HAO WEN HOLDINGS LIMITED
皓文控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8019

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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

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CORPORATE INFORMATION

Directors

Executive Directors

Ms. Tsui Annie
Ms. Wang Ziyi (appointed on 17 May 2016)
Mr. Chow Yik (retired on 12 May 2016)
Mr. Lok Wing Fu (resigned on 21 June 2016)
Mr. Wun Chun Yip (appointed on 4 January 2016 and retired on 12 May 2016)

Independent Non-Executive Directors

Mr. Kwok Pak Yu, Steven
Ms. Ma Sijing
Ms. Ho Yuen Ki (appointed on 10 August 2016)
Mr. Ho Kei Wing, Nelson (resigned on 4 July 2016)

Chief Executive Officer

Dr. Yang Guofeng (appointed on 11 August 2016 and resigned on 11 January 2017)
Mr. Chan Yin Tsung (resigned on 20 May 2016)

President

Dr. Yang Guofeng (appointed on 11 August 2016 and resigned on 11 January 2017)

Company Secretary

Ms. Wong Man Yi

Assistant Company Secretary

Codan Trust Company (Cayman) Limited

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

Level 20, Infinitus Plaza
199 Des Voeux Road Central
Sheung Wan
Hong Kong

Auditors

HLB Hodgson Impey Cheng Limited
31st Floor, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

Compliance Officer

Ms. Tsui Annie (appointed on 12 May 2016)
Mr. Wun Chun Yip (appointed on 4 January 2016 and retired on 12 May 2016)
Mr. Chan Yin Tsung (resigned on 4 January 2016)

Authorised Representatives

Ms. Tsui Annie (appointed on 12 May 2016)
Ms. Wong Man Yi
Mr. Wun Chun Yip (appointed on 4 January 2016 and retired on 12 May 2016)
Mr. Chow Yik (resigned on 4 January 2016)

Legal Advisor on Cayman Islands Laws

Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers in Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
OCBC Wing Hang Bank Limited

GEM Stock Code

8019

CHAIRLADY'S STATEMENT

For and on behalf of the board of directors (the "Board") of the Company together with its subsidiaries (collectively, the "Group"), I am pleased to present to all shareholders of the Company (the "Shareholders") the annual report of the Group for the year ended 31 December 2016.

Turnover for the year was approximately RMB27,153,000, which represented a decrease of approximately 27.0% as compared with that of 2015. Due to the price of crude oil is more economical as compared to biomass fuel, it is hard for our management to solicit contracts from power plants under the depressing global commodity market environment. The performance of the biomass fuel business is unsatisfactory. The Group recorded a loss of approximately RMB117,919,000 for the year mainly due to the impairment loss on goodwill on the acquisition of biomass fuel business acquired in 2013.

Looking forward, the Group will devote its resources to expand the money lending business in a proactive yet cautious manner. The management will continue to closely monitor the credit risk of the loan portfolio on an ongoing basis. In addition, the Group commenced a new business segment in trading of electronic parts in order to look for the opportunities to further diversify its products range, explore potential new market and suppliers for high-end products.

On behalf of the Board, I would like to extend my appreciation to Shareholders for their continued support and to our staff for their dedication and diligence. I also wish to take this opportunity to express my sincere gratitude to the Group's customer, suppliers, bankers, lawyers and auditors for their trust and support to the Group.

Tsui Annie
Chairlady

Hong Kong, 24 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the year under review, the Group continues to engage in the money lending business and sale of biodegradable product in Hong Kong, trading and manufacturing of biomass fuel and started trading of electronic parts in the People's Republic of China (the "PRC").

Despite the competitive and uncertain business environment for the loan market in Hong Kong, the Group recorded a growth of 110.0% in revenue from money lending business as compared with the corresponding period in 2015 due to persisting high demand for loan products. As at 31 December 2016, the loan portfolio held by the Group was approximately RMB296,777,000. Interest income earned from the money lending business was approximately RMB19,207,000 during the year under review, which represented approximately 70.7% of the total revenue.

The Group acquired Reach Solution Technology Limited and its subsidiaries to participate in trading of electronic parts in September 2016 with an aim to achieve steady and sustainable growth. This new business segment is in line with the Group's business diversification strategy and represents an attractive investment opportunity to tap into PRC trading of electronic parts market with growth potential and to generate diversified income and addition cash flow.

The above segment recorded a turnover of approximately RMB4,162,000 for the year ended 31 December 2016. The Group will monitor the production progress of our suppliers continuously in order to ensure the product qualities and the production base with lower costs to further maximize the return of the trading of electronic parts.

The biodegradable food containers and disposable industrial packaging products are traded under the brand name "Earth Buddy". During the year under review, no sale was recognized for the biodegradable products business due to the extremely weak demand.

The performance of biomass fuel business was significantly influenced by the competitive price of crude oil. The Directors will minimise the capital expenditure and actively cutting the unnecessary costs for a long period of time in order to preserve the future ability of expanding the biomass fuel business until the unfavourable factors in energy market has gone. The Directors are pessimistic for the performance of biomass fuel business in 2016.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial review

During the year under review, the Group recorded an audited consolidated revenue of approximately RMB27,153,000 (2015: RMB37,209,000), which represented a decrease of approximately 27.0% as compared with that of 2015.

	2016	2015
Sales revenue growth rate		
Money lending business	**110%**	207%
Biomass fuel business	**(86)%**	(15)%
Biodegradable products business	**(100)%**	135%
Electronic parts business	**100%**	N/A

	2016	2015
Gross profit ratio for the year (%)	**54.3%**	25.9%
Assets Turnover ratio (%) (Turnover/Total Assets)	**5.8%**	11.1%

The decrease of turnover was mainly attributed to the decrease in revenue from the sale of biodegradable products and the trading and manufacturing of biomass fuel which partially offset by the increase in interest income earned from the money lending business and the trading of electronic parts. For the year under review, income from money lending business had increased by approximately RMB10,061,000 or 110.0% to approximately RMB19,207,000 from approximately RMB9,146,000 for the corresponding year. The revenue from trading of electronic parts had recorded approximately RMB4,162,000 for the year ended 31 December 2016. In 2016, the revenue from manufacturing and sale of biomass fuel, and biodegradable products trading business had decreased by RMB24,279,000 or 86.5% to approximately RMB3,784,000 from approximately RMB28,063,000 for the corresponding year.

The Group has derived net interest income from our loan portfolio of approximately RMB19,207,000 for the year ended 31 December 2016 (2015: RMB9,146,000). The increase of net interest income was mainly attributed to more loans were solicited directly by the Group rather than through the referred borrowers from other intermediaries. During the year under review, the Group had no bad and doubtful debts from its loan receivables.

The change in fair value of financial assets at fair value through profit or loss was turnaround from a net unrealised gain of approximately RMB729,000 in 2015 to a net unrealised loss of approximately RMB19,667,000 for the year under review.

The general and administrative expenses increased by approximately RMB9,596,000 or 47.9% from RMB20,022,000 to RMB29,618,000. The increase was mainly attributed to more corporate exercises incurred during the year under review.

The revenue of the Group's 22.5% owned associated company, Sincere Smart International Limited was approximately RMB5,683,000 (2015: RMB5,373,000) and the Group's share of its profit was approximately RMB521,000 for the year (2015: RMB568,000).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

The finance costs for the year increased by approximately RMB232,000 or 144.1% from approximately RMB161,000 to RMB393,000. The finance costs for the year represented the interest expenses on the obligations under finance leases entered by the Group.

The Group's audited consolidated loss for the year was approximately RMB117,919,000 (2015: RMB166,387,000), which represented a decrease of approximately RMB48,468,000 or 29.1% as compared with the corresponding year. The net loss incurred was mainly attributed to the impairment loss on goodwill of approximately RMB63,271,000 (2015: RMB149,988,000), impairment loss on interest in associates of approximately RMB17,042,000 (2015: Nil) and an impairment loss on available-for-sale financial assets of approximately RMB2,687,000 (2015: RMB4,059,000) recognised during the year under review. It was mainly attributed to the actual performance was lagged behind the original plan.

LIQUIDITY AND FINANCIAL RESOURCES

	2016	2015
Current ratio	**8.7 times**	5.9 times
Gearing (Total Liabilities/Total Assets)	**10.0%**	9.2%

The Group generally finances its operations through internally-generated cash flows, finance leases provided by financial institutions and shareholder's equity.

As at 31 December 2016, the Group had current assets of approximately RMB360,353,000 (2015: RMB167,353,000) and liquid assets comprising cash and short-term securities investments totalling approximately RMB54,739,000 (2015: RMB48,653,000). The Group's current ratio, calculated based on current assets of approximately RMB360,353,000 (2015: RMB167,353,000) over the current liabilities of approximately RMB41,427,000 (2015: RMB28,525,000), was at a healthy level of approximately 8.7 times as at 31 December 2016 (2015: 5.9 times).

As at 31 December 2016, the Group had long-term obligation under finance leases of approximately RMB5,132,000 (2015: RMB2,437,000) and short-term obligation under finance leases of approximately RMB1,707,000 (2015: RMB884,000).

The Group had conducted fund raising exercise during the year under review and a total approximately HK$241,600,000 of net proceeds was raised through rights issue of the Company. As at 31 December 2016, the Group's gearing ratio, being the ratio of total liabilities to total assets, was at a low level of 10.0% (2015: 9.2%).

With the amount of liquid assets and short-term securities investments on hand, together with the net proceeds raised from the rights issue, the management of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

MAJOR EVENTS DURING AND AFTER THE YEAR UNDER REVIEW

Rights issue

On 2 December 2015, the Company proposed to raise approximately not less than HK$245.32 million and not more than HK$287.12 million before expenses by rights issue, on the basis of six (6) rights shares of HK$0.02 each in the share capital of the Company for every one (1) share of the Company (the "Share(s)") held on 29 January 2016 at the subscription price of HK$0.16 per rights share ("Rights Issue"). The number of rights shares proposed to be issued was not less than 1,533,240,504 new Shares and not more than 1,794,509,862 new Shares ("Rights Shares"). The Company and Grand China Securities Limited ("Underwriter") entered into the underwriting agreement ("Underwriting Agreement"), pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite all the Rights Shares subject to the terms and conditions set out in the Underwriting Agreement. Completion of the Rights Issue took place on 29 February 2016. Details of the Rights Issue were set out in the Company's prospectus dated 1 February 2016, the circular dated 28 December 2015 and the Company's announcements dated 2 December 2015, 21 January 2016 and 26 February 2016.

The entire net proceeds from the Rights Issue was approximately HK$241.6 million and the Company intended to apply net proceeds from the Rights Issue, as to (i) approximately HK$200 million for further development of money lending business; and (ii) approximately HK$41.6 million for any future acquisition or investments.

Placing of new shares under general mandate

On 24 February 2017, an aggregate of 357,740,000 placing shares have been placed at the placing price of HK$0.125 per placing share under general mandate (the "Placing"). The Company received net proceeds of approximately HK$43.82 million from the Placing. The Company intends to apply the said net proceeds as to (i) approximately HK$35.00 million for further expanding the money lending business; and (ii) approximately HK$8.82 million for general working capital of the Group. Details of Placing were set out in the Company's announcements dated 8 February 2017 and 24 February 2017.

SIGNIFICANT INVESTMENTS

The Group had no significant investments during the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

CAPITAL STRUCTURE

Authorised share capital

As at 31 December 2016, the authorised share capital of the Company ("Authorised Share Capital") was HK$1,000,000,000 divided into 50,000,000,000 Shares of HK$0.02 each. The Authorised Share Capital had no change during the year under review.

Issued share capital

Upon the completion of Rights Issue on 29 February 2016, the number of Shares in issue was increased from 255,540,084 Shares of HK$0.02 each to 1,788,780,588 Shares of HK$0.02 each.

