligible participant, the number and terms of the options to be granted (and options previously granted to such eligible participant).

5. **Time of exercise of option**

An option shall be exercisable at any time during an option period to be notified by the Board to each grantee, provided that no option shall be exercisable later than ten years after its date of grant.

6. **Minimum period for which any option must be held**

Unless otherwise determined by the Board at its sole discretion, there is no minimum period for which an option must be held before such an option can be exercised under the terms of the New Share Option Scheme.

7. **Amount payable upon acceptance of option**

HK$1.00 is payable by each eligible participant to the Company on acceptance of an offer of an option, which shall be paid on or before the last day by which the offer must be accepted.

8. **Basis of determining the exercise price**

The exercise price shall be at the discretion of the Board, but it must be at least the highest of: (a) the closing price of a share as stated in the daily quotations sheet of the Stock Exchange on the date of grant which must be a business day; and (b) the average of the closing prices of the shares as shown on the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

9. The remaining life of the New Share Option Scheme

The New Share Option Scheme shall commence on the date on which the New Share Option Scheme is approved by a resolution of shareholders of the Company at a general meeting of the Company and shall continue in force until and including the date immediately preceding the tenth anniversary of the date of commencement.

As at 31 December 2016, options to subscribe for up to an aggregate of 418,330,000 shares of HK$0.01 each had been granted by the Company under the New Share Option Scheme. Details of the share options which had been granted under the Share Option Scheme are as follows:

Category of participant	Date of grant	Outstanding as at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2016	Option exercise period	Exercise price per share
		Options to subscribe for shares of the Company						
Directors	29/5/2007	6,000,000	–	–	–	**6,000,000**	29/5/2007 to 28/5/2017	HK$0.450
	21/9/2011	1,500,000	–	–	–	**1,500,000**	21/9/2011 to 20/9/2021	HK$0.172
	10/1/2014	6,800,000	–	–	–	**6,800,000**	10/1/2014 to 9/1/2024	HK$0.147
Employees other than the Directors	29/5/2007	3,000,000	–	–	(1,000,000)	**2,000,000**	29/5/2007 to 28/5/2017	HK$0.450
	21/9/2011	1,375,000	–	–	(625,000)	**750,000**	21/9/2011 to 20/9/2021	HK$0.172
	10/1/2014	2,000,000	–	–	(1,000,000)	**1,000,000**	10/1/2014 to 9/1/2024	HK$0.147
Consultants	29/5/2007	163,190,000	–	–	–	**163,190,000**	29/5/2007 to 28/5/2017	HK$0.450
	21/9/2011	186,625,000	–	–	(186,625,000)	**-**	21/9/2011 to 20/9/2021	HK$0.172
	10/1/2014	237,090,000	–	–	–	**237,090,000**	10/1/2014 to 9/1/2024	HK$0.147
Total		607,580,000	–	–	(189,250,000)	**418,330,000**		

Notes:

1. The option exercise period is commenced from the date of grant for ten years. The options may be exercised at any time within the option period provided that the options have been vested. As at 31 December 2016, all options have been vested.

2. During the year ended 31 December 2016, a total of 189,250,000 options were lapsed while there were no options being exercised or cancelled.

Details of options granted to the Directors under the Share Option Scheme are set out in the sub-section headed "Long Positions in Underlying Shares of the Company" under the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, according to the register of interests kept by the Company under Section 336 of the SFO, the following parties (in addition to those disclosed above in respect of the Directors and chief executives) had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Long positions in shares of the Company

Name of shareholders	Number of shares	Approximate percentage holding
Winway H.K. Investments Limited	524,622,500	21.14%
Culturecom Holdings Limited *(Note)*	524,622,500	21.14%

Note:

Winway H.K. Investments Limited is a wholly-owned subsidiary of Culturecom Investments Limited, which is, in turn, a wholly-owned subsidiary of Culturecom Holdings (BVI) Limited. Culturecom Holdings (BVI) Limited is a wholly-owned subsidiary of Culturecom Holdings Limited. Each of Culturecom Investments Limited, Culturecom Holding (BVI) Limited and Culturecom Holdings Limited is deemed to be interested in 524,622,500 shares through its controlling interest (100%) in Winway H.K. Investments Limited.

Save as disclosed above, as at 31 December 2016, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which were interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year ended 31 December 2016 attributable to the Group's major suppliers and customers are as follows:

Purchases of goods	
– the largest supplier	43.4%
– five largest suppliers combined	97.8%
Sales of goods	
– the largest customer	16.9%
– five largest customers combined	36.8%
Interest Income from loan customers	
– the largest customer	16.7%
– five largest customers combined	61.1%

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

Directors' Report

MANAGEMENT CONTRACTS

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

INTERESTS IN COMPETING BUSINESS

Mr. Chow Wing Tung, an independent non-executive Director, held share interests in Great Harvest Finance Limited which is principally engaged in the business of hire purchase car financing. Mr. Chow was therefore considered to have interests in businesses which compete or are like to compete with the businesses of the Group pursuant to the GEM Listing Rules.

As the businesses of the Company and the above entity are operated under separate management with no reliance (whether financial or business) on each other, the Group is able to operates its businesses independently of, and at arm's length from the competing entity.

Saved as disclosed above, none of the Directors, the controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Annual confirmation of independence has been received from each of the independent non-executive Directors and the Company considers all existing independent non-executive Directors to be independent.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of the Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors for the year ended 31 December 2016.

EQUITY-LINKED AGREEMENTS

Saved as disclosed under the section headed "Subscription of Unlisted Warrants" and "Share Option Schemes" above, no equity-linked agreements were entered into by the Group, or subsisted at the end of the year or at any time during the year ended 31 December 2016.

EVENTS AFTER THE REPORTING PERIOD

After trading hours on 24 March 2017, the Company received Form 2 – Corporate Substantial Shareholder Notice from each of Winway H.K. Investments Limited ("Winway", the substantial shareholder of the Company and an indirect wholly-owned subsidiary of Culturecom), Culturecom Investments Limited, Culturecom Holdings (BVI) Limited and Culturecom Holdings Limited ("Culturecom"), a company whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 343), and an announcement was published by Culturecom dated 24 March 2017, regarding

Winway's disposal of interests in 524,622,500 shares of the Company representing 21.14% of the Company's shareholdings at a price of HK$0.12 per share of the Company subject to completion of placing.

At the date of this report and on the basis that the placing has been completed, Winway is not interested in any issued share capital of the Company and therefore ceases to be the Company's substantial shareholder. Each of Culturecom Investments Limited, Culturecom Holding (BVI) Limited and Culturecom ceases to be deemed to be interested in any shares of the Company through controlling interest (100%) in Winway.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on pages 10 to 21 of this report.

AUDIT COMMITTEE

The Audit Committee, with written terms of reference in compliance with Code Provision C.3.3, comprises three independent non-executive Directors as at the date of this report, namely Mr. Chow Wing Tung, Mr. Ko Wai Lun Warren and Ms. Luk Huen Ling Claire. Mr. Chow Wing Tung is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process and internal control procedures. The Group's audited annual results has been reviewed by the Audit Committee together with management, which was of the opinion that the preparation of such results were complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

AUDITOR

The consolidated financial statements for the year ended 31 December 2016 have been audited by Asian Alliance (HK) CPA Limited (formerly known as ZHONGLEI (HK) CPA Company Limited), who will retire and being eligible at the forthcoming annual general meeting.

On behalf of the Board

Kwan Kin Chung
Managing Director

Hong Kong, 27 March 2017

Independent Auditor's Report

華融(香港)會計師事務所有限公司
Asian Alliance (HK) CPA Limited

TO THE MEMBERS OF CHINA BIO CASSAVA HOLDINGS LIMITED
(中國生物資源控股有限公司)
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Bio Cassava Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to107, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. 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.

Impairment assessment of loan and interest receivables

The Group has been engaged in provision of financing services in Hong Kong. As disclosed in Note 18 to the consolidated financial statements, as at 31 December 2016, the Group had outstanding loan receivables and interest receivables, net of accumulated impairment losses, of approximately HK$13,951,000 and HK$572,000 respectively.

For the year ended 31 December 2016, an impairment loss of approximately HK$1,463,000 had been recognised on a loan receivable that had been due and outstanding for a certain period of time.

The impairment assessment of the loan receivables and interest receivables as well as the recognition of the contractual interest income requires significant judgement from the management of the Company, in particular, it needs to take into account a number of factors, e.g., the financial position of the borrowers, the fair value of collaterals, if any, etc. Accordingly, we have identified the management's impairment assessment on the Group's loan and interest receivables as a key audit matter.

How our audit addressed the key audit matter

Our major audit procedures to address this key audit matter included:

- We discussed with the management of the Company the procedures it would take before it advanced loans to customers.

- Further, we discussed with the management of the Company its impairment policy (i.e. when and how impairment was determined) and assessed whether sufficient impairment losses recognised, taking into account the specific facts and circumstances provided to us.

- Specifically, with regards to loan and interest receivables as at 31 December 2016 that had been past due, we had discussed with the management of the Company a number of factors, including the financial position of the borrowers, the fair value of collaterals, if any, the financial position of the guarantor, if any, as well as subsequent settlements.

- We challenged the management of the Company the sufficiency of impairment loss and appropriateness of recognition of interest income based on the specific facts and circumstances.

- We also compared the recoverable amounts of the loan and interest receivables estimated by the management of the Company with the carrying amounts recognised in the Group's consolidated statement of financial position.

Independent Auditor's Report

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 auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

Asian Alliance (HK) CPA Limited
Certified Public Accountants (Practising)
Lam Chik Tong
Practising Certificate Number: P05612

Suites 313–316, 3/F., Shui On Centre,
6-8 Harbour Road,
Wan Chai,
Hong Kong

27 March 2017

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	5		
– Interest income		**3,251**	3,313
– Sales and licensing of software and embedded systems		**3,753**	4,009
		7,004	7,322
Cost of sales		**(86)**	(122)
Gross profit		**6,918**	7,200
Interest income		**4**	5
Other income, gains and losses		**43**	25
Reversal of impairment loss recognised in respect of loan and interest receivables	18	**520**	1,797
Impairment loss recognised in respect of loan and interest receivables	18	**(1,463)**	(886)
Selling and distribution expenses		**(1,116)**	(1,141)
Research and development expenses		**(1,478)**	(2,115)
General and administrative expenses		**(10,565)**	(11,459)
Loss before tax		**(7,137)**	(6,574)
Income tax credit (expense)	6	**20**	(558)
Loss for the year	8	**(7,117)**	(7,132)
Loss per share			
– Basic (HK cents)	10	**(0.29)**	(0.29)
– Diluted (HK cents)		**N/A**	N/A

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Loss for the year	**(7,117)**	(7,132)
Other comprehensive expense, net of income tax		
Items that may be reclassified subsequently to profit and loss:		
Exchange differences arising on translation of foreign operations	**(64)**	(91)
Total comprehensive expense for the year	**(7,181)**	(7,223)
Total comprehensive expense attributable to owners of the Company	**(7,181)**	(7,223)

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**95**	276
Loan and interest receivables – non-current portion	18	**1,815**	1,912
Intangible assets	12	**–**	–
Deferred tax asset	13	**–**	–
Goodwill	14	**609**	609
		2,519	2,797
CURRENT ASSETS			
Inventories	15	**40**	61
Financial assets at fair value through profit or loss	16	**102**	102
Trade and other receivables	17	**8,224**	1,112
Loan and interest receivables – current portion	18	**12,708**	17,714
Tax recoverable		**319**	–
Held-to-maturity investments	19	**556**	–
Bank balances and cash	20	**5,753**	14,955
		27,702	33,944
CURRENT LIABILITIES			
Trade and other payables	21	**2,560**	2,174
Amounts due to directors	22	**3,116**	2,241
Tax payable		**–**	600
		5,676	5,015
NET CURRENT ASSETS		**22,026**	28,929
NET ASSETS		**24,545**	31,726
CAPITAL AND RESERVES			
Share capital	23	**24,822**	24,822
Reserves		**(277)**	6,904
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**24,545**	31,726

The consolidated financial statements on pages 43 to 107 were approved and authorised for issue by the board of directors on 27 March 2017 and are signed on its behalf by:

Kwan Kin Chung	**Yu Huaguo**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Capital redemption reserve HK$'000	Warrant reserve HK$'000	Reorganisation reserve HK$'000 *(Note below)*	Foreign currency translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015	24,822	163,243	65,784	37	6,952	3,000	(146)	(224,743)	38,949
Loss for the year	–	–	–	–	–	–	–	(7,132)	(7,132)
Other comprehensive expense for the year, net of income tax	–	–	–	–	–	–	(91)	–	(91)
Total comprehensive expense for the year	–	–	–	–	–	–	(91)	(7,132)	(7,223)
At 31 December 2015	24,822	163,243	65,784	37	6,952	3,000	(237)	(231,875)	31,726
Loss for the year	–	–	–	–	–	–	–	(7,117)	(7,117)
Other comprehensive expense for the year, net of income tax	–	–	–	–	–	–	(64)	–	(64)
Total comprehensive expense for the year	–	–	–	–	–	–	(64)	(7,117)	(7,181)
Lapsed of warrants *(Note 24)*	–	–	–	–	(6,952)	–	–	6,952	–
Lapsed of share options *(Note 25)*	–	–	(19,114)	–	–	–	–	19,114	–
At 31 December 2016	**24,822**	**163,243**	**46,670**	**37**	**-**	**3,000**	**(301)**	**(212,926)**	**24,545**

Note: The amount represented the reserve arising from group reorganisation of the Company during the year ended 31 December 2000.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(7,137)**	(6,574)
Adjustments for:		
Interest income recognised in profit or loss	**(4)**	(5)
Written off of property, plant and equipment	**139**	–
Written off of other payables	**(17)**	–
Depreciation of property, plant and equipment	**70**	118
Reversal of impairment losses recognised in respect of loan and interest receivables	**(520)**	(1,797)
Reversal of impairment losses recognised in respect of inventories	**(3)**	(5)
Impairment losses recognised in respect of loan and interest receivables	**1,463**	886
Written off obsolete inventories	**1**	1
Operating cash flows before movements in working capital	**(6,008)**	(7,376)
Decrease (increase) in inventories	**23**	(19)
(Increase) decrease in trade and other receivables	**(7,112)**	34
Decrease (increase) in loan and interest receivables	**4,160**	(783)
Increase (decrease) in trade and other payables	**403**	(465)
Increase in amounts due to directors	**875**	1,175
Cash used in operations	**(7,659)**	(7,434)
Income tax paid	**(899)**	(216)
NET CASH USED IN OPERATING ACTIVITIES	**(8,558)**	(7,650)
INVESTING ACTIVITIES		
Interest received	**4**	5
Purchase of property, plant and equipment	**(28)**	(2)
Increase in held-to-maturity investments	**(556)**	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(580)**	3
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(9,138)**	(7,647)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**14,955**	22,693
Effect of foreign exchange rate changes	**(64)**	(91)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**5,753**	14,955

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1. GENERAL

China Bio Cassava Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the section of "Corporate Information" in the annual report.