USE OF PROCEEDS

The Company would like to provide information on the use of proceeds as follows:

	Nature	Original intended use of proceeds stated in announcement dated 30 April 2014 HK$	Actual use of proceeds as at the date of this report HK$	Remaining balance HK$	Progress
Issue of unlisted warrants	Working Capital	1,778,000	1,778,000	–	Used as intended
Exercise in full of the subscription rights attached to unlisted warrants	Working Capital	65,664,000	9,000,000	56,664,000	Used as intended and the remaining balance unchanged with the original plan
		67,442,000	10,778,000	56,664,000	

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

	Nature	Original intended use of proceeds stated in circular dated 25 June 2014 and change in use of proceeds in announcement dated 20 July 2015 HK$	Actual use of proceeds as at the date of this report HK$	Remaining balance HK$	Progress
Exercise in full of bonus warrants upon the exercise rights attached to convertible bonds	Future working Capital	20,000,000	2,100,000	17,900,000	Used as intended and the remaining balance unchanged with the original plan
	Future investment opportunities	20,000,000	–	20,000,000	The remaining balance unchanged with the original plan
		40,000,000	2,100,000	37,900,000	

	Nature	Original intended use of proceeds stated in announcement dated 2 December 2015 HK$	Actual use of proceeds as at the date of this report HK$	Remaining balance HK$	Progress
Rights issue	Development of money lending business	200,000,000	200,000,000	–	Used as intended
	Future acquisition on investments	40,760,000	31,068,000	9,692,000	Used as intended and the remaining balance unchanged with the original plan
		240,760,000	231,068,000	9,692,000	

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

	Nature	Original intended use of proceeds stated in announcement dated 8 February 2017 HK$	Actual usage of proceeds as at the date of this report HK$	Remaining balance HK$	Progress
Placing of new Shares under general mandate	Operation of money lending business	35,000,000	35,000,000	–	Used as intended
	Working capital	8,820,000	–	8,820,000	The remaining balance unchanged with the original plan
		43,820,000	35,000,000	8,820,000	

FOREIGN EXCHANGE EXPOSURE

Since almost all transactions of the Group are denominated in Hong Kong dollars and most of the Group's assets are held in Hong Kong dollars to minimise exposure to foreign exchange risk. The Board are of the view that the Group's risk exposure to currency fluctuations to be minimal. Therefore, the Group had not implemented any formal hedging on alternative policies to deal with such exposure during the year under review, but the Director will continue to monitor it.

CHARGES ON GROUP ASSETS

Save as the finance leases entered by the Group, as at 31 December 2016 and 2015, none of the assets of the Group has been pledged to secure any loan granted to the Group.

HUMAN RESOURCES

As at 31 December 2016, the Group had about 21 employees (2015: 34 employees) working in Hong Kong and the PRC. The staff costs, including directors' emoluments, were approximately RMB5,302,000 for the year under review (2015: RMB4,590,000).

The emolument policy of the Directors are decided by the Board, taking into account recommendation from the remuneration committee of the Board, having regard to merit, qualification and competence of each Director. The Group remunerates its employees based on their performance, experience and the prevailing industrial practice. Benefits plans maintain by the Group including contribution to statutory mandatory provident fund scheme, medical insurance, the Share Option Scheme and discretionary bonus.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group had no contingent liabilities (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

CAPITAL COMMITMENT

As at 31 December 2016, the Group did not have any material capital commitment (2015: Nil).

BUSINESS OUTLOOK AND PROSPECT

Owing to the United States Federal Reserve is expected to normalise its monetary policy with more frequent federal funds target interest rate hikes and the changes in policies after the appointment of new Chief Executive in Hong Kong. A changing domestic and external environment of Hong Kong and Mainland China are expected to remain in the financial year 2017.

Hong Kong Monetary Authority continued to impose stringent policy and prudential measures on the local landed property mortgage loans provided by authorised financial institutions in Hong Kong. These measures and tight controls have created extra hurdles for the general public who may look for mortgages to satisfy their financial needs which, resulted to further opportunities to expand our mortgage loan business. With the net proceeds raised from the Rights Issue and Placing specific for the development of money lending business, we will continue on the development of the Group's mortgage loan business. We consider the market demand of mortgage loan products is still strong, under the current challenging environment, we have already implemented vigorous measures when conducting our mortgage loan business. We strongly believe these measures were particularly important and essential which help us to produce a more solid and healthy position for our mortgage loan business during the time of unstable and uncertain economic environment.

The competitive and keen operating environment in the money lending business, diversification of the Group's business divisions is believed to safeguard a stable growth of the Group. Great potential in trading of electronic parts emerges from people's pursuit of efficiency of which the Directors consider as one of the growth engine in the foreseeable future.

Looking forward, the Group will devote its resources to expand the money lending business in a proactive yet cautious manner. The management will continue to closely monitor the credit risk of the loan portfolio on an ongoing basis. The Group shall continue to put resources to strengthen its market in the trading of electronic parts. The Group will also explore other potential investment opportunities in order to broaden our income sources.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Ms. Tsui Annie ("Ms. Tsui"), aged 32, is the chairlady of the Board and a member of the remuneration committee of the Board. Ms. Tsui was appointed to our Board on 12 October 2015 and appointed as chairlady on 12 May 2016. She has over 8 years of experience in retail businesses. Ms. Tsui operated a chain fashion business of 7 shops in Hong Kong. She operates a jewellery retail store in Hong Kong. She has extensive management experience in corporate leadership, corporate development, strategic planning and business strategies as well as in critical business decisions. Ms. Tsui has passed Paper 1, Paper 7 and Paper 8 of Licensing Examination for Securities and Futures Intermediaries organised by Hong Kong Securities and Investment Institute.

Ms. Wang Ziyi (''Ms. Wang''), aged 30, was appointed to the Board on 17 May 2016. Ms. Wang was graduated from Air Force Engineering University（空軍工程大學）with a Bachelor Degree in Laws in June 2009. Ms. Wang has more than 2 years of experience in legal field and has held several legal positions in a legal firm and an industrial company in Shaanxi. Ms. Wang has worked in the Department of Technical Transfer（技術轉化部）of Space Institute of Southern China (Shenzhen)（深圳市太空科技南方研究院）.

Independent Non-Executive Directors

Mr. Kwok Pak Yu, Steven (''Mr. Kwok''), aged 46, is the chairman of the audit committee, remuneration committee and nomination committee of the Board and was appointed to the Board on 1 July 2014. Mr. Kwok was educated at the University of Toronto, majoring in Economics. Mr. Kwok is a member of the Chartered Institute of Management Accountants, the Chartered Professional Accountants of Canada and the American Institute of Certified Public Accountants. He is a partner and principal consultant at S. P. Kwok & Co., a management accounting and consulting firm in Vancouver, Canada since 2000. Mr. Kwok has been the chairman of Grand China Securities Limited since April 2016. Mr. Kwok has extensive experience in accounting, finance, corporate governance, strategic planning, as well as merger and acquisition.

Ms. Ma Sijing (''Ms. Ma''), aged 45, is a member of the audit committee, remuneration committee and nomination committee of the Board and was appointed to the Board on 24 November 2014. Ms. Ma graduated from 中央廣播電視大學 (China Central Radio and TV University*) specializing in social work and obtained the certificate of accounting profession issued by 深圳龍崗財政局(Shenzhen Longgang Municipal Finance Bureau*) in the PRC in May 2005. Ms. Ma is currently the financial controller of a non-governmental organization primarily responsible for the financial and accounting matters in the PRC. Ms. Ma has over 13 years' experience in financial and accounting in different sectors, such as biotech industries and social services in the PRC.

Ms. Ho Yuen Ki, aged 35, is a member of the audit committee, remuneration committee and nomination committee of the Board and was appointed on 10 August 2016. Ms. Ho was graduated from University of Salford with the degree of Bachelor of Science (Hons.) in Finance and Accounting in 2004. Ms. Ho is a member of the Association of Chartered Certified Accountants. Ms. Ho has over 10 years of experience in auditing and accounting in different sectors, such as apparels industry and accountant firms.

* for identification purpose only

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Senior Management

Ms. Wong Man Yi ("Ms. Wong"), aged 41, was appointed as the company secretary of the Company on 16 March 2015. Ms. Wong has over 10 years of experience in company secretarial services and served as the company secretary in various companies in Hong Kong since 1995. Since 2014, she has been the Senior Manager of G.O. Secretarial Services Limited. Ms. Wong was a joint company secretary of China Nonferrous Mining Corporation Limited, a company listed on the main board of the Stock Exchange for the period from June 2012 to December 2013. Ms. Wong graduated from City University of Hong Kong with a Bachelor degree of Business Administration (Honours) in Business Management in 2006 and a Master of Science in Professional Accounting and Corporate Governance in 2009. Ms. Wong is an associate member of The Hong Kong Institute of Chartered Secretaries, The Institute of Chartered Secretaries and Administrators, The Taxation Institute of Hong Kong and Certified Tax Adviser of Hong Kong.

CORPORATE GOVERNANCE REPORT

Corporate Governance

The Company is committed to achieve and maintain the highest standard of corporate governance consistent with the needs and requirements of the business and its shareholders, and consistent with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 15 to the GEM Listing Rules. The Group has considered the CG Code and has put in place corporate governance practices to meet the code provisions.

The corporate governance principles of the Company emphasise a quality board, sound internal controls, and transparency and accountability to all Shareholders.

Throughout the financial year ended 31 December 2016, except for deviations from code provisions A.4.1 and A.6.7 which are explained in paragraphs A.4 and F.1 below, the Group has complied with all code provisions.

A Directors

A.1 The Board

We are governed by the Board which assumes the responsibility for leadership and control of the Company. Our Directors are collectively responsible for promoting the success of the Company by developing the strategic direction of the Group and directing and supervising the affairs of the Company.

The Board is responsible for the management of the business and affairs of the Group with the objective of enhancing shareholder value and presenting a balanced, clear and understandable assessment of the Company's performance, position and prospects in its annual, interim and quarterly reports, other inside information announcements, other financial disclosures as required under the GEM Listing Rules, reports to regulators, and information required to be disclosed pursuant to statutory requirements. The Board is also required to approve acquisitions or disposals and connected transactions within the meaning of Chapter 20 of the GEM Listing Rules that require notification or approval under the GEM Listing Rules.

The Board has a fiduciary duty and statutory responsibility towards the Group and is directly accountable to the Shareholders. Other responsibilities and matters reserved to the Board are set out in paragraph E.1 below.

CORPORATE GOVERNANCE REPORT *(Continued)*

The Board meets regularly, normally four times each year with a meeting scheduled at approximately three month intervals and additional meetings would be arranged if and when necessary. The dates of regular Board meetings for each year are normally made available to all Directors at the beginning of the year to provide sufficient notice to give all Directors an opportunity to attend. Regular meetings are for reviewing and approving the financial and operating performances of the Group as well as considering and approving the overall strategies and policies of the Group. Special Board meetings will be held when necessary. Matters on transactions where Directors are considered having a conflict of interest or material interests would not be dealt with by way of written resolutions and a separate Board meeting shall be held where independent non-executive Directors who have no interests should be present at the meeting. Directors having a conflict of interest or material interests in a transaction before the meeting of the Board will declare his/her interest therein in accordance with the articles of association of the Company ("Articles of Association"), shall abstain from voting on the resolution and shall not be counted in the quorum present at such Board meeting. Such declaration of interests will be duly noted in the minutes of the relevant Board meeting.

Notices are given to all the Directors for attending regular Board meetings approximately fourteen (14) days before the meetings. For other Board meetings, reasonable notices are generally given. Board papers, together with all appropriate information are sent to all Directors at least three (3) days before each Board meetings to the extent practicable.

Board meetings involve the active participation, either in person or through other electronic means of communication, by all of the Directors. The company secretary of the Company ("Company Secretary") assists in preparing the meeting agenda, and each Director may request the inclusion of items in the agenda. Directors are also consulted to suggest matters to be included in the agenda for all regular meetings of the Board.

Minutes of the Board meetings are recorded in detail and draft minutes are circulated within a reasonable time after the meeting to all Directors for their review and comments before being approved by the Board. All the minutes of the meetings are properly kept by the Company Secretary and are available for inspection by the Directors during normal office hours.

CORPORATE GOVERNANCE REPORT *(Continued)*

Participation of individual Directors at Board meetings in 2016 is as follows:

Number of meetings	12
Executive Directors:	
Ms. Tsui Annie	12/12
Ms. Wang Ziyi (Note 1)	4/4
Mr. Chow Yik (Note 2)	6/6
Mr. Lok Wing Fu (Note 3)	4/9
Mr. Wun Chun Yip (Note 4)	5/6
Independent non-executive Directors:	
Mr. Kwok Pak Yu, Steven	7/12
Ms. Ma Sijing	6/12
Ms. Ho Yuen Ki (Note 5)	2/2
Mr. Ho Kei Wing, Nelson (Note 6)	5/9

Notes:

1. Ms. Wang Ziyi was appointed as an executive Director on 17 May 2016.

2. Mr. Chow Yik retired as an executive Director on 12 May 2016.

3. Mr. Lok Wing Fu resigned as an executive Director on 21 June 2016.

4. Mr. Wun Chun Yip appointed and retired as an executive Director on 4 January 2016 and 12 May 2016 respectively.

5. Ms. Ho Yuen Ki was appointed as an independent non-executive Director on 10 August 2016.

6. Mr. Ho Kei Wing, Nelson resigned as an independent non-executive Director on 4 July 2016.

A.2 Chairlady and Chief Executive Officer

At 31 December 2016, the positions of Chairlady and Chief Executive Officer are held by Ms. Tsui Annie and Dr. Yang Guofeng respectively. The Chairlady provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally. Dr. Yong Guofeng resigned as Chief Executive Officer on 11 January 2017.

CORPORATE GOVERNANCE REPORT *(Continued)*

A.3 Board composition

As at the date of this report, the Board comprises five Directors: two executive Directors and three independent non-executive Directors. The current composition of the Board is as follows:

Membership of Board Committees:

Executive Directors:	
Ms. Tsui Annie	Member of the Remuneration Committee
Ms. Wang Ziyi	–
Independent non-executive Directors:	
Mr. Kwok Pak Yu, Steven	Chairman of the Audit Committee Chairman of the Remuneration Committee Chairman of the Nomination Committee
Ms. Ma Sijing	Member of the Audit Committee Member of the Remuneration Committee Member of the Nomination Committee
Ms. Ho Yuen Ki	Member of the Audit Committee Member of the Remuneration Committee Member of the Nomination Committee

The GEM Listing Rules require every listed issuer to have at least three independent non-executive Directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Mr. Kwok Pak Yu, Steven is a member of the Chartered Institute of Management Accountants, the Chartered Professional Accountants of Canada and the American Institute of Certified Public Accountants. He is currently a partner and principal consultant at S. P. Kwok & Co., a management accounting and consulting firm in Vancouver, Canada.

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. The Board has assessed the independence of all the independent non-executive Directors and is satisfied of their independence. None of the independent non-executive Directors of the Company has served the Company for 9 years or more.

The Board members do not have any family, financial or business relations with each other. The biographies of our Directors are set out on page 13 of this annual report.

The list of Directors is disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

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

CORPORATE GOVERNANCE REPORT *(Continued)*

A.4 Appointment, re-election and removal of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election.

Code provision A.4.2 stipulates that all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Each of the independent non-executive Directors of the Company was appointed for a term from the date of their respective appointment up to the date of the first annual general meeting of the Company ("AGM") after their appointment. Independent non-executive Directors of the Company do not have a specific term of appointment. As the appointment of independent non– executive Directors are subject to the retirement by rotation provisions in the Articles of Association, the Board considers that it is not necessary to appoint the non-executive Directors for a specific term. At every AGM, one-third of the Directors for the time being, or if their number is not three or in a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation according to article 84(1) of the Articles of Association. All Directors, including those appointed for a fixed term, are subject to the retirement by rotation provision in the Articles of Association.

Pursuant to article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office until the next following AGM and shall then be eligible for re-election.

The Board has established a Nomination Committee on 18 November 2009 with written terms of reference. Currently, the Nomination Committee comprised of Mr. Kwok Pak Yu, Steven, Ms. Ma Sijing and Ms. Ho Yuen Ki, all are independent non-executive Directors.

Mr. Kwok Pak Yu, Steven is the chairman of the Nomination Committee. The Nomination Committee has held 3 meetings during 2016.

Attendance of individual members at Nomination Committee meetings in 2016 is as follows:

Number of meetings	3
Mr. Kwok Pak Yu, Steven	3/3
Ms. Ma Sijing	1/3
Ms. Ho Yuen Ki (Note 1)	0/0
Mr. Ho Kei Wing, Nelson (Note 2)	3/3

Notes:

1. Ms. Ho Yuen Ki was appointed as a member of Nomination Committee on 10 August 2016.

2. Mr. Ho Kei Wing, Nelson resigned as a member of Nomination Committee on 4 July 2016.

CORPORATE GOVERNANCE REPORT *(Continued)*

The Company has adopted board diversity policy.

The Nomination Committee is responsible for reviewing Board composition structure, size and diversity (including but not limited to gender, age, culture and educational background), identifying suitable candidates for directorship, assessing the independence of independent non-executive Directors, making recommendations to the Board regarding any proposed appointment or re–appointment. The Nomination Committee follows a formal, considered and transparent procedure for the appointment of new Directors to the Board. The appointment of a new Director is the collective decision of the Board, taking into consideration the recommendation of the Nomination Committee and the relevant candidate's qualification, expertise, experience, integrity and commitment to his/her responsibilities within the Group. In addition, all candidates to be selected and appointed as a Director must be able to meet the standards set out in Rules 5.01 and 5.02 of the GEM Listing Rules. A candidate who is to be appointed as an independent non-executive Director must also meet the independence criteria set out in Rule 5.09 of the GEM Listing Rules. Further appointment of independent non-executive Director who has serves more than 9 years should be subject to a separate resolution to be approved by the Shareholders and the Board would consider and set out the reason why such independent non-executive Director continues to be independent and should be elected.

Pursuant to article 83(3) of the Articles of Association, Ms. Wang Ziyi, who is an executive Director, appointed after the last AGM as an addition to the existing Board, shall retire from office upon the conclusion of the forthcoming AGM and be eligible to offer herself for re-election.

Pursuant to article 84(1) of the Articles of Association, at each AGM, one-third of the Directors shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. Any Director who retires under article 83(3) of the Articles of Association shall not be taken into account in determining which particular Directors or the number of Directors who are retire by rotation at such meeting pursuant to article 84(2) of the Articles of Association. In this regard, Mr. Kwok Pak Yu, Steven and Ms. Ma Sijing, both are independent non-executive Directors, shall retire from office by rotation upon the conclusion of the forthcoming AGM and be eligible to offer themselves for re-election.

A.5 Responsibilities of Directors

Each newly appointed Director is provided with a package of orientation materials setting out the required duties and responsibilities of Directors under the GEM Listing Rules and other relevant statutory requirements of Hong Kong. An orientation as to a Director's duties and obligations under the GEM Listing Rules and relevant legislations will be arranged for all newly appointed Directors.

Newly appointed Directors will also receive an introduction on the Company's operation and business. Our Directors are kept informed from time to time on the latest development of any changes to the regulatory requirements and the progress of compliance of applicable rules and regulations by the Company. Our Directors will also be updated from time to time on the business development and operation plans of the Company. All our Directors are encouraged to participate in continuing professional development seminars and/or courses to update their skills and knowledge on the latest development or changes in the relevant statutes, Listing Rules and corporate governance practices.

CORPORATE GOVERNANCE REPORT *(Continued)*

According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listing company in compliance with the Revised CG Code on continuous professional development during 2016.

	Corporate governance, rules and regulations (including directors' duties)	Financial, management and other business skills and knowledge
Executive Directors		
Ms. Tsui Annie	✓	✓
Ms. Wang Ziyi (Note 1)	✓	✓
Mr. Chow Yik (Note 2)	✓	✓
Mr. Lok Wing Fu (Note 3)	✓	✓
Mr. Wun Chun Yip (Note 4)	✓	✓
Independent Non-executive Directors		
Mr. Kwok Pak Yu, Steven	✓	✓
Ms. Ma Sijing	✓	✓
Ms. Ho Yuen Ki (Note 5)	✓	✓
Mr. Ho Kei Wing, Nelson (Note 6)	✓	✓

Notes:

1. Ms. Wang Ziyi was appointed as an executive Director on 17 May 2016.
2. Mr. Chow Yik retired as an executive Director on 12 May 2016.
3. Mr. Lok Wing Fu resigned as an executive Director on 21 June 2016.
4. Mr. Wun Chun Yip was appointed as an executive Director on 4 January 2016 and retired on 12 May 2016.
5. Ms. Ho Yuen Ki was appointed as an independent non-executive Director on 10 August 2016.
6. Mr. Ho Kei Wing, Nelson resigned as an independent non-executive Director on 4 July 2016.

Every Director is aware that he/she should give sufficient time and attention to the affairs of the Company.

The Company has adopted the standard set out in Rules 5.48 to 5.67 (the "Model Code") of the GEM Listing Rules, in relation to the dealings in securities of the Company by the Directors.

Having made specific enquiry of all Directors, each Director has confirmed that he has complied with the standards set out in the Model Code during the year ended 31 December 2016.

CORPORATE GOVERNANCE REPORT *(Continued)*

The Company has also established written guidelines on terms no less exacting than the Model Code for securities transactions by employees of the Company, its subsidiaries and its holding company (including directors of the Company's holding company and its subsidiaries), who because of such office or employment, are likely to be in possession of unpublished inside information of the Company or its securities.

A.6 Supply of and access to information

With respect to regular Board meetings, and so far as practicable in all other cases, an agenda and accompanying board papers are sent in full to all Directors in a timely manner as permitted under the circumstances. Notices are given to all the Directors for attending regular Board meetings fourteen (14) days before the meetings. For other Board meetings, reasonable notices are generally given. It has been the practice of the Board and accepted by all members of the Board that relevant information of Board meetings will be sent to all Directors three (3) days in advance of the relevant meetings or any reasonable time before such meetings where it is not practicable to send out the information three (3) days in advance.

Members of the management have been reminded that they have an obligation to supply the Board and the Board committees with adequate information on a timely basis to enable each of them to make informed decisions. The Board and each Director have separate and independent access to the Group's senior management for information on the latest developments and financial position of the Company and other information and materials necessary to enable the Directors to make informed decisions of the matters to be considered at the Board meetings. The compliance officer of the Company ("Compliance Officer") and the Company Secretary meet the management of the Company and attend Board Meetings when necessary to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company. Mr. Chan Yin Tsung resigned as Compliance Officer on 4 January 2016. Mr. Wun Chun Yip was appointed and retired as Compliance Officer on 4 January 2016 and 12 May 2016 respectively. Ms. Tsui Annie, the Chairlady and an executive Director, was appointed as Compliance Officer on 12 May 2016. Ms. Wong Man Yi was appointed as Company Secretary with effect from 16 March 2015.

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

B Remuneration of Directors and Senior Management

B.1 The level of remuneration and disclosure

The Remuneration Committee was established on 8 August 2006 in accordance with the CG Code.

The existing members of the Remuneration Committee are Mr. Kwok Pak Yu, Steven, Ms. Ma Sijing and Ms. Ho Yuen Ki, all are independent non-executive Directors, and Ms. Tsui Annie, an executive Director. Mr. Kwok Pak Yu, Steven is the chairman of the Remuneration Committee. The Terms of Reference of the Remuneration Committee are adopted with reference to the CG Code, including the specific duties set out in code provision B.1.2(a) to (h) of the CG Code.

CORPORATE GOVERNANCE REPORT *(Continued)*

The Remuneration Committee is responsible for making recommendations to the Board regarding the Group's policy and structure for remuneration of all Directors and senior management. The Remuneration Committee is authorised to seek any information it requires from any employee of the Group and has the power to request the executive Directors and other persons to attend its meetings.

The Remuneration Committee is also authorised to obtain outside professional advice and to secure the attendance of other persons with relevant experience and expertise if it considers as necessary.

The work performed by the Remuneration Committee during 2016 included reviewing and approving the remuneration package of the Directors (including the three independent non-executive Directors) and the senior management of the Company.

During the process of consideration, no individual Director will be involved in decisions relating to his/her own remuneration.

Full minutes of the Remuneration Committee meeting are kept by the Company Secretary. Draft and final versions of the minutes of the Remuneration Committee meetings are sent to all members of the Remuneration Committee for comments and approval.

The Remuneration Committee will make available its Terms of Reference, explaining its role and the authority delegated to it by the Board, on request. The Terms of Reference are also available on both of the website of the Company and the website of Hong Kong Exchanges and Clearing Limited ("HKEx").

During 2016, the Remuneration Committee has met four times.

Participation of individual Directors at Remuneration Committee meetings in 2016 is as follows:

Number of meetings	4
Executive Directors:	
Ms. Tsui Annie (Note 1)	1/4
Mr. Chow Yik (Note 2)	2/2
Independent non-executive Directors:	
Mr. Kwok Pak Yu, Steven	4/4
Ms. Ma Sijing	1/1
Ms. Ho Yuen Ki (Note 3)	1/1
Mr. Ho Kei Wing, Nelson (Note 4)	3/3

Notes:

1. Ms. Tsui Annie was appointed as a member of Remuneration Committee on 12 May 2016.
2. Mr. Chow Yik retired as a member of Remuneration Committee on 12 May 2016.
3. Ms. Ho Yuen Ki was appointed as a member of Remuneration Committee on 10 August 2016.
4. Mr. Ho Kei Wing, Nelson resigned as a member of Remuneration Committee on 4 July 2016.