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

The Company acts as an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the computer software and embedded systems development, sales and licensing of the software and systems, development of biotech renewable energy and provision of financing services.

The principal activities of the subsidiaries of the Company are set out in Note 33.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for an accounting period that begins on or after 1 January 2016. These amendments have been applied by the Group for the first time in the current year unless otherwise specified. The impacts of these amendments are described below.

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to Hong Kong Accounting Standard ("HKAS") 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycles

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and amendments to HKFRSs in issued but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017

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

New and amendments to HKFRSs in issued but not yet effective *(Continued)*

HKFRS 9 Financial Instruments

HKFRS 9 has introduced new requirements for (a) classification and measurement of financial assets; (b) impairment of financial assets; and (c) general hedge accounting.

Specifically, with regard to the classification and measurement of financial assets, HKFRS 9 requires all recognised financial assets that are within the scope of HKFRS 9 to be subsequently measured at amortised cost or fair value. 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 each of the subsequent accounting periods. Debt investments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. Further, 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 nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and that cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

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 a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's 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 is presented in profit or loss.

With regard to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to an incurred credit loss model required under HKAS 39. In general, the expected credit loss model requires an entity to assess the change in credit risk of the financial asset since initial recognition at each reporting date and to recognise the expected credit loss depending on the degree of the change in credit risk.

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

New and revised HKFRSs in issued but not yet effective *(Continued)*

HKFRS 9 Financial Instruments (Continued)

With regard to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the 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 Group is still in the process of assessing the impact of HKFRS 9. The directors of the Company (the "Directors") believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

HKFRS 15 Revenue from Contracts with Customers and the clarification to HKFRS 15

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

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

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

New and revised HKFRSs in issued but not yet effective *(Continued)*

HKFRS 15 Revenue from Contracts with Customers and the clarification to HKFRS 15 (Continued)

The Group is still in the process of assessing the impact of HKFRS 15. The Directors believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

HKFRS 16 Leases

HKFRS 16 will supersede the current lease guidance including HKAS 17 *Leases* and the related interpretations when it becomes effective.

With regard to lessee accounting, the distinction of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets. Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas, under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

With regard to lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, HKFRS 16 requires extensive disclosures in the financial statements.

The Group is in the process of assessing the impact of HKFRS 16. The Directors believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

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

New and revised HKFRSs in issued but not yet effective *(Continued)*

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

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a "net settlement feature", such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

   i. the original liability is derecognised;

   ii. the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and

   iii. any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The Group is in the process of assessing the impact of HKFRS 2. The Directors believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to make disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The Directors do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

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

New and revised HKFRSs in issued but not yet effective *(Continued)*

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

The amendments provide a number of guidance to help entities assess and estimate whether sufficient taxable profits will be available against which it can utilise a deductible temporary difference. The Directors do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(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 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 controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if the 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 the Group’s accounting policies.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

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

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

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

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

Revenue recognition

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

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

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 lessee

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.

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using rate of exchange prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs and termination benefits

Payments to the Mandatory Provident Fund Scheme ("MPF") are recognised as an expense when employees have rendered service entitling them to the contributions.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment arrangements *(Continued)*

Equity-settled share-based payment transactions (Continued)

Share options granted to employees *(Continued)*

When share options are exercised, the amount previously recognised in share options 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 options reserve will be transferred to accumulated losses.

Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

Taxation

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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

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

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Internally-generated intangible assets – research and development expenditure (Continued)

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

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

Impairment of tangible and intangible assets other than goodwill

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible and intangible assets other than goodwill *(Continued)*

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less estimated costs of completion and cost necessary to make the sale.

Provisions

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

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

Financial assets

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading; or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity.

The Group designated the financial product issued by bank as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment losses on financial assets below).

Loans and receivables

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

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

Impairment of financial assets

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and amounts due to directors are subsequently measured at amortised cost, using the effective interest method.

Warrants

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments are equity instrument. Otherwise, they would be classified as derivate financial instruments, which will be recognised at fair values at the end of each reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Derecognition

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

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

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and 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 on-going 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.

Critical judgements in applying accounting policies

The following is the critical judgement, 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.

Revenue recognition

Revenue from sales of software license is recognised upon delivering of software license to customers, including end-users, resellers and distributors, at which end-users are able to use the software license by downloading from online platform, and the resellers and distributors purchased the packaged software for resales to end-users. All the goods sold to customers (including resellers and distributors) are not eligible for any refund or exchange and the monies received from the customers are non-refundable, according to the Group's policies.

The Directors considered whether it was appropriate to recognise the revenue from these transactions of approximately HK$3,753,000 (2015: HK$4,009,000) for the year ended 31 December 2016, in line with the Group's general policy of recognising revenue when goods are delivered, or whether it was more appropriate to defer revenue recognition until there are no post-delivery obligation retained by the Group.

In making the judgement, as to when revenue from the sales of software license should be recognised, the Directors considered the detailed criteria for the recognition of revenue relating to the sale of goods set out in HKAS 18 *Revenue* and, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the goods at the time of delivery. The Directors are satisfied that the significant risks and rewards have been transferred at the time of delivery of the software license to customers, and the Group does not retain continuing managerial involvements to the degree usually associated with ownership, nor has effective control over the goods sold after the delivery is made to customers.

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

Key sources of estimation uncertainty

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

i. Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

ii. Impairment allowances on trade and other receivables

In determining individual impairment allowances, the Group periodically reviews its trade and other receivables to assess whether impairment allowances exist. In determining whether impairment allowances should be recorded in the consolidated statement of profit or loss, management takes into account the customers' financial situation, credit history and subsequent settlements.

iii. Impairment allowances on loan and interest receivables

A considerable amount of management judgment is required in assessing the ultimate realisation of loan and interest receivables, including the customers' creditworthiness, and the past collection history of each loan. When there is an objective evidence of impairment loss, the Group estimates future cash flows expected to be received. The amount of the impairment is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted using the original effective interest rate. In the event the present value of the expected actual future cash flows is less than the carrying amount of the loan and interest receivables, an impairment loss may arise.

As at 31 December 2016, the carrying amounts of the Group's loan and interest receivables were approximately HK$14,523,000 (2015: HK$19,626,000). During the year ended 31 December 2016, the Group recognised impairment losses in respect of the Group's loan and interest receivables of approximately HK$1,463,000 (2015: HK$886,000) in the consolidated statement of profit or loss.

5. REVENUE AND SEGMENT INFORMATION

i. Revenue

Revenue represents the amounts received and receivables that are derived from sales of goods to customers and interest income from provision of financing services during the year.

An analysis of the Group's revenue by major products and services for the year is as follows:

	2016 HK$'000	2015 HK$'000
Sales and licensing of software and embedded systems through packaged software	**2,231**	2,547
Sales and licensing of software and embedded systems through online platform	**1,522**	1,462
Interest income	**3,251**	3,313
	7,004	7,322

ii. Segment information

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

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

(a) Sales and licensing of software and embedded systems

(b) Development of biotech renewable energy

(c) Provision of financing services

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

ii. Segment information *(Continued)*

a. Segment revenue and results

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

	Sales and licensing of software and embedded systems		Development of biotech renewable energy		Provision of financing services		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue								
External sales	**3,753**	4,009	**–**	–	**3,251**	3,313	**7,004**	7,322
Result								
Segment results	**(646)**	240	**(29)**	(725)	**87**	2,846	**(588)**	2,361
Interest income							**4**	5
Other income							**17**	21
Unallocated expenses							**(6,570)**	(8,961)
Loss before tax							**(7,137)**	(6,574)

The accounting policies of the above operating segments are the same as the Group's accounting policies described in Note 3. Segment results represented the profit earned by or loss from each segment without allocation of certain administration costs, directors' emoluments, interest income and other items not directly related to the relevant segments. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Revenue reported above represents revenue generated from external customers.

There were no inter-segment sales during the years ended 31 December 2016 and 31 December 2015.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

ii. Segment information *(Continued)*

b. Segment assets and liabilities

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

	Sales and licensing of software and embedded systems		Development of biotech renewable energy		Provision of financing services		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**2,867**	2,732	**262**	263	**24,307**	30,601	**27,436**	33,596
Unallocated assets							**2,785**	3,145
Total consolidated assets							**30,221**	29,278
Segment liabilities	**1,602**	1,511	**410**	409	**229**	793	**2,241**	2,713
Unallocated liabilities							**3,435**	2,302
Total consolidated liabilities							**5,676**	5,015

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

- All assets are allocated to operating segments other than certain property, plant and equipment, prepayments, deposits and other receivables, bank balances and cash and held-to-maturity investments.
- All liabilities are allocated to reportable and operating segments other than certain other payables and amounts due to directors.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

ii. Segment information *(Continued)*

c. Other information

Amounts included in the measurement of segment profit or loss or segment assets:

	Sales and licensing of software and embedded systems		Development of biotech renewable energy		Provision of financing services		Unallocated		Consolidated	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Depreciation of property, plant and equipment	**9**	10	**-**	–	**6**	5	**55**	103	**70**	118
Additions of property, plant and equipment	**10**	2	**-**	–	**9**	–	**9**	–	**28**	2
Written off of property, plant and equipment	**-**	–	**-**	–	**-**	–	**(139)**	–	**(139)**	–
Reversal of impairment losses recognised in respect of inventories	**(3)**	(5)	**-**	–	**-**	–	**-**	–	**(3)**	(5)
Reversal of impairment losses recognised in respect of loan and interest receivables	**-**	–	**-**	–	**(520)**	(1,797)	**-**	–	**(520)**	(1,797)
Impairment losses recognised in respect of loan and interest receivables	**-**	–	**-**	–	**1,463**	886	**-**	–	**1,463**	886
Written off of obsolete inventories	**1**	1	**-**	–	**-**	–	**-**	–	**1**	1

Amount regulatory provided to the CODM but not included in the measure of segment profit or loss or segment assets is immaterial.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

ii. Segment information *(Continued)*

d. Geographical information

For the years ended 31 December 2015 and 31 December 2016, all of the Group's revenue and non-current assets are derived from customers and operations based in Hong Kong, and accordingly, no further analysis of the Group's geographical information is disclosed.

e. Information about major customers

The following table sets forth a breakdown of the Group's customers individually accounted for over 10% of the Group's total revenue during the year:

	Reportable and operating segments	**2016 HK$'000**	2015 HK$'000
Customer A	Sales and licensing of software and embedded systems	**N/A***	805
Customer B	Provision of financing services	**–**	866
Customer C	Provision of financing services	**N/A***	769

* The corresponding revenue for the current year did not contribute over 10% of the total revenue of the Group.

6. INCOME TAX (CREDIT) EXPENSE

	2016 HK$'000	2015 HK$'000
Hong Kong Profits Tax		
– Current year	–	319
– Over-provision in prior year	(20)	(50)
	(20)	269
Deferred tax		
– Current year	–	289
	(20)	558

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profit for both years.

For the year ended 31 December 2016, no profits tax have been provided as the Group did not generate any assessable profits arising in Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years.

No profits tax have been provided for the subsidiaries which are operating outside Hong Kong as these subsidiaries have not generated any assessable profits in the respective jurisdictions.

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

	2016 HK$'000	2015 HK$'000
Loss before tax	(7,137)	(6,574)
Tax calculated at the rate applicable to the tax jurisdiction concerned	(1,180)	(973)
Tax effect of expenses not deductible for tax purpose	1,192	1,645
Tax effect of income not taxable for tax purpose	(90)	(301)
Tax effect of tax losses not recognised	183	70
Utilisation of tax losses previously not recognised	(105)	(122)
Deferred tax	–	289
Over-provision in prior year	(20)	(50)
Income tax (credit) expense for the year	(20)	558

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

i. Directors' and chief executives' emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable GEM Listing Rules and Hong Kong Companies Ordinance, is as follows:

	Fees HK$'000	Salaries and allowances* HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2015				
Executive directors				
Mr. Kwan Kin Chung	360	–	–	360
Mr. Yu Huaguo	–	1,800	18	1,818
Mr. Poon Yu Keung	–	500	18	518
Mr. Hung Ching Fung	–	480	18	498
	360	2,780	54	3,194
Non-executive director				
Mr. Leung Lap Yan	120	180	–	300
Independent non-executive directors				
Mr. Ko Wai Lun Warren	120	–	–	120
Mr. Tse On Kin *(Note)*	120	–	–	120
Mr. Chow Wing Tung	120	–	–	120
	360	–	–	360
Total	840	2,960	54	3,854
Year ended 31 December 2016				
Executive directors				
Mr. Kwan Kin Chung	**360**	**–**	**–**	**360**
Mr. Yu Huaguo	**–**	**1,800**	**18**	**1,818**
Mr. Poon Yu Keung	**–**	**500**	**18**	**518**
Mr. Hung Ching Fung	**–**	**480**	**18**	**498**
	360	**2,780**	**54**	**3,194**
Non-executive director				
Mr. Leung Lap Yan	**120**	**180**	**–**	**300**
Independent non-executive directors				
Mr. Ko Wai Lun Warren	**120**	**–**	**–**	**120**
Mr. Tse On Kin *(Note)*	**103**	**–**	**–**	**103**
Mr. Chow Wing Tung	**120**	**–**	**–**	**120**
	343	**–**	**–**	**343**
Total	**823**	**2,960**	**54**	**3,837**

Note: Mr. Tse On Kin resigned as independent non-executive director of the Company on 9 November 2016.

* Being "Salaries and allowances" paid or payable to executive directors of the Company in connection with the management of the affairs of the Company and its subsidiaries.

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

i. Directors' and chief executives' emoluments *(Continued)*

During the years ended 31 December 2016 and 31 December 2015, no emoluments were paid by the Group to the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

None of the Directors has waived or agreed to waive any emoluments during the years ended 31 December 2016 and 31 December 2015.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive director's emoluments shown above were mainly for their services as directors of Company and the Group.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

ii. Five highest paid employees

The five highest paid employees of the Group during the year included three (2015: three) Directors, details of whose emoluments are included in the disclosures in Note 7(i) above.

Details of the remunerations for the year of the remaining two (2015: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries and other benefits	**944**	971
Discretionary bonuses	**–**	160
Retirement benefit scheme contributions	**35**	36
	979	1,167

During the years ended 31 December 2016 and 31 December 2015, the emoluments paid to two individuals of the five highest emoluments were within HK$1,000,000.

During the years ended 31 December 2016 and 31 December 2015, no emoluments were paid by the Group to any of the five highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office.

8. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2016 HK$'000	2015 HK$'000
Staff costs (including directors' emoluments *(Note 7(i))*		
– Salaries and other benefits	**8,613**	9,632
– Discretionary bonuses	**29**	295
– Retirement benefit scheme contributions	**261**	298
	8,903	10,225
Cost of inventories recognised as expenses *(Note)*	**86**	122
Auditor's remuneration	**382**	420
Depreciation of property, plant and equipment	**70**	118
Written off of property, plant and equipment	**139**	–
Written off of obsolete inventories	**1**	1
Minimum lease payments paid under operating leases	**1,630**	1,581

Note: During the year ended 31 December 2016, the cost of inventories recognised as expenses included reversal of impairment losses recognised in respect of inventories of approximately HK$3,000 (2015: HK$5,000) and written off of obsolete inventories of approximately HK$1,000 (2015: HK$1,000).