CORPORATE GOVERNANCE REPORT *(Continued)*

C Accountability and Audit

C.1 Financial reporting

Management shall provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other matters put before the Board for approval.

The Directors are responsible for overseeing all financial aspects of the Company and for keeping proper accounting records and preparing financial statements for each financial period, that give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 December 2016, the Directors have:

– approved the adoption of all applicable International Financial Reporting Standards which are issued by the International Accounting Standards Board;

– selected and applied consistently appropriate accounting policies;

– made judgments and estimates that are prudent and reasonable; and

– prepared the accounts on a going concern basis.

The Board is accountable to its shareholders for a clear and balanced assessment of the Company's financial position and prospects. In this regard, the Directors' responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other inside information announcements and other financial disclosures required under the GEM Listing Rules, reports to regulators, and information required to be disclosed pursuant to statutory requirements.

The financial statements for the year were audited by HLB Hodgson Impey Cheng Limited. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for re-appointment as the auditors of the Company at the forthcoming AGM.

For the year ended 31 December 2016, the audit service fees paid or payable by the Company in relation to statutory audit amounted to approximately RMB950,000.

The statement of the Auditors about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 47 to 53 of this annual report.

C.2 Risk management and internal control

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The internal control system includes safeguarding of the interest of shareholders and the Group's assets. It has been an important duty of the Board to conduct a review of internal control system to ensure the effectiveness and adequacy of the system of the Group annually or at any time necessary. The review covers all material controls, including financial, operational and compliance controls, as well as risk management functions.

CORPORATE GOVERNANCE REPORT *(Continued)*

The Group has engaged an independent internal control review advisor (the "Internal Control Advisor") to conduct the annual review on the effectiveness of the internal control system. Review of the Group's internal controls covered major operational, financial and compliance controls, as well as risk management functions of different systems has been performed on a systematic rotational basis on the risk assessments of the operations and controls. During the risk assessment process, the Internal Control Advisor interviewed the relevant personnel and identified the business objectives and significant risks of the Group. A risk management report prepared by the Internal Control Advisor which sets out the risks, issues and recommended action plan was presented to the Board for review and endorsement. The Board considered that significant risks of the Group were managed within the acceptable level and the management will continue to monitor the residual risks and report to the Board on ongoing basis.

For the year ended 31 December 2016, the Board have reviewed the effectiveness of the internal control system and they consider them effective and adequate.

C.3 Audit Committee

The Audit Committee was established on 5 July 2001 and a terms of reference was adopted. The Terms of Reference of the Audit Committee was revised on 31 December 2015 and have included the duties set out in code provision C.3.3(a) to (n) of the CG Code. Except from 4 July 2016 to 10 August 2016, during the year under review, the Audit Committee comprised of three members and all of whom are independent non-executive Directors. Mr. Ho Kei Wing, Nelson resigned on 4 July 2016 and Ms. Ho Yuen Ki was appointed on 10 August 2016 as a replacement. Mr. Kwok Pak Yu, Steven who process appropriate professional qualifications, accounting and related financial management expertise, is the Chairman of the Audit Committee. Mr. Kwok Pak Yu, Steven is the chairman of the Audit Committee. The Audit Committee does not have any member who is a former partner of the Group's existing audit firm.

During 2016, the Audit Committee met on 5 occasions and discharged its responsibilities.

Attendance of individual members at Audit Committee meetings in 2016 is as follows:

Number of meetings	5
Mr. Kwok Pak Yu, Steven	4/5
Ms. Ma Sijing	5/5
Ms. Ho Yuen Ki (Note 1)	3/3
Mr. Ho Kei Wing, Nelson (Note 2)	2/2

Notes:

1. Ms. Ho Yuen Ki was appointed as a member of the Audit Committee on 10 August 2016.

2. Mr. Ho Kei Wing, Nelson resigned as a member of the Audit Committee on 4 July 2016.

The principal duties of the Audit Committee included reviewing the Company's financial controls, internal control and risk management systems, annual report, accounts and quarterly and interim reports.

CORPORATE GOVERNANCE REPORT *(Continued)*

The following is a summary of the work performed by the Audit Committee during 2016:

- reviewing the auditor's management letter and management's response;
- reviewing and considering the recently issued accounting standards, the adoption of new accounting standards and the change in significant accounting policies;
- reviewing the audited financial statements and final results announcement for the year ended 31 December 2015;
- reviewing the interim report and the interim results announcement for the six months ended 30 June 2016;
- reviewing the quarterly reports and the quarterly results announcement for the three months ended 31 March 2016 and nine months ended 30 September 2016, respectively; and
- meeting with the auditors to go through any significant audit issues or key findings noted during the audit of the Group's 2015 final results and before the commencement of the audit of the Group's 2016 final results.

All issues raised by the Audit Committee have been addressed by the management. The work and findings of the Audit Committee have been reported to the Board. During 2016, no issues brought to the attention of the management and the Board were of sufficient importance to require disclosure in this annual report.

Full minutes of the Audit Committee meetings are kept by the Company Secretary. Draft and final versions of the minutes of the Audit Committee meetings are sent to all members of the Audit Committee for comments and approval.

The Audit Committee will make available its Terms of Reference, explaining its role and the authority delegated to it by the Board, on request. The Terms of Reference are also available on the website of the Company and the website of HKEx.

This annual report has been reviewed by the Audit Committee.

D Company Secretary

Ms. Wong Man Yi ("Ms. Wong") was appointed as the Company Secretary on 16 March 2015. Her current primary corporate contact person at the Company is Ms. Tsui Annie, an executive Director. Ms. Wong has taken no less than 15 hours of relevant professional training during the year.

E Delegation by the Board

E.1 Management functions

In general, the Board oversees the Company's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance and sets appropriate policies for risk management pursuant to the Group's strategic objectives. The Board delegates the implementation of strategies and day-to-day operation of the Group to the management.

CORPORATE GOVERNANCE REPORT *(Continued)*

E.2 Board committees

Apart from the Audit Committee (as described under paragraph C.3), the Remuneration Committee (as described under paragraph B.1) and the Nomination Committee (as described under paragraph A.4), the Board has not established any other committee of the Board.

F Communication with Shareholders

F.1 Effective communication

The Company attaches great importance to communications with Shareholders. Information on the Group's activities, business, strategies and developments is provided in the Company's annual reports and interim reports. Shareholders are encouraged to attend all general meetings of the Company which offer a valuable forum for dialogue and interaction with management.

In line with the practice of the Company, in respect of each issue to be considered at the AGMs and extraordinary general meetings of the Company ("EGMs"), including the re-election of Directors, a separate resolution will be proposed by the Chairman of the meeting.

In accordance with the code provision E.1.2 as set out in the CG Code, chairman of the Board have attended the AGM held in 2016.

Certain independent non-executive Directors, for the time when the general meetings were held in year 2016, had other business engagements and thus, were not able to attend most general meetings held in year 2016. In this regard, the compliance officer and Company Secretary had reminded the relevant independent non-executive Directors as well as the current independent non-executive Directors to attend general meetings of the Company in future, for compliance of code provisions A.6.7 as set out in the CG Code.

Participation of individual Directors at general meetings in 2016 is as follows:

	AGM	EGM
Number of meetings	1	3
Executive Directors:		
Ms. Tsui Annie	1/1	3/3
Ms. Wang Ziyi (Note 1)	0/0	0/1
Mr. Chow Yik (Note 2)	1/1	2/2
Mr. Lok Wing Fu (Note 3)	0/1	2/2
Mr. Wun Chun Yip (Note 4)	1/1	2/2
Independent non-executive Directors:		
Mr. Kwok Pak Yu, Steven	1/1	3/3
Ms. Ma Sijing	0/1	2/3
Ms. Ho Yuen Ki (Note 5)	0/0	0/1
Mr. Ho Kei Wing, Nelson (Note 6)	1/1	2/2

CORPORATE GOVERNANCE REPORT *(Continued)*

Notes:

1. Ms. Wang Ziyi was appointed as an executive Director on 17 May 2016.

2. Mr. Chow Yik retired as an executive Director on 12 May 2016.

3. Mr. Lok Wing Fu resigned as an executive Director on 21 June 2016.

4. Mr. Wun Chun Yip was appointed and retired as an executive Director on 4 January 2016 and 12 May 2016 respectively.

5. Ms. Ho Yuen Ki was appointed as an independent non-executive Director on 10 August 2016.

6. Mr. Ho Kei Wing, Nelson resigned as an independent non-executive Director on 4 July 2016.

Notices of general meetings were sent to Shareholders at least 20 clear business days before the annual general meeting and at least 10 clear business days for all other general meetings. The Company's auditors have also attended the AGM in 2016.

Designated executive Director(s) and senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner. Investors may write directly to the Company at its principal place of business in Hong Kong for any queries.

F.2 Voting by poll

At all general meetings held in 2016, the chairman of the general meetings had provided an explanation of the procedures for conducting a poll at the commencement of each of the meetings. Poll results were posted on the website of HKEx (as well as on the website of the Company) on the day of the holding of each of the Shareholders' meetings.

Separate resolutions are proposed at Shareholders' meeting on each substantial issue, including the election of individual Directors.

G Shareholders' Rights

G.1 Convening an extraordinary general meeting and Procedures for putting forward proposals at shareholders' meeting

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2013 Revision). However, Shareholders are requested to follow article 58 of the Articles of Association, general meetings shall be convened on the written requisition of any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

CORPORATE GOVERNANCE REPORT *(Continued)*

G.2 Procedures for nominating a new Director

Pursuant to the Articles of Association, no person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting.

The Board always welcome Shareholders' and other stakerholder's questions and concerns relating to the Group's management and governance. Shareholders and other stakeholders may at any time send their enquiries and concerns to the Board by addressing them to Company Secretary by post. The address is Level 20, Infinitus Plaza, 199 Dex Voeux Road Central, Sheung Wan, Hong Kong.

H Investor Relations

The Company has disclosed all necessary information to the Shareholders and established a range of communication channels between itself, its shareholders and investors which in compliance with GEM Listing Rules.

In addition, the Group engaged professional services on investor relationship from service provider for advising and promoting professional communication with existing and potential investors.

The Company's website (http://www.tricor.com.hk/webservice/008019) offers timely access to the Company's financial information, announcements, circulars to Shareholders and information on the Company's corporate governance structure and practices. For efficient communication with Shareholders and in the interest of environmental protection, Shareholders are encouraged to elect to receive the Company's corporate communications by electronic means through the Company's website.

AGMs provide a forum for communication between Shareholders and the Board. The Chairman of the Board, other members of the Board and external auditors attend the AGM and answer questions from Shareholders.

I Constitutional Documents

On 21 January 2016, the Company has adopted a new set of the memorandum of association of the Company (Memorandum of Association) and amended the Articles of Association. An updated and consolidated version of the Memorandum and Articles of Association (both English and Chinese versions) are available on the websites of the Company and HKEx.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This is Hao Wen Holdings Limited's (the "Company", collectively with its subsidiaries, the "Group") first annual Environmental, Social and Governance report (the "ESG Report") in accordance with the ESG reporting guidelines issued by The Stock Exchange of Hong Kong Limited ("HKEx") ("ESG Reporting Guidelines").

The report covers the financial year ended 31 December 2016 and discloses information on the Group's overall performance, commitment and strategies on workplace environment, environmental protection, operating practice and community involvement. All information and data disclosed herein are from internal documents and statistics.

During the Reporting Period, the Group's principal businesses include money lending business, trading of electronic parts, trading and manufacturing of biomass fuel, and sale of biodegradable food containers and disposable industrial packaging for consumer products. In light of market changes, the Group has been focusing on the money lending business and divesting its resources from the biomass fuel and biodegradable food containers businesses. Having considered the sustainability of business development, as well as the four reporting principles of materiality, quantitative, balance and consistency, the ESG Report focuses on the sustainability performance of the Group's money lending business.

The principal place of operation of the Group's money lending business is Hong Kong where our office is also responsible for the compliance with Listing Rules of the Growth Enterprise Market (GEM) of HKEx. Unless otherwise indicated, information contained herein refers to business in Hong Kong and daily operation of Hong Kong office.

STAKEHOLDER OPINION

The Group communicates with its stakeholders through financial reports, legal disclosure, shareholder meeting and other channels, in order to reveal its operating condition to the stakeholders. The ESG Report is also intended to allow stakeholders to understand our non-financial performance.