9. DIVIDENDS

No dividend was paid or proposed for the ordinary shareholders of the Company during the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

10. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the consolidated loss for the year attributable to the owners of the Company of approximately HK$7,117,000 (2015: HK$7,132,000) and the weighted average of 2,482,150,000 ordinary shares (2015: 2,482,150,000 ordinary shares) of the Company in issue during the year.

Diluted loss per share for the years ended 31 December 2015 and 31 December 2016 are not presented because the exercise of the outstanding share options and warrants would have anti-dilutive effect on the basic loss per share.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and office equipment	Machinery	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST					
At 1 January 2015	381	545	338	127	1,391
Additions	–	2	–	–	2
Written off	–	(17)	–	–	(17)
At 31 December 2015	381	530	338	127	1,376
Additions	–	28	–	–	28
Written off	(254)	(74)	–	–	(328)
At 31 December 2016	**127**	**484**	**338**	**127**	**1,076**
ACCUMULATED DEPRECIATION					
At 1 January 2015	197	337	338	127	999
Provided for the year	55	63	–	–	118
Eliminated on written off	–	(17)	–	–	(17)
At 31 December 2015	252	383	338	127	1,100
Provided for the year	17	53	–	–	70
Eliminated on written off	(144)	(45)	–	–	(189)
At 31 December 2016	**125**	**391**	**338**	**127**	**981**
CARRYING AMOUNTS					
At 31 December 2015	129	147	–	–	276
At 31 December 2016	**2**	**93**	**–**	**–**	**95**

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	18%–20%
Furniture, fixtures and office equipment	18%–20%
Machinery	10%–20%
Motor vehicles	18%–20%

12. INTANGIBLE ASSETS

	Technical know-how HK$'000
COST	
At 1 January 2015, 31 December 2015 and **31 December 2016**	2,000
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 January 2015, 31 December 2015 and **31 December 2016**	2,000
CARRYING AMOUNTS	
At 31 December 2015	–
At 31 December 2016	**–**

The amount represented technical know-how related to a production line of Bio-Cassava Energy System which was fully impaired in the consolidated statement of profit or loss in prior years.

13. DEFERRED TAX ASSET

The following is the Group's deferred tax asset which is mainly attributable to temporary differences in respect of the impairment losses of assets recognised and the movements thereon, during the year.

	HK$'000
At 1 January 2015	289
Charge to profit or loss during the year	(289)
At 31 December 2015, 1 January 2016 and **31 December 2016**	–

As at 31 December 2016, the Group has unused tax losses arising from the Group's subsidiaries of approximately HK$5,467,000 (2015: HK$4,995,000) that are available for offsetting against future profits.

No deferred tax assets have been recognised as these subsidiaries have been loss making for several years and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Tax losses may be carried forwards indefinitely except for those tax losses amounted to approximately HK$53,000 (2015: HK$194,000) that could be carried forward for five years to offset against future foreseeable profits in accordance with the PRC laws and regulations.

14. GOODWILL

	HK$'000
COST AND CARRYING AMOUNTS	
At 1 January 2015, 31 December 2015 and **31 December 2016**	**609**

For the purpose of impairment testing, goodwill has been allocated to a cash-generating unit (the "CGU"), Fortune Credit Limited ("Fortune Credit"). Fortune Credit, an indirect wholly owned subsidiary of the Company, is a private limited liability company incorporated in Hong Kong which is principally engaged in the provision of financing services and other related business in Hong Kong.

At 31 December 2016, the Directors determined that the CGU containing the goodwill had not suffered any impairment.

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

- The recoverable amount of the CGU has been determined based on value in use calculation.

- That calculation uses cash flow projections based on financial budgets approved by management covering a 3-years period and discount rate of 10.59% (2015: 10.32%) at 31 December 2016. The cash flows beyond the 3-years period are extrapolated using a steady growth rate of 3% (2015: 3%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

- Other key assumption for the value in use calculation relate to the estimation of cash inflows/outflows which included budgeted interest income and net interest margin, such estimation is based on the CGU's past performance and management's expectations for the market development. The Directors consider that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU to exceed the corresponding recoverable amount.

15. INVENTORIES

	2016 HK$'000	2015 HK$'000
Merchandise	**25**	41
Finished goods	**15**	20
Net realisable value of inventories	**40**	61

During the year ended 31 December 2016, as the net realisable value of some impaired finished goods has been increased, a reversal of provision of finished goods amounting to approximately HK$3,000 (2015: HK$5,000) has been recognised due to change in market environment and included in cost of inventories for the year ended 31 December 2016.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Financial assets at fair value through profit and loss		
– Listed equity securities in Hong Kong	**102**	102

The trading of the listed equity securities has been suspended since 16 August 2013 and therefore the carrying value of the listed equity securities of approximately HK$102,000 (2015: HK$102,000) was determined based on the closing bid price available on the Stock Exchange on 16 August 2013.

17. TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables *(Note a)*	**161**	332
Prepayments	**66**	270
Deposits	**452**	465
Other receivables *(Note b)*	**7,545**	45
	8,063	780
Total trade and other receivables	**8,224**	1,112

Notes:

(a) Trade receivables at the end of the reporting period comprise amounts receivable from the sales of goods. No interest is charged on the trade receivables.

(b) Included in other receivables as at 31 December 2016 is an amount of HK$7,500,000 (2015: Nil) held in escrow account by the lawyer for the purpose of provision of a loan to a potential borrower. Subsequent to the end of the reporting period, the transaction was cancelled and the amount was fully refunded to the Group on 13 January 2017.

Before accepting any new customer, the Group gathers and assesses the credit information of the potential customer in considering the customer's quality and determining the credit limits for that customer.

17. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group generally allows an average credit period of 0–30 days to its customers. The aging analysis of the Group's trade receivables presented based on invoice date as at the end of the reporting period is as follows:

	2016 HK$'000	2015 HK$'000
0–30 days	139	255
31–90 days	20	77
91–180 days	1	–
Over 180 days	1	–
	161	332

Aging of trade receivables which are past due but not impaired are as follows:

	2016 HK$'000	2015 HK$'000
31–90 days	20	77
91–180 days	1	–
Over 180 days	1	–
	22	77

The Group did not provide any allowance on the past due receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. The Group does not hold any collateral over these balances.

18. LOAN AND INTEREST RECEIVABLES

	2016 HK$'000	2015 HK$'000
Mortgage loans	**16,352**	20,512
Less: Allowances	**(1,829)**	(886)
Loan and interest receivables (including interest receivables of HK$572,000 (2015: HK$89,000))	**14,523**	19,626
Analysed for reporting purposes as:		
Current assets	**12,708**	17,714
Non-current assets	**1,815**	1,912
	14,523	19,626

The loan receivables from customers bore fixed interest rate ranging from 1.5% to 2.5% per month (2015: 1.5% to 1.83%) and were repayable according to the terms of the loan agreements. Included in the gross balances are loans of approximately HK$16,352,000 (2015: HK$20,512,000) which are secured by real estates in Hong Kong.

Included in the loan and interest receivables with gross amount of approximately HK$1,829,000 which are past due. The Directors consider that the recoverability of the loan receivables was uncertain and additional impairment loss on such receivables of approximately HK$1,463,000 was made in current year, after taking into account the value of the collectual.