We welcome stakeholders' feedback on the ESG Report. Please share your views with us via:

Address:	Level 20, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong
Telephone:	(852) 2155 9506
Fax:	(852) 2155 9510

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

MISSION AND VISION

Faced against challenges from uncertainties of global economy and operating environment, the Group continues to run its business with a prudent and cautious approach; whilst seeking new investment and business expansion opportunities, with a view to minimising operation risks, broadening income base and maximising shareholders' returns and value in long term.

As a responsible corporate, the Group is dedicated to provide the best-quality products and services to clients. We strive to balance stakeholders' interest in business development. We value communication with investors and shareholders, clients, employees, business partners and suppliers, and other stakeholders in the community, as we accommodate their needs and forge a sustainable development.

ENVIRONMENTAL PROTECTION

No industrial production process is involved in our principal operation (money lending business); hence there was no direct emission of pollutants and greenhouse gas, wastewater, sludge or other hazardous or non-hazardous wastes.

The Group strives to minimise any indirect impact to the environment arising from operation in our Hong Kong office, through enhancing operating efficiency and implementing environmental protection measures. We promote green office management, including waste reduction, energy saving, air quality control, eco-friendly procurement and other initiatives. The Group issues relevant guidelines for all employees to heighten their awareness while encouraging and requesting them to acknowledge the need of energy saving and consumption reduction. The Group periodically evaluates the performance of such scheme and makes improvement to enhance efficiency of energy consumption, with a view to achieving energy saving, emission and pollution reduction, and protecting the environment.

During the Reporting Period, the Group took the following measures under the green office management:

1. Implement paperless documentation by application of electronic documents and encourage double-sided printing and recycling paper. Reduce printing of paper materials and paper consumption;

2. Keep record of the quantity of stationery and equipment and adopt registration scheme to encourage employees to treasure and conserve resources;

3. Repair damaged or old electronic devices, or donate/resell to other organisations so as to prolong their longevity and reduce electronic solid wastes;

4. Use natural light or LED lighting;

5. Limit air-conditioning hours pursuant to regulations of the office building;

6. Maintain suitable indoor temperature and clean regularly the air conditioner and ventilation system to reduce electricity usage;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

7. Encourage use of telephone or video conferencing system among directors and employees to minimise business trips;

8. Carry out green procurement with purchase of recycled paper, refillable ball pens, recyclable laser printer toner cartridges, office equipment with Energy Efficiency label and furniture made of recycled materials, etc.

Statistics of electricity usage and paper consumption of Hong Kong office are as follows:

Electricity usage *	2016: 25,928
Paper consumption	2016: 2,040

* *According to the electricity bill*

HUMAN RESOURCES

Data summary for employees

By age

<30	33%
30-50	57%
>50	10%

By gender

Male	38.9%
Female	61.1%

By employment category

Managerial staff	29.5%
General staff	70.5%

By employment type

Permanent staff	100%
Supervised worker (Temporary staff/Contract staff/Seasonal staff)	–

There is no specific requirement or general practice on gender by our business nature, nor do we have any requirement on age of our employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

The Group makes reference to the Employment Ordinance and other relevant laws in Hong Kong, together with the general practice and benchmark of the industry when preparing and enforcing a human resources management scheme. All employees are bound by the work guidelines and employment contracts made in accordance with this human resources management scheme. Relevant documents detailed the Group's employment policies, employees' welfare, rights and responsibilities, code of business ethics, workplace safety and health guidelines, in order to protect the respective rights of both parties.

The Group determines employees' salary and benefits based upon a number of criteria, such as job nature, experience, financial results and market trend, as well as performance appraisal. The Group encourages employees to participate in trainings organised by us or other organisations, with a view to improve their professional knowledge and work efficiency. We provide ample opportunities for career advancement within the company.

1. EMPLOYMENT

The Group is committed to create a fair and discrimination-free workplace for our staff. We protect our staff from discrimination by or denial of their rights on the ground of gender, race, religion, age, marital and family status, disability or any other forms.

The Group established a comprehensive mechanism of remuneration, incentive and performance management, including basic salary, mandatory provident fund, insurance, legal and extra annual leave, sick leave, subsidies and other staff benefits and rights. To attract and retain talent for long-term and stable growth of the Group, we offer competitive remuneration package to employees and has built a performance incentive mechanism through granting share options to senior management, core and long-term employees.

2. HEALTH AND SAFETY

The Group attaches high importance to employees' health and wellbeing and is responsible for building a healthy and safe workplace. The Group prepares a series of work safety and health guidelines with the industry nature, practices and regulations taken into consideration. We strictly monitor and enforce such guidelines and regularly join the fire drills organised by the office building. We also partner with other organisation to provide safety seminars or information to our employees in order to raise their awareness. Annual body check, medical insurance and other benefits are covered in our permanent employees' benefit package for their health and safety.

Besides work safety, the Group recognises the importance of mental health of employees. We organise all sorts of activities to strengthen the bond and understanding among employees, strike a work-life balance and create a sense of belonging.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

3. DEVELOPMENT AND TRAINING

The Group believes that talent attraction and retention is vital. We introduce executive and professional talent to accommodate our development strategies and needs whilst improving human resources structure. The Group stresses the need of nurturing talent through training programs which boost their quality, qualifications and skills, and help them grow. We offer opportunities of "promotion from within" and develop employees with excellent job performance and high potential by assigning them to important positions.

During the Reporting Period, the Group provides various types of training to employees, including seminars and trainings for professional knowledge of money lending business, as well as career development trainings on business administration, project management, communication and public speech skills. We also arrange external talks for directors to update them with latest changes of GEM Listing Rules and relevant laws, corporate governance information.

The Group takes the initiative to find out employees' needs, their opinion on work environment and their goals on career development, with a view to helping them growth together with us.

4. LABOUR STANDARDS

The Group's internal guidelines and labour system are made in strict adherence to the Employment Ordinance (Chapter 57 of Hong Kong Legislation) and international standard. All recruitment process and promotion activities are monitored under the Group's human resources management scheme.

Codes of conducts are clearly explained in employment contracts and employment codes. Behaviour of all employees (including directors and other employees) is closely observed to prevent any law violations. In case of any violation, the Group will promptly conduct investigation, punish and sack the employee(s). The Group will also make improvement measures if necessary.

During the Reporting Period, there is no significant safety issues, or child labour and forced labour, or discrimination by gender, race, religion, age or disability.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

SUPPLY CHAIN MANAGEMENT

The Group holds high regards for suppliers with virtue of integrity. We only conduct business with suppliers who have good business record with no violation of law or business ethics. Costs, product quality and track record are major criteria of choosing among those suppliers and we prohibit suppliers from securing contracts through transfer of benefits.

The Group offers fair and reasonable terms to suppliers for procurement without exploitation in any form. The Group will assess products provided by suppliers according to product liability. Information about the assessment results will be reported in due course to ensure the products meet our requirement or we shall replace the suppliers.

PRODUCT RESPONSIBILITY

The Group is committed to maintaining service quality and corporate reputation through internal control. Our operation in money lending involves handling of private and sensitive information such as financial information of our clients. In light of this, the Group has adopted guidelines to advise employees on careful handling of clients' personal data, in order to safeguard clients from losses. We also enter into service contract with clear terms and conditions to protect interests of both parties.

The Group also values communicating with clients and understanding their needs. Clients' feedback is the basis for review of our service process. We handle their complaints and carry out inspections in due course, thereby improving customer service.

During the Reporting Period, there is no loss arising from leak of clients' personal data or other service aberrations, or any complaints or damage claim from clients for bad service quality.

ANTI-CORRUPTION

The Group adheres to the philosophy of integrity in doing business and is devoted to creating a corruption-free work atmosphere. We oblige directors and all employees to comply with relevant laws and moral standard. The Group has set up an audit committee whilst hiring external professional parties for compliance with corporate governance and disclosure requirements by HKEx. We regularly evaluate our internal control mechanism to enhance our governance level. For the Group's corporate governance structure and other relevant information, please refer to pages 15 to 29 of this annual report.

On daily operation, the Group has a zero-tolerance policy regarding corruption and fraud. Detailed terms about anti-corruption, anti-bribery and conflict of interests are set out in employee's code of conduct to ensure strict compliance of laws by all employees. The Group regularly provides anti-corruption information to employees to heighten their awareness and promote professional conduct. Whenever corruption or fraud cases are spotted, we will immediately carry out inspection and report to management.

During the Reporting Period, there is no corruption, bribery, extortion, fraud or money laundering activities by our Group and its employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

COMMUNITY INVESTMENT

The Group values corporate social responsibility and raise employees' awareness of caring for the community and mutual help.

During the Reporting Period, the Group proactively seeks to promote the spirit of corporate social responsibility within the company by organising or participating in appropriate community activities. We, through this kind of events, aspire to giving back from our employees, foster positive relationships between our employees and the communities by caring for and helping the needy.

FOR THE BETTER

In the past year, we strived to fulfill our responsibilities as a corporate citizen. While environmental considerations were taken into our business operations, we also undertook to make positive contribution to society. Looking forward, we will uphold our commitment to promoting sustainable development. We will develop strong ties with stakeholders to strike a fine balance among their interests. A workplace culture with respect, fairness and integrity will be supported whilst we put employees' safety first. We will continue to take measures to reduce, albeit indirect, our impact on the environment. We look into ways to offer products and services that contribute to a positive difference. We place the highest of demands on ourselves to follow best practices and run our business in an ethical way, and make sure our growth ambitions bring sustainable value to stakeholders.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements for the year ended 31 December 2016.

Principal Activities and Geographical Analysis of Operations

The Company is an investment holding company. The principal activities of the Group, are detailed in the note 18 to the consolidated financial statements. The Group is principally engaged in the money lending business, trading and manufacturing of biomass fuel and trading of electronic parts. An analysis of the Group's performance of the year by business segment and its geographical segment information is set out on note 5 to the consolidated financial statements.

Business Review

Detailed business review of the Group's business during the year, including the analysis of Group's performance during the year by using the financial key performance indicators, is set out in the section of Management Discussion and Analysis on pages 5 to 12 this annual report. Future development of the Company's business is set out in the section of Business Outlook and Prospect in this annual report on page 12.

Other than the events set out in the note 36 to the consolidated financial statements, the Directors has not identified any important events affecting the Group that have occurred subsequent to the year under review.

Key risks and uncertainties

The Group's financial position, operations, business and prospects may be affected by the following identified risks and uncertainties.

Business risks

The Group's money lending business is subject to risks that a customer or counterparty may fail to perform its contractual obligations on payment of interest as the principal or that the value of collateral held to secure the obligations might be inadequate. While the Group has internal policies and procedures designed to manage such risks, these policies and procedures may not be fully effective. Any material customers delay or default on their payments could adversely affect the Group's financial position and profitability. Although the Group has adopted the money lending policy and money lending procedure manual which provide guidelines on the handling and/or monitoring of the money lending procedures according to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), the Group may face the risk of breaching the relevant rules and regulations from time to time, which may result in penalty or other potential liabilities to the Group.

The Group's biomass fuel business is operating in the PRC. Any addition or amendment to existing laws and regulations or any reduction of demand in PRC may affect the Group's financial position and performance. In addition, unfavourable movement on crude oil price will reduce the profitability of the operation.

REPORT OF THE DIRECTORS *(Continued)*

The Group's electronic parts business is highly competitive to price and quality. The pricing of similar products by competitors may adversely affect the pricing of the products and could resulted in keen competition in price, lower business' revenue and profitability level or suffer from loss of market share.

The Group will update and monitor the risks exposures to the Group's businesses to ensure appropriate measures are implemented on a timely manner.

Market risks

The business operations of the Group are primarily based in Hong Kong and the PRC. Accordingly, the Group's operating results, financial position and prospects could be adversely affected by economic, political and legal developments in those territories. Any changes in the political and economic policies/environments of the those territories (including, but not limited to, government policies, political instability, expropriation, laws, labour activism, war, civil unrest, terrorism, and changes in interest rates, foreign exchange rates, taxation, environmental regulations and import and export duties and restrictions) may adversely affect the Group's business and results of operations as well as its ability to sustain its expansion strategies and thus future growth. The Group manages and monitors the market risks exposure to the Group's business to ensure appropriate measures are implemented on a timely manner.

Foreign exchange rates risks

The Group has asset and liabilities denominated in currencies other than its functional currency and that are subject to fluctuation in foreign exchange rate. The Group monitors the foreign exchange exposure and will consider to hedge significant foreign currency exposure should the need arise.

Equity price risks

Equity price risk arises from fluctuation in quoted market price of the Group's investment in financial assets. The Group counter the equity price risk by ensuring a board diversification of the Group's investment portfolio and ensuring the investment portfolio are frequently reviewed and monitored.