All loan and interest receivables are denominated in HK$. The maturity profile of these loan receivables from customers (including interest receivables), net of impairment losses recognised, at the end of reporting period, analysed by the remaining periods to their contracted maturity, is as follows:

	2016 HK$'000	2015 HK$'000
Past due but not impaired	**3,092**	3,544
Less than 3 months	**4,080**	88
Over 3 months but less than 1 year	**5,536**	14,082
Over 1 year but less than 3 years	**1,815**	1,912
	14,523	19,626

The loan receivables from customers have been reviewed by the management of the Company to assess impairment allowances which are based on the evaluation of collectability, aging analysis of accounts and on management's judgment, including the current creditworthiness and the past collection statistics of individually significant accounts or a portfolio of accounts on a collective basis.

18. LOAN AND INTEREST RECEIVABLES *(Continued)*

The movements of allowance for impairment during the year are as follows:

	2016 **HK$'000**	2015 HK$'000
As at 1 January	**886**	1,931
Reversal during the year	**(520)**	(1,797)
Written off during the year	**–**	(134)
Impairment losses recognised during the year	**1,463**	886
As at 31 December	**1,829**	886

During the year ended 31 December 2016, impairment loss on a loan receivable from a customer (including interest receivables) of approximately HK$1,463,000 (2015: HK$886,000) was recognised in the consolidated statement of profit or loss after proper review by the management of the Company, based on the latest available information about the loan customer and the underlying collateral held.

The Directors did not recognise any interest income from the loans that had been impaired as it is not probable to receive the interest. An amount of approximately HK$783,000 of interest income had not been recognised during the year ended 31 December 2016 (2015: HK$481,000).

The aging analysis for the loan receivables from customers (including interest receivables) that were past due at the end of the reporting period but not impaired, is as follows:

	2016 **HK$'000**	2015 HK$'000
Less than 3 months	**492**	3,544
Over 1 year	**2,600**	–
	3,092	3,544

The loan receivables from customers (including interest receivables) that were past due but not impaired related to a wide range of customers and the management of the Company consider that, taking into account of the impairment loss recognised, no additional impairment is necessary in respect of these balances as there has not been a significant change in credit quality and/or the loan and interest receivables are secured by real estates in Hong Kong therefore the balances are considered fully recoverable.

18. LOAN AND INTEREST RECEIVABLES *(Continued)*

The Directors consider that the fair value of the Group's loan and interest receivables, determined based on the present value of the estimated future cash flows discounted using the applicable interest rate at the end of reporting period, approximates to the carrying amount of the loan and interest receivables.

19. HELD-TO-MATURITY INVESTMENTS

Financial product issued by bank as at 31 December 2016 carry a fixed interest rate of 2.5% per annum for a period of 30 days and is denominated in Renminbi ("RMB").

The maturity profile of held-to-maturity securities as at 31 December 2016 is as follows:

	2016	2015
	HK$'000	HK$'000
With a residual maturity of:		
three months or less	**556**	–

20. BANK BALANCES AND CASH

As at 31 December 2016, the Group's bank balances carry interest at market rates ranged from 0.001% to 0.3% (2015: 0.001% to 0.3%) per annum.

Included in cash and bank balances are the following amounts denominated in a currency other than functional currency of the entities:

	2016	2015
	HK$'000	HK$'000
RMB	**562**	1,184

Included in bank balances and cash of the Group are approximately HK$541,000 (2015: approximately HK$1,182,000) of bank balances denominated in RMB which is not a freely convertible currency in the international market. The remittance of RMB out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

Other than bank balances and cash denominated in HK$ and RMB, the bank balance and cash denominated in other currencies are not significant.

21. TRADE AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Trade payables	–	11
Other payables and accrued expenses	2,560	2,163
	2,560	2,174

The average credit period on purchases of goods is 30 days (2015: 30 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The following is an aging analysis of the Group's trade payables presented based on invoice date as at the end of the reporting period is as follows:

	2016 HK$'000	2015 HK$'000
0–30 days	–	11

22. AMOUNTS DUE TO DIRECTORS

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

23. SHARE CAPITAL

	Number of shares		Amount	
	2016 '000	2015 '000	2016 HK$'000	2015 HK$'000
Share with par value of HK$0.01 each				
Authorised:				
At 1 January and 31 December	50,000,000	50,000,000	500,000	500,000
Issued and fully paid:				
At 1 January and 31 December	2,482,150	2,482,150	24,822	24,822

All shares issued during the years ended 31 December 2015 and 31 December 2016 ranked pari passu in all respects with all shares then in issue.

24. WARRANTS

On 9 May 2014, the Company entered into the warrant subscription agreements with certain warrant subscribers and pursuant to which, the Company issued a total of 496,180,000 warrants at the warrant issue price of HK$0.015 per warrant, with net proceeds of approximately HK$6,952,000 (net of issue expenses) which was credited to the warrant reserve for the year ended 31 December 2014. The Company intended that the net proceeds from the full exercise of the warrants of approximately HK$79.4 million (before the issue expenses) will be applied as general working capital of the Group. The warrants entitle the subscribers to subscribe for the new ordinary shares of the Company at the warrant subscription price of initially HK$0.16 per new share (subject to adjustments in accordance with the terms of the warrants) for a period of two years commencing from the date of issue of warrants.

The movements of the warrants during the years ended 31 December 2016 and 2015 are as follows:

			Number of warrants				
Date of grant	**Exercise price**	**Exercise period**	**Outstanding as at 1 January**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding as at 31 December**
	HK$						
Year ended 31 December 2015							
22 May 2014	0.16	22/5/2014 to 21/5/2016	496,180,000	–	–	–	496,180,000
Year ended 31 December 2016							
22 May 2014	**0.16**	**22/5/2014 to 21/5/2016**	**496,180,000**	**-**	**-**	**(496,180,000)**	**-**

During the year ended 31 December 2016, no warrants had been exercised and the 496,180,000 (2015: Nil) warrants were lapsed and the warrants reserve of approximately HK$6,952,000 has been credited to the accumulated losses.

25. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company:

Pursuant to the Company's Share Option Scheme (the "Share Option Scheme") adopted on 27 April 2007, options may be granted to any directors, employees, consultants, customers, suppliers, agents, partners or advisers of or contractor to the Group (the "Eligible participants") or any entity in which any member of the Group holds any interest; any discretionary trust whose discretionary objects include any Eligible participants; and a company beneficially owned by any Eligible participants; and those person or company whom or which the board has resolved is qualified to be an eligible participant must remain eligible during the period when any option granted to him or it remains outstanding.

The share options vest upon the commencement of the exercise period, which is determined by the Directors at the date of grant.

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options.

25. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity-settled share option scheme of the Company: *(Continued)*

The movements of the options during both years are as follows:

				Number of share options				
Name or category of participant	**Date of grant**	**Exercise price** HK$	**Exercise period**	**Outstanding as at 1 January**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding as at 31 December**
Year ended 31 December 2015								
Directors								
Mr. Kwan Kin Chung	29/5/2007	0.4500	29/5/2007 to 28/5/2017	4,000,000	–	–	–	4,000,000
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	1,250,000	–	–	–	1,250,000
	10/1/2014	0.1470	10/1/2014 to 9/1/2024	1,200,000	–	–	–	1,200,000
Mr. Leung Lap Yan	29/5/2007	0.4500	29/5/2007 to 28/5/2017	2,000,000	–	–	–	2,000,000
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	250,000	–	–	–	250,000
	10/1/2014	0.1470	10/1/2014 to 9/1/2024	1,000,000	–	–	–	1,000,000
Mr. Poon Yu Keung	10/1/2014	0.1470	10/1/2014 to 9/1/2024	1,200,000	–	–	–	1,200,000
Mr. Yu Huaguo	10/1/2014	0.1470	10/1/2014 to 9/1/2024	1,200,000	–	–	–	1,200,000
Mr. Hung Ching Fung	10/1/2014	0.1470	10/1/2014 to 9/1/2024	1,200,000	–	–	–	1,200,000
Mr. Chow Wing Tung	10/1/2014	0.1470	10/1/2014 to 9/1/2024	1,000,000	–	–	–	1,000,000
Sub-total				14,300,000	–	–	–	14,300,000
Employees	29/5/2007	0.4500	29/5/2007 to 28/5/2017	3,000,000	–	–	–	3,000,000
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	1,375,000	–	–	–	1,375,000
	10/1/2014	0.1470	10/1/2014 to 9/1/2024	2,000,000	–	–	–	2,000,000
Others								
Consultants	29/5/2007	0.4500	29/5/2007 to 28/5/2017	163,190,000	–	–	–	163,190,000
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	186,625,000	–	–	–	186,625,000
	10/1/2014	0.1470	10/1/2014 to 9/1/2024	237,090,000	–	–	–	237,090,000
Sub-total				593,280,000	–	–	–	593,280,000
Total				607,580,000	–	–	–	607,580,000
Weighted average exercise price (HK$)				**HK$0.2407**	**-**	**-**	**-**	**HK$0.2407**
Weighted average remaining contractual life (Years)								**5.4 years**

25. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity-settled share option scheme of the Company: *(Continued)*

The movements of the options during both years are as follows: *(Continued)*

Name or category of participant	Date of grant	Exercise price HK$	Exercise period	Number of share options: Outstanding as at 1 January	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December
Year ended 31 December 2016								
Directors								
Mr. Kwan Kin Chung	29/5/2007	0.4500	29/5/2007 to 28/5/2017	4,000,000	–	–	–	4,000,000
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	1,250,000	–	–	–	1,250,000
	10/1/2014	0.1470	10/1/2014 to 9/1/2024	1,200,000	–	–	–	1,200,000
Mr. Leung Lap Yan	29/5/2007	0.4500	29/5/2007 to 28/5/2017	2,000,000	–	–	–	2,000,000
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	250,000	–	–	–	250,000
	10/1/2014	0.1470	10/1/2014 to 9/1/2024	1,000,000	–	–	–	1,000,000
Mr. Poon Yu Keung	10/1/2014	0.1470	10/1/2014 to 9/1/2024	1,200,000	–	–	–	1,200,000
Mr. Yu Huaguo	10/1/2014	0.1470	10/1/2014 to 9/1/2024	1,200,000	–	–	–	1,200,000
Mr. Hung Ching Fung	10/1/2014	0.1470	10/1/2014 to 9/1/2024	1,200,000	–	–	–	1,200,000
Mr. Chow Wing Tung	10/1/2014	0.1470	10/1/2014 to 9/1/2024	1,000,000	–	–	–	1,000,000
Sub-total				14,300,000	–	–	–	14,300,000
Employees	29/5/2007	0.4500	29/5/2007 to 28/5/2017	3,000,000	–	–	(1,000,000)	2,000,000
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	1,375,000	–	–	(625,000)	750,000
	10/1/2014	0.1470	10/1/2014 to 9/1/2024	2,000,000	–	–	(1,000,000)	1,000,000
Others								
Consultants	29/5/2007	0.4500	29/5/2007 to 28/5/2017	163,190,000	–	–	–	163,190,000
	21/9/2011	0.1720	21/9/2011 to 20/9/2021	186,625,000	–	–	(186,625,000)	–
	10/1/2014	0.1470	10/1/2014 to 9/1/2024	237,090,000	–	–	–	237,090,000
Sub-total				593,280,000	–	–	(189,250,000)	404,030,000
Total				607,580,000	–	–	(189,250,000)	418,330,000
Weighted average exercise price (HK$)				**HK$0.2407**	**-**	**-**	**-**	**HK$0.2711**
Weighted average remaining contractual life (Years)								**4.3 years**

25. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

During the year ended 31 December 2016, the Group reversed the share options reserve of approximately HK$19,114,000 upon the lapse of 189,250,000 share options (2015: Nil). No share options had been exercised during the years ended 31 December 2016 and 31 December 2015.

During the year ended 31 December 2016 and 31 December 2015, there was no share option granted to the directors and employees of the Company and to the consultants.

At the end of the reporting period, the Company had 418,330,000 (2015: 607,580,000) share options outstanding under the Share Option Scheme. Upon the exercise in full of the remaining share options, the Company will issued 418,330,000 additional ordinary shares (2015: 607,580,000) of the Company.

26. OPERATING LEASES

The Group as lessee

	2016	2015
	HK$'000	HK$'000
Minimum lease payments paid under operating leases during the year		
– Office equipment	**36**	36
– Land and buildings	**1,594**	1,545
	1,630	1,581

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

	2016	2015
	HK$'000	HK$'000
Within one year	**1,308**	1,556
In the second to the fifth years, inclusive	**346**	472
	1,654	2,028

Operating lease payments represent rentals payable by the Group for the Group's office equipment and office premises. Leases are negotiated for lease terms ranging from one to three years (2015: one to two years) at inception, with an option to renew the lease at the expiry date or at dates mutually agreed between the Group and the landlord.

27. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

During the year ended 31 December 2016, the Group had remuneration paid to the Directors and other members of key management of the Group as follows:

	2016	2015
	HK$'000	HK$'000
Salaries and other benefits	**4,771**	4,771
Discretionary bonuses	**–**	160
Retirement benefit scheme contributions	**89**	90
	4,860	5,021

The remuneration of the key management personnel is determined with reference to the performance of individuals and market trends.

28. RETIREMENT BENEFIT SCHEMES

The employees of the Group in the PRC are members of government-managed retirement benefit schemes operated by the PRC government. The Group is required to contribute a specified percentage of its payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions under the schemes.

The Group operates MPF for all qualifying Hong Kong employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during the years ended 31 December 2015 and 2016 are disclosed in Note 8.

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated losses.

The Directors review the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through new share issues.

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2016	2015
	HK$'000	HK$'000
Financial assets		
Financial assets at FVTPL	**102**	102
Held-to-maturity investments	**556**	–
Loans and receivables		
– Trade and other receivables	**8,158**	842
– Loan and interest receivables	**14,523**	19,626
– Bank balances and cash	**5,753**	14,955
	29,092	35,525

	2016	2015
	HK$'000	HK$'000
Financial liabilities		
Financial liabilities at amortised cost:		
– Trade and other payables	**2,560**	2,151
– Amounts due to directors	**3,116**	2,241
	5,676	4,392

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments including financial assets at FVTPL, held-to-maturity investments, trade and other receivables, loan and interest receivables, bank balances and cash, trade and other payables and amounts due to directors. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Market risk

Foreign currency risk

The Group collects most of its revenue in HK$ and incurs most of its expenditures as well as capital expenditures in HK$.

As at 31 December 2016 and 31 December 2015, certain financial assets of the Group are denominated in RMB, which expose the Company to foreign currency risk. The carrying amounts of the Group's RMB denominated monetary assets at the end of the reporting period are as follows:

	Assets	
	2016	2015
	HK$'000	HK$'000
RMB	**1,128**	1,197

The Group currently does not use any derivative contracts to hedge against its exposure to foreign currency risk. However, the Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

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

Market risk *(Continued)*

Sensitivity analysis

The Group is mainly exposed to the foreign currency risk from RMB.

The following table details the Group's sensitivity to a 5% (2015: 5%) increase and decrease in HK$ against the relevant foreign currency. A 5% (2015: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2015: 5%) change in foreign currency rates.

A positive number below indicate a decrease/increase in post-tax loss/profit when the HK$ weaken 5% (2015: 5%) against the relevant currency. For a 5% (2015: 5%) strengthening of HK$ against the relevant currency, there would be an equal and opposite impact on the profit.