Operational risks

Operational risk is the risk of loss resulting from inadequate or fail internal processes, people and system, or from external events. In order to manage these risks, the Group had set a standard operational procedures, limits of authority and reporting framework and invests in human resources and equipments to manage and reduce the operational risks exposure.

REPORT OF THE DIRECTORS *(Continued)*

Liquidity risks

Liquidity risk is the potential that our Group will not be able to meet its obligations when fall due. In order to manage the liquidity risk, the Group will continually monitors cash flows and maintains an adequate level of cash and credit facilities to ensure the Group to meet its finance needs.

Compliance with relevant laws and regulation

During the year ended 31 December 2016, the Company was not aware of any material non-compliance with any relevant laws and regulations that have a significant impact to the Group.

Relationships with stakeholders

Employees are the assets of the Group. The Group provides competitive remuneration package and a pleasant workplace environment to attract and motivate the employees. An annual performance evaluation will be conducted annually based on individual's contributions and achievements throughout the year and the Group will make necessary adjustments based on the result of the performance evaluation.

In addition to the salaries, the Group had set up a mandatory provident fund scheme ("MPF Scheme") in accordance with the Hong Kong Employment Ordinance and medical insurance plan for our staffs in Hong Kong. The MPF Scheme is subject to regulations under the Mandatory Provident Fund Scheme Ordinance and is a defined contribution retirement plan administrated by independent trustees. The Group's staffs in the PRC are entitled to national statutory social insurance under the statutory Employment Ordinance of the PRC.

The Group understands the importance of maintaining a good relationship with our business partners, which including the Group's customers and suppliers. The Group believes that a healthy relationship can be build up by providing better products and enhanced services to the customers, maintaining an effective communication channel to the employees and collaborating with key suppliers.

The Group engage professional services on investor relationship from service provider for advising and promoting professional communication with existing and potential investors.

Environmental Policy and Social Responsibility

The Group is committed to protect the environment and maintain a high standard of corporate social governance. Details of the policies are set out in the section headed "Environmental, Social and Governance Report" from pages 30 to 36 of this annual report.

REPORT OF THE DIRECTORS *(Continued)*

Major Customers and Suppliers

For the year ended 31 December 2016, the five largest customers accounted for approximately 39.7% of the Group's total revenue. The five largest suppliers accounted for approximately 99.6% of the Group's total purchases. In addition, the largest customer accounted for approximately 9.5% of the Group's total revenue while the largest supplier accounted for approximately 46.3% of the Group's total purchases.

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

Results and Dividends

Details of the Group's results for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 54 to 55 of this annual report.

Directors did not recommend the payment of final dividend in respect of the year.

Share Capital

Details of movements in the Company's issued share capital are set out in the note 26 to the consolidated financial statements.

Purchase, Sale or Redemption of Shares

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

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles of Association and the laws in the Cayman Islands in relation to the issue of new shares by the Company.

REPORT OF THE DIRECTORS *(Continued)*

Reserves

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 26 to the consolidated financial statement, respectively.

Distributable Reserves

As at 31 December 2016 and 2015, the Company has no reserves available for distribution to its shareholders.

Plant and Equipments

Details of movements in plant and equipments of the Group during the year are set out in note 13 to the consolidated financial statements.

Bank and Other Borrowings

Save as the obligations under the finance leases, the Company has no bank and other borrowings as at 31 December 2016.

Connected Transactions

There were no connected party transactions entered into by the Group for the year ended 31 December 2016.

Directors

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

Executive Directors

Ms. Tsui Annie	
Ms. Wang Ziyi	appointed on 17 May 2016
Mr. Chow Yik	retired on 12 May 2016
Mr. Lok Wing Fu	resigned on 21 June 2016
Mr. Wun Chun Yip	appointed on 4 January 2016 and retired on 12 May 2016

Independent Non-executive Directors

Mr. Kwok Pak Yu, Steven	
Ms. Ma Sijing	
Ms. Ho Yuen Ki	appointed on 10 August 2016
Mr. Ho Kei Wing, Nelson	resigned on 4 July 2016

Ms. Wang Ziyi, Mr. Kwok Pak Yu, Steven and Ms. Ma Sijing will retire and, being eligible, offer themselves for re-election at the forthcoming AGM.

REPORT OF THE DIRECTORS *(Continued)*

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 5.09 of GEM Listing Rules and the Company considers the independent non-executive Directors remained independent.

Biographical Details of Directors and Senior Management

Biographical details of the Directors and senior management of the Company are set out on pages 13 to 14 of this annual report.

Directors' Service Contracts

All Directors have not been appointed for any fixed term but shall be subject to retirement by rotation in accordance with the Articles of Association.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

No Director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during or at the end of the year.

Directors' and Chief Executives' Interests or Short Positions in the Shares, Underlying Shares or Debentures of the Company or any Associated Corporations

As at 31 December 2016, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 under the Laws of Hong Kong ("SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Substantial Shareholders and Other Persons' Interests and Short Positions in the Shares and Underlying Shares

As at 31 December 2016, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, there is no person (other than the Directors and chief executive of the Company) had, or was deemed or taken to have, an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any other member of the Group.

REPORT OF THE DIRECTORS *(Continued)*

Share Option Scheme

The Company has adopted the existing share option scheme (the "Share Option Scheme") on 24 September 2009. During the year under review, the scheme mandate limit of which has been refreshed at the AGM on 12 May 2016 and at the extraordinary general meeting of the Company on 3 October 2016, respectively. On 20 July 2016, 178,800,000 share options were granted and the offer of the grant of 178,800,000 share options were cancelled on 12 August 2016. On 22 December 2016, 178,000,000 share options were granted. As at the date of this annual report, no share options granted on 22 December 2016 had been exercised, cancelled nor lapsed.

Details of the Share Option Scheme is as follows:

1 Purposes

The purpose of the Share Option Scheme is to provide incentives or rewards to the participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

2 Qualifying participants

The qualifying participants include any employee (whether full time or part time), executive or officer, director (including executive, non-executive and independent non-executive directors) of any member of the Group or any invested entity, which is any entity in which the Group holds an equity interest, and any consultant, adviser or agent of any member of the Board, who have contributed or will contribute to the growth and development of the Group or any invested entity.

3 Maximum number of shares

The maximum number of shares in respect of which share options may be granted under the Share Option Scheme shall be 178,878,058 Shares, approximately 10% of the Shares in issue as at 3 October 2016. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes, must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

As at the date of this annual report, the total number of Shares available for issue under the Share Option Scheme is 190,046,850, which is approximately 8.85% of the issued share capital of the Company.

4 Maximum entitlement of each participant

Maximum entitlement of each participant is 1% of the issued share capital of the Company from time to time within any 12-month period up to the date of the latest grant, any further grant of options to a participant in excess of the Individual Limit (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant must be subject to the Shareholders' approval in general meeting of the Company with such participant and his/her associates abstaining from voting.

REPORT OF THE DIRECTORS *(Continued)*

Share Option Scheme *(Continued)*

5 Option period

The option period is determined by the Board provided that it is not later than 10 years from the date the Board makes an offer of the grant of an option subject to the provision for early termination. There is no minimum period for which an option must be held before it can be exercised.

6 Acceptance of offer

Options granted must be accepted within 28 days from the date of the offer of grant of the option, upon payment of HK$10 per grant.

7 Exercise price

The exercise price must be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of grant, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

8 Remaining life of the scheme

It shall be effective for a period of ten years commencing on 24 September 2009.

As at 31 December 2016, certain consultants, advisers and other service providers of the Company had the following interests in options to subscribe for shares of the Company granted for nil consideration under the Share Option Scheme. The options are unlisted. Each option gives the holder the right to subscribe for one Share of HK$0.02 of the Company.

Details of grantees	No. of options outstanding	Date granted	Period during which options are exercisable	Exercise price per share
Consultants, Advisers, Service Providers,	160,850	11 November 2009	11 November 2009 to 10 November 2019	HK$59.029
Employees and Others	11,886,000	28 November 2013	29 November 2013 to 28 November 2017	HK$4.557
	178,000,000	22 December 2016	22 December 2016 to 21 December 2017	HK$0.1605

REPORT OF THE DIRECTORS *(Continued)*

Share Option Scheme *(Continued)*

Information on the accounting policy for share options granted and the weighted average value per option is provided in notes 3 and 28 to the consolidated financial statements respectively.

Apart from the foregoing, at no time during the year was the Company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

Directors' and Chief Executives' Rights to Acquire Shares or Debt Securities

As at 31 December 2016, save for the Share Option Scheme, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors, chief executives or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

Competing Interest

The Directors are not aware of any business or interest of the Directors, the controlling shareholder(s) and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the year.

Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year ended 31 December 2016. The Company has taken out and maintained directors and officers liability insurance which provides appropriate cover for, among others, Directors.

Pursuant to the Articles of Association, the Directors, Company Secretary and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty.

Audit Committee

The Company established an audit committee ("Audit Committee") in July 2001 with terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee include the review and supervision of the financial reporting process and the internal control and risk management systems of the Group on ongoing basis. Except from 4 July 2016 to 10 August 2016, during the year under review, the Audit Committee comprised of three members and all of whom are independent non-executive Directors. Mr. Ho Kei Wing, Nelson resigned on 4 July 2016 as an independent non-executive Director and thus ceased as a member of Audit Committee and Ms. Ho Yuen Ki was appointed on 10 August 2016 as a replacement. Mr. Kwok Pak Yu, Steven who process appropriate professional qualifications, accounting and related financial management expertise, is the Chairman of the Audit Committee. The Audit Committee meets at least quarterly. The Group's audited financial results for the year under review have been reviewed by the Audit Committee, and it was in its opinion that (i) the preparation of such results complied with the applicable standards and statutory requirements and the requirements of the Stock Exchange and that (ii) the internal control and risk management systems of the Group had been properly implemented and was adequate to keep the Board informed of the business and the management affairs of the Group. During the year under review, no material matters were identified and reported by the Audit Committee to the Board.

REPORT OF THE DIRECTORS *(Continued)*

Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Corporate Governance

In the opinion of the Directors, except for deviations from code provisions A.4.1 and A.6.7 which is explained in paragraphs A.4 and F.1 as set out in the section headed "Corporate Governance Report", the Group has complied with all code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules throughout the accounting period covered by this annual report.

A report on the principal corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" of this annual report.

Major Events After the Year Under Review

Details of the significant events of the Group after the reporting period are set out in note 36 to the consolidated financial statements.

Auditors

A resolution for the reappointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the ensuing year will be proposed at the forthcoming AGM.

On behalf of the Board
Tsui Annie
Chairlady
Hong Kong, 24 March 2017

INDEPENDENT AUDITORS' REPORT

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

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

TO THE SHAREHOLDERS OF
HAO WEN HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Hao Wen Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 54 to 133, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") 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 Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT *(Continued)*

Key Audit Matters

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

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of biomass fuel products business	
Refer to Note 15 to the consolidated financial statements.	
Management performed impairment assessment of biomass fuel products business and concluded that an impairment loss on goodwill of approximately RMB63,271,000 was recognised. This conclusion was based on value in use model that required significant management judgement with respect to the discount rate and the underlying cash flows, in particular future revenue growth and capital expenditure. Independent external valuation were obtained in order to support management's estimates.	Our procedures in relation to management's impairment assessment included: • Evaluating the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumption based on our knowledge of the relevant industry and using our valuation experts; • Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and • Checking, on a sampling basis, the accounting and relevance of the input data used. We found that the assumptions were supported by the available evidence.

INDEPENDENT AUDITORS' REPORT *(Continued)*

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of interests in associates	
Refer to Note 17 to the consolidated financial statements.	
The Group has interest in associates of approximately RMB46,156,000 relating to the development and sales of POS business as at 31 December 2016. Management performed impairment assessment of development and sales of POS business and concluded that an impairment loss on interest in associates of approximately RMB17,042,000 was recognised. This conclusion was based on value in use model that required significant management judgement with respect to the discount rate and the underlying cash flows, in particular future revenue growth and capital expenditure. Independent external valuation were obtained in order to support management's estimates.	Our procedures in relation to management's impairment assessment included: • Evaluating the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumption based on our knowledge of the relevant industry and using our valuation experts; • Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and • Checking, on a sampling basis, the accounting and relevance of the input data used. We found that the assumptions were supported by the available evidence.