	RMB impact	
	2016	2015
	HK$'000	HK$'000
Decrease/increase in post-tax loss/profit	**56**	60

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank balances with floating interest rates which expose the Group to cash flow interest rate risk. The future variations in interest rates will not have a significant impact on the results of the Group, as the Group's variable rates for bank balances are all short term in nature and at the prevailing market interest rates. Loan and interest receivables at fixed rate exposes the Group to fair value interest rate risk.

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

The Directors considered the Group's exposure to interest rate risk is not material. Hence, no interest rate sensitively analysis is presented.

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

Credit risk

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfill its obligation with the results that the Group thereby suffers financial loss. The carrying amounts of trade and other receivables and bank balances and cash represent the Group's maximum exposure to credit risk in relation to financial assets. The carrying amounts of these financial assets presented in the consolidated statement of financial position are net of impairment losses, if any.

The Group expects that there is no significant credit risk associated with cash at bank since all the Group's bank balances and cash are deposited with major and creditworthy banks located in Hong Kong and the PRC.

The Directors consider that the Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers.

The Group is exposed to credit risk attributable to loan and interest receivables from customers. Management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis. In respect of loan and interest receivables from customers, individual credit evaluations are performed on all customers. These evaluations focus on the customer's financial background and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Loan and interest receivables from customers are due as at the due date of corresponding loan agreement.

As at 31 December 2016, 100% (2015: 100%) of the loan and interest receivables from customers are secured by real estate situated in Hong Kong. The Group closely monitors the ownership and value of the collaterals throughout the loan period. Further, as at 31 December 2016, 18% (2015: 34%) of the total gross loan and interest receivables from customers was due from the Group's largest customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

In order to minimise the credit risk, the Directors have delegated a team responsible for determination of monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Directors review the recoverability of each trade and loan and interest receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

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

Liquidity risk

Ultimate responsibility for liquidity risk rests with the Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and continuously monitoring forecast and actual cash flows.

The Group's liquidity position is monitored closed by management of the Group. All the financial liabilities are non-interest bearing and have remaining contractual maturity of less than 3 months or repayable on demand. The total undiscounted cash flows of each financial liability based on the earliest date on which the Company can be required to pay approximately to their carrying amounts at the end of the reporting period as follows:

	2016	2015
	HK$'000	HK$'000
Trade and other payables	**2,560**	2,151
Amounts due to directors	**3,116**	2,241
	5,676	4,392

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**7**	16
Interests in subsidiaries	(i)	**2,500**	2,500
		2,507	2,516
CURRENT ASSETS			
Other receivables		**77**	238
Amounts due from subsidiaries	(ii)	**5**	–
Bank balances and cash		**441**	179
		523	417
CURRENT LIABILITIES			
Other payables		**603**	340
Amounts due to directors	(ii)	**2,816**	1,941
Amounts due to subsidiaries	(ii)	**13,959**	13,964
		17,378	16,245
NET CURRENT LIABILITIES		**(16,855)**	(15,828)
NET LIABILITIES		**(14,348)**	(13,312)
CAPITAL AND RESERVES			
Share capital		**24,822**	24,822
Reserves	(iii)	**(39,170)**	(38,134)
TOTAL DEFICIENCY		**(14,348)**	(13,312)

The Company's statement of financial position was approved and authorised for issue by the board of directors on 27 March 2017 and are signed on its behalf by:

Kwan Kin Chung	**Yu Huaguo**
Director	*Director*

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

Notes:

i. Interests in subsidiaries

	2016	2015
	HK$'000	HK$'000
Unlisted shares, at cost, less impairments	**2,500**	2,500

ii. Amounts due from (to) subsidiaries/directors

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

iii. Reserves

	Share premium	**Share options reserve**	**Warrant reserve**	**Reorganisation reserve**	**Accumulated losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2015	163,243	65,784	6,952	2,501	(274,401)	(35,921)
Loss and total comprehensive expense for the year	–	–	–	–	(2,213)	(2,213)
At 31 December 2015	163,243	65,784	6,952	2,501	(276,614)	(38,134)
Loss and total comprehensive expense for the year	–	–	–	–	(1,036)	(1,036)
Lapsed of warrants *(Note 24)*	–	–	(6,952)	–	6,952	–
Lapsed of share options *(Note 25)*	–	(19,114)	–	–	19,114	–
At 31 December 2016	**163,243**	**46,670**	**–**	**2,501**	**(251,584)**	**(39,170)**

33. SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of company	Place of incorporation/ registration	Class of shares held	Paid up issued/ registered capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the Company		Principal activities
				2016	2015	**2016**	2015	
Direct subsidiaries								
Q9 Technology (BVI) Limited	British Virgin Islands ("BVI")	Ordinary	US$100	**100%**	100%	**100%**	100%	Investment holding
Q9-Tech Energy Development Limited	Hong Kong	Ordinary	HK$100	**100%**	100%	**100%**	100%	Investment holding
Q9-Tech Energy Development Limited	BVI	Ordinary	US$100	**100%**	100%	**100%**	100%	Inactive
Indirect subsidiaries								
Qcode Chinese Computer Limited	Hong Kong	Ordinary	HK$600,000	**100%**	100%	**100%**	100%	Holding patents
Q9 Technology Company Limited	Hong Kong	Ordinary	HK$1	**100%**	100%	**100%**	100%	Provision of institution and corporate services
Q9 Technology (Retail) Company Limited	Hong Kong	Ordinary	HK$1	**100%**	100%	**100%**	100%	Sales and licensing of computer software
Q9 Technology (OEM) Company Limited	Hong Kong	Ordinary	HK$1	**100%**	100%	**100%**	100%	Development and licensing of computer software
九方快碼科技(深圳)有限公司 Q9 Technology (Shenzhen) Limited*	PRC	Registered	HK$2,000,000	**100%**	100%	**100%**	100%	Development, sales and licensing of computer software
Q9 Investments Limited	BVI	Ordinary	US$100	**-**	100%	**-**	100%	Strike off

33. SUBSIDIARIES *(Continued)*

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below: *(Continued)*

Name of company	Place of incorporation/ registration	Class of shares held	Paid up issued/ registered capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the Company		Principal activities
				2016	2015	**2016**	2015	
New Q9-Tech Equipment Trading Limited	Macau	Registered	MOP$25,000	**100%**	100%	**100%**	100%	Research and development for biotechnology
China Bio Cassava Group Limited	Hong Kong	Ordinary	HK$100	**100%**	100%	**100%**	100%	Inactive
China Bio Cassava Development Limited	Hong Kong	Ordinary	HK$1,500,000	**100%**	100%	**100%**	100%	Inactive
Growlong Company Limited	Hong Kong	Ordinary	HK$10,000	**100%**	100%	**100%**	100%	Inactive
Fortune Credit	Hong Kong	Ordinary	HK$5,000,000	**100%**	100%	**100%**	100%	Provision of financing services
珠海橫琴中投商務服務有限公司 ("珠海橫琴") *(Note below)*	PRC	Registered	RMB1,000,000	**100%**	100%	**100%**	100%	Inactive

* *For identification purpose only*

None of the subsidiaries had any debt securities outstanding as at the end of the year or at any time during the year.

Financial Summary

FINANCIAL RESULTS

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Loss before tax	**(7,137)**	(6,574)	(25,664)	(8,884)	(8,480)

	As at 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Property, plant and equipment	**95**	276	392	502	149
Goodwill	**609**	609	609	609	–
Others assets	**29,517**	35,856	42,200	41,810	5,237
Total liabilities	**(5,676)**	(5,015)	(4,252)	(2,587)	(1,992)
Total equity	**24,545**	31,726	38,949	40,334	3,394