INDEPENDENT AUDITORS' REPORT *(Continued)*

Key audit matters	How our audit addressed the key audit matters
Impairment assessment on trade and loan receivables Refer to Note 20 to the consolidated financial statements. The Group has trade receivables and loan receivables of approximately RMB4,756,000 and RMB296,777,000, respectively. Management judgement is required in assessing and determining the recoverability of trade and loan receivables and adequacy of allowance made. The judgement mainly includes estimating and evaluating expected future receipts from customers based on past payment trend, age of the debtors, knowledge of the customers' businesses and financial condition.	Our procedures in relation to management's impairment assessment on trade and loan receivables included: • Discussing the Group's procedures on credit limits and credit periods given to customers with the management; • Evaluating the management's impairment assessment of trade receivables; • Assessing, validating and discussing with the management and evaluating their assessment on the recoverability of the outstanding debts and the adequacy of allowance made based on the trade and loan receivables ageing analysis, collections subsequent to the end of the reporting period, past collection history and trend analysis and knowledge of the businesses, with focus on long outstanding debts and debts which are past due but not impaired; and • Checking on a sample basis, the accuracy and relevance of information included in the impairment assessment of trade and loan receivables. We consider the management conclusion to be consistent with the available information.

INDEPENDENT AUDITORS' REPORT *(Continued)*

Other Information

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

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

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

Responsibilities of the Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

INDEPENDENT AUDITORS' REPORT *(Continued)*

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT *(Continued)*

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

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

The engagement director on the audit resulting in this independent auditors' report is Wong Sze Wai, Basilia.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Wong Sze Wai, Basilia
Practising Certificate Number: P05806

Hong Kong, 24 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** **RMB'000**	2015 RMB'000
Revenue	4	**27,153**	37,209
Cost of sales		**(12,400)**	(27,571)
Gross profit		**14,753**	9,638
Other gains	6	**1**	366
(Loss)/gain on fair value of financial assets at fair value through profit or loss		**(19,667)**	729
General and administrative expenses		**(29,618)**	(20,022)
Impairment loss on intangible assets	14	**(142)**	(3,236)
Impairment loss on goodwill	15	**(63,271)**	(149,988)
Impairment loss on interest in associates	17	**(17,042)**	–
Impairment loss on available-for-sale financial assets	16	**(2,687)**	(4,059)
Loss from operations		**(117,673)**	(166,572)
Share of results of associates	17	**521**	568
Finance costs	7(a)	**(393)**	(161)
Loss before taxation	7	**(117,545)**	(166,165)
Income tax expense	8(a)	**(374)**	(222)
Loss for the year		**(117,919)**	(166,387)
Other comprehensive (loss)/income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**26,883**	12,875
Share of changes in other comprehensive income in associates		**59**	52
Loss arising on revaluation of available-for-sale financial assets		**(2,687)**	(4,059)
Reclassification adjustments relating to impairment loss on available-to-sale financial assets		**2,687**	4,059
		26,942	12,927
Total comprehensive loss for the year		**(90,977)**	(153,460)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Loss for the year attributable to:			
Owners of the Company		**(84,021)**	(92,671)
Non-controlling interests		**(33,898)**	(73,716)
		(117,919)	(166,387)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(57,079)**	(79,744)
Non-controlling interests		**(33,898)**	(73,716)
		(90,977)	(153,460)
Loss per share	12		
Basic and diluted (RMB cents)		**(5.44)**	(37.06)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

		The Group	
	Notes	**2016 RMB'000**	2015 RMB'000
Non-current assets			
Plant and equipments	13	**31,269**	33,038
Intangible assets	14	**–**	198
Goodwill	15	**12,541**	63,271
Available-for-sale financial assets	16	**9,868**	11,851
Interest in associates	17	**46,156**	58,583
Loan receivables	20	**3,974**	1,597
		103,808	168,538
Current assets			
Inventories	19	**126**	360
Trade, loan and other receivables, prepayments and deposits	20	**305,488**	118,340
Financial assets at fair value through profit or loss	21	**43,047**	45,216
Cash and bank balances	22	**11,692**	3,437
		360,353	167,353
Current liabilities			
Trade and other payables	23	**39,610**	26,920
Tax payables	24	**110**	721
Obligation under finance leases	25	**1,707**	884
		41,427	28,525
Net current assets		**318,926**	138,828
Total assets less current liabilities		**422,734**	307,366
Non-current liabilities			
Obligation under finance leases	25	**5,132**	2,437
Net assets		**417,602**	304,929
Capital and reserves attributable to owners of the Company			
Share capital	26	**29,847**	4,067
Reserves	26	**397,309**	276,518
Equity attributable to owners of the Company		**427,156**	280,585
Non-controlling interests		**(9,554)**	24,344
Total equity		**417,602**	304,929

The consolidated financial statements were approved and authorised for issue by the board of directors on 24 March 2017 and are signed on its behalf by:

Tsui Annie
Director

Wang Ziyi
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital RMB'000	Share premium RMB'000	Warrants reserve RMB'000	Capital reduction reserve RMB'000	Share-based compensation reserve RMB'000	Available-for-sale financial assets reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2015	339,771	146,824	1,263	92,489	36,239	–	(10,586)	(313,622)	292,378	98,060	390,438
Loss for the year	–	–	–	–	–	–	–	(92,671)	(92,671)	(73,716)	(166,387)
Other comprehensive income for the year											
Exchange differences on other comprehensive income in associates	–	–	–	–	–	–	52	–	52	–	52
Exchange differences on translating foreign operation	–	–	–	–	–	–	12,875	–	12,875	–	12,875
Loss arising on revaluation of available-for-sale financial assets	–	–	–	–	–	4,059	–	–	4,059	–	4,059
Reclassification adjustments relating to available-for-sale financial assets	–	–	–	–	–	(4,059)	–	–	(4,059)	–	(4,059)
Total comprehensive loss for the year	–	–	–	–	–	–	12,927	(92,671)	(79,744)	(73,716)	(153,460)
Issue of share upon placing of shares	66,977	2,009	–	–	–	–	–	–	68,986	–	68,986
Transaction costs in relation to issue of shares pursuant to placing of shares	–	(1,035)	–	–	–	–	–	–	(1,035)	–	(1,035)
Capital reduction	(402,681)	–	–	402,681	–	–	–	–	–	–	–
Release upon lapse of share option	–	–	–	–	(1,343)	–	–	1,343	–	–	–
At 31 December and 1 January 2016	**4,067**	**147,798**	**1,263**	**495,170**	**34,896**	**–**	**2,341**	**(404,950)**	**280,585**	**24,344**	**304,929**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(84,021)**	**(84,021)**	**(33,898)**	**(117,919)**
Other comprehensive loss for the year											
Exchange differences on other comprehensive income in associates	**–**	**–**	**–**	**–**	**–**	**–**	**59**	**–**	**59**	**–**	**59**
Exchange differences on translating foreign operation	**–**	**–**	**–**	**–**	**–**	**–**	**26,883**		**26,883**	**–**	**26,883**
Loss arising on revaluation of available-for-sale financial assets	**–**	**–**	**–**	**–**		**2,687**			**2,687**	**–**	**2,687**
Reclassification adjustments relating to available-for-sale financial assets	**–**	**–**	**–**	**–**	**–**	**(2,687)**			**(2,687)**	**–**	**(2,687)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**26,942**	**(84,021)**	**(57,079)**	**(33,898)**	**(90,977)**
Issue of shares pursuant to rights issue	**25,780**	**180,460**	**–**	**–**	**–**	**–**	**–**	**–**	**206,240**	**–**	**206,240**
Transaction costs attributable to rights issue	**–**	**(3,094)**	**–**	**–**		**–**	**–**		**(3,094)**	**–**	**(3,094)**
Recognition of share-based payment	**–**	**–**	**–**	**–**	**504**	**–**	**–**	**–**	**504**	**–**	**504**
Release upon lapse of share option	**–**	**–**	**–**	**–**	**(832)**	**–**	**–**	**832**	**–**	**–**	**–**
At 31 December 2016	**29,847**	**325,164**	**1,263**	**495,170**	**34,568**	**–**	**29,283**	**(488,139)**	**427,156**	**(9,554)**	**417,602**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Operating activities			
Loss before taxation		**(117,545)**	(166,165)
Adjustments for:			
Depreciation	7(c)	**7,757**	1,696
Impairment loss on goodwill	7(c)	**63,271**	149,988
Amortisation of intangible assets	7(c)	**48**	740
Loss/(gain) on financial assets at fair value through profit or loss		**19,667**	(729)
Impairment loss on intangible assets	7(c)	**142**	3,236
Impairment loss on interest in associates	7(c)	**17,042**	–
Share of results of associates		**(521)**	(568)
Finance costs	7(a)	**393**	161
Impairment loss on available-for-sale financial assets	7(c)	**2,687**	4,059
Share-based payment expenses	7(c)	**504**	–
Loss on disposal of plant and equipments		**415**	251
Purchase of financial assets at fair value through Profit or loss		**(14,581)**	(21,874)
Operating loss before working capital changes		**(20,721)**	(29,205)
Decrease in inventories		**234**	250
Increase in trade, loan and other receivables, prepayments and deposits		**(173,692)**	(21,101)
Increase/(decrease) in trade and other payables		**10,819**	(14,185)
Cash used in operations		**(183,360)**	(64,241)
Tax paid		**(1,046)**	(402)
Net cash used in operating activities		**(184,406)**	(64,643)

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Cash flows from investing activities			
Purchase of plant and equipments		**(1,245)**	(16,673)
Proceeds from disposal of plant and equipments		**3,396**	450
Purchase of available-for-sale financial assets		**–**	(16,082)
Net cash outflow from acquisition of subsidiaries	35	**(12,038)**	–
Net cash used in investing activities		**(9,887)**	(32,305)
Cash flows from financing activities			
Proceeds from placing of shares		**–**	68,986
Payment for the transaction costs attributable of placing of shares		**–**	(1,035)
Proceeds from rights issue		**206,240**	–
Payment for the transaction costs attributable to rights issue		**(3,094)**	–
Repayment of obligation under finance leases		**(4,349)**	(599)
Repayment of interest on obligation under finance leases		**(393)**	(161)
Net cash generated from financing activities		**198,404**	67,191
Net increase in cash and cash equivalents		**4,111**	(29,757)
Cash and cash equivalents at the beginning of the year	22	**3,437**	29,406
Effect of exchange rate changes on the balance of cash held in foreign currencies		**4,144**	3,788
Cash and cash equivalents at the end of the year	22	**11,692**	3,437

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. General Information

Hao Wen Holdings Limited (the "Company") was incorporated in the Cayman Islands on 1 August 2000 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands, and its shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 20 July 2001. The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The consolidated financial statements of the Company as at and for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily engaged in the money lending, trading and manufacturing of biomass fuel, biodegradable products and trading of electronic parts.

2. Basis of Preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations promulgated by the International Accounting Standards Board (the "IASB"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(e) provides information on any changes in accounting policies resulting from initial application relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

2. Basis of Preparation *(Continued)*

(b) Basis of measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account 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 IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

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

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

(c) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currencies of the Company and its operating subsidiary in the People's Republic of China (the "PRC") are Hong Kong dollars and Renminbi ("RMB") respectively. For the purpose of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency. All financial information presented in RMB has been rounded to the nearest thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

2. Basis of Preparation *(Continued)*

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and report amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are disclosed in notes 33.

(e) Application of New and Revised International Financial Report Standards ("IFRSs")

The Group has applied for the first time, the following amendments to IFRSs issued by the IASB, which are effective for the Group's financial year beginning on or after 1 January 2016:

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

The application of the amendments to IFRSs 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

2. Basis of Preparation *(Continued)*

(e) Application of New and Revised International Financial Report Standards ("IFRSs") *(Continued)*

Issued but not yet effective IFRSs

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

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

[1] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[4] Effective for annual periods beginning on or a date to be determined.

The Group is in the process of accessing the potential impact of the above new and revised IFRSs upon initial application but is not yet in a position to state whether the above new and revised IFRSs, will have a significant impact on the Group's results of operations and financial position.

IFRS 9 Financial Instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

2. Basis of Preparation *(Continued)*

(e) Application of New and Revised International Financial Report Standards ("IFRSs") *(Continued)*

Issued but not yet effective IFRSs *(Continued)*

Key requirements of IFRS 9

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business mode whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

2. Basis of Preparation *(Continued)*

(e) Application of New and Revised International Financial Report Standards ("IFRSs") *(Continued)*

Issued but not yet effective IFRSs *(Continued)*

Key requirements of IFRS 9 (Continued)

The directors of the Company (the "Directors") do not anticipate of the new and revised IFRSs will have a material impact on the Group's consolidated financial statements except as below:

IFRS 15 Revenue from Contracts with Customers

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

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

– Step 1: Identify the contract(s) with a customer

– Step 2: Identify the performance obligations in the contract

– Step 3: Determine the transaction price

– Step 4: Allocate the transaction price to the performance obligations in the contract

– Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

In 2016, IASB issued clarifications to IFRS 15 in relation to the identification of performance obligations, principal verus agent considerations, as well as licensing application guidance.

The Group is in the process of assessing the potential impact of the IFRS 15 upon initial application but is not yet in a position to state whether IFRS 15, will have a significant impact on the Group's results of operations and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iii) Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

(a) Basis of consolidation *(Continued)*

(iv) 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:

(i) deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

(ii) 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 IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

(iii) assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

(a) Basis of consolidation *(Continued)*

(iv) Business combinations *(Continued)*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

(b) Investments in subsidiaries

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses.

(c) Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

(c) Investments in associates *(Continued)*

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

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

(d) Goodwill

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

(e) Plant and equipments

(i) Recognition and measurement

Items of plant and equipments are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that are directly attributable to the acquisition of the asset. The cost of self-constructed items of assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

When parts of an item of plant and equipments have different useful lives, they are accounted for as separate items (major components) of plant and equipments.

Gains or losses arising on disposal of an item of plant and equipments are determined by comparing the proceeds from disposal with the carrying amount of plant and equipments, and are recognised net within other income in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of plant and equipments is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of plant and equipments are recognised in profit or loss as incurred.

(iii) Depreciation

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

– Machinery and equipment	8 – 10 years
– Furniture and office equipment	5 – 8 years
– Motor vehicles	5 – 8 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

(e) Plant and equipments *(Continued)*

(iv) Construction in progress

Construction in progress represents buildings and various plant and equipments under construction and pending installation, and is stated at cost less any impairment losses. Cost comprises direct costs of construction incurred during the periods of construction.

Construction in progress is transferred to buildings, and machinery and equipment when the asset is substantially ready for its intended use.

(f) 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 !eases.

The Group as lessee

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

(g) Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation 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 accumulated impairment losses.

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 (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

(i) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(ii) the intention to complete the intangible asset and use or sell it;

(iii) the ability to use or sell the intangible asset;

(iv) how the intangible asset will generate probable future economic benefits;

(v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(vi) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets 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.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

(g) Intangible assets *(Continued)*

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

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

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual assets, 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 can 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 basic can be identified.

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

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

(g) Intangible assets *(Continued)*

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

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

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated based on the weighted average costing method (which approximates the average actual cost) and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

(i) 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 at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

(i) Financial instruments *(Continued)*

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at financial asset at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

(a) it has been acquired principally for the purpose of selling it in the near future; or

(b) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(c) 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 fair value through profit or loss upon initial recognition if:

(a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(b) 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

(c) it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

(i) Financial instruments *(Continued)*

Available-for-sale financial assets

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

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in other comprehensive income and accumulated under the heading of available-for-sale financial asset reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale financial asset reserve is reclassified to profit or loss.

Dividends on available-for-sale equity investments are recognized in profit or loss when the Group's right to receive the dividends is established.

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

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Financial assets at fair value through profit or loss 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 incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the consolidated statement of profit or loss and other comprehensive income.

Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade, loan and other receivables and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

(i) Financial instruments *(Continued)*

Impairment of financial assets

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

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

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

(a) significant financial difficulty of the issuer or counterparty; or

(b) breach of contract, such as a default or delinquency in interest or principal payments; or

(c) it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

(d) the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

(i) Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

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

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

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into 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. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest rate method. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

(i) Financial instruments *(Continued)*

Effective interest method

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at fair value though profit or loss.

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. 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 comprehensive income.

For financial liabilities, they are removed from the Group's consolidated statement of financial positions when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognised in the consolidated statement of profit or loss and other comprehensive income.

(j) Cash and cash equivalents

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

(k) Borrowings

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

(l) Trade and other payables

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

(m) Revenue

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

(i) Sale of goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue excludes value added tax or other sales taxes and is stated after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted of the original effective, interest rate of the instrument and continues unwinding the discount as interest income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

(n) Employee benefits

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

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

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

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

(iii) Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share-based compensation reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

(o) Finance income and costs

Finance income comprises interest income on funds invested that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying assets are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(p) Income tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

(q) Provisions and contingent liabilities

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

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

(r) Translation of foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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 on monetary items are recognised in profit or loss in the period in which they arise except for:

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

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

(s) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

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

A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

(t) Segment reporting

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

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

4. Revenue

Revenue represents (i) the sales value of goods supplied to customers, which net of value added tax and is stated after deduction of goods returns and trade discounts and (ii) interest income earned from the money lending business.

	2016 RMB'000	2015 RMB'000
Trading and manufacturing of biomass fuel	**3,784**	26,154
Interest income earned from the money lending business	**19,207**	9,146
Sale of biodegradable products	**–**	1,909
Trading of electronic parts	**4,162**	–
Total	**27,153**	37,209

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

5. Segment Reporting

Information reported to the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods devoured or provided. The segmentations are based on the information about the operation of the Group that management uses to make decision and regularly review by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance.

The Group's reportable and operating segment under IFRS 8 are as follows:

(i) Interest income earned from the money lending business;

(ii) Trading and manufacturing of biomass fuel;

(iii) Sale of biodegradable food containers and disposable industrial packaging for consumer products; and

(iv) Trading of electronic parts.

Segment revenues and results

	Money lending		Biomass Fuel		Biodegradable products		Electronic parts		Consolidated	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Revenue										
External sales	19,207	9,146	3,784	26,154	–	1,909	4,162	–	27,153	37,209
Result										
Segment result	5,529	5,353	(6,053)	(475)	(754)	(3,211)	788	–	(490)	1,667
Unallocated corporate income									1	366
Unallocated corporate expenses									(14,375)	(12,051)
Impairment loss on intangible assets	–	–	–	–	(142)	(3,236)	–	–	(142)	(3,236)
(Loss)/gain on financial assets at fair value through profit or loss									(19,667)	729
Impairment loss on available-for-sale financial assets									(2,687)	(4,059)
Impairment loss on goodwill	–	–	(63,271)	(149,988)	–	–	–	–	(63,271)	(149,988)
Impairment loss on interest in associates									(17,042)	–
Loss from operations									(117,673)	(166,572)
Share of results of associates									521	568
Finance costs									(393)	(161)
Loss before taxation									(117,545)	(166,165)
Income tax expense									(374)	(222)
Loss for the year									(117,919)	(166,387)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

5. Segment Reporting *(Continued)*

Segment revenues and results *(Continued)*

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2015: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3 to the consolidated financial statements. Segment results represent the profit/(loss) generated by each segment without allocation of corporate income and central administration costs including directors' emoluments, share of results of associates, (loss)/gain on financial assets at fair value through profit or loss, impairment loss on available-for-sale financial assets, impairment loss on interest in associates, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

	Money lending		Biomass Fuel		Biodegradable products		Electronic parts		Consolidated	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Assets										
Segment assets	**301,120**	92,304	**27,110**	113,980	**371**	10,901	**16,923**	–	**345,524**	217,185
Unallocated corporate assets									**118,637**	118,706
									464,161	335,891
Liabilities										
Segment liabilities	**16,374**	1,605	**18,318**	17,895	**1,328**	4,914	**3,719**	–	**39,739**	24,414
Unallocated corporate liabilities									**6,820**	6,548
									46,559	30,962

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

All assets are allocated to operating segments other than available-for-sale financial assets, interest in associates, financial assets at fair value through profit or loss and other corporate assets.

All liabilities are allocated to operating segments other and corporate liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

5. Segment Reporting *(Continued)*

Other segment information

The following is an analysis of the Group's other segment information:

	Money lending		Biomass Fuel		Biodegradable products		Electronic parts		Unallocated		Consolidated	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Capital expenditure	**4,122**	2,610	**–**	15,268	**–**	–	**–**	–	**5,032**	–	**9,154**	17,878
Depreciation and amortisation	**1,326**	431	**5,476**	85	**382**	1,877	**–**	–	**621**	43	**7,805**	2,436
Impairment loss on intangible assets	**–**	–	**–**	–	**142**	3,236	**–**	–	**–**	–	**142**	3,236
Impairment loss on available-for-sale financial assets	**–**	–	**–**	–	**–**	–	**–**	–	**2,687**	4,059	**2,687**	4,059
Impairment loss on goodwill	**–**	–	**63,271**	149,988	**–**	–	**–**	–	**–**	–	**63,271**	149,988
Impairment loss on interest in associates	**–**	–	**–**	–	**–**	–	**–**	–	**17,042**	–	**17,042**	–
(Loss)/gain on financial assets at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**–**	–	**(19,667)**	729	**(19.667)**	729
Loss on disposal of plant and equipments	**61**	–	**–**	–	**354**	–	**–**	–	**–**	251	**415**	251
Share-based payment expenses	**–**	–	**–**	–	**–**	–	**–**	–	**504**	–	**504**	–

The Group's revenue from its major products were disclosed in note 4.

Geographical information

The Group operates in two principal geographical areas, the PRC (excluding Hong Kong) and Hong Kong. The Group's revenue from the external customers by location of operations and information about its non-current assets are detailed below:

	Revenue		Non-current assets*	
	Year ended 31 December 2016 RMB'000	Year ended 31 December 2015 RMB'000	**As at 31 December 2016 RMB'000**	As at 31 December 2015 RMB'000
The PRC	**7,946**	9,736	**22,445**	91,194
Hong Kong	**19,207**	27,473	**71,495**	65,493
	27,153	37,209	**93,940**	156,687

* Non-current assets excluding available-for-sale financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

5. Segment Reporting *(Continued)*

Information about major customers

For the year ended 31 December 2015, included in the revenue arising from biomass fuel of approximately RMB23,247,000, was arisen from two single external customers.

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

	2016 RMB'000	2015 RMB'000
Customer A (Note)	**–**	16,221
Customer B (Note)	**–**	7,026

Note: The customers did not contribute 10% or more of the total revenue for the year ended 31 December 2016.

6. Other Gains

	2016 RMB'000	2015 RMB'000
Sundry income	**1**	366

7. Loss before Taxation

Loss before taxation is arrived after charging:

(a) Finance costs

	2016 RMB'000	2015 RMB'000
Interest on obligations under finance leases	**393**	161

(b) Staff costs (including directors' emoluments)

	2016 RMB'000	2015 RMB'000
Contributions to defined contribution plans	**123**	154
Salaries, wages and other benefits	**5,179**	4,436
Total staff costs	**5,302**	4,590

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

7. Loss before Taxation *(Continued)*

(c) Other items

	2016 RMB'000	2015 RMB'000
Amortisation of intangible assets	48	740
Depreciation	7,757	1,696
Operating lease charges in respect of property rentals:		
Minimum lease payments	2,326	1,850
Auditors' remuneration		
– Audit services	950	950
– Non-audit services	–	424
Cost of inventories sold	12,400	27,571
Share-based payments	504	–
Impairment loss on available-for-sale financial assets	2,687	4,059
Impairment loss on interest in associates	17,042	–
Impairment loss on intangible assets	142	3,236
Impairment loss on goodwill	63,271	149,988
Loss on disposal of plant and equipments	415	251

8. Income Tax Expense

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2016 RMB'000	2015 RMB'000
Current tax		
Hong Kong	–	309
PRC Enterprise Income Tax	170	3
Under-provision/(over-provision) in prior year Hong Kong	204	(90)
	374	222

(i) Hong Kong Profits Tax

Hong Kong Profits Tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year ended 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

8. Income Tax Expense *(Continued)*

(ii) Income taxes outside Hong Kong

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Company and the Company's subsidiaries registered in the BVI are not subject to any income tax in the Cayman Islands and BVI, respectively.

The subsidiary of the Group established in the PRC is generally subject to PRC Enterprise Income Tax on its taxable income at an income tax rate of 25% in respect of the year ended 31 December 2016 (2015: 25%).

Reconciliation between tax expense and accounting loss at applicable tax rates:

	2016 RMB'000	%	2015 RMB'000	%
Loss before taxation	**(117,545)**		(166,165)	
Notional tax on loss before taxation calculation at the relevant tax rate of 16.5% (2015: 16.5%)	**(19,395)**	**(16.5)**	(27,417)	(16.5)
Tax effect of non-taxable income	**–**	**–**	(478)	(0.3)
Tax effect of non-deductible expenses	**20,160**	**17.2**	26,704	16.1
Tax effect of unused tax losses not recognised	**–**	**–**	1,432	0.9
Tax effect of share of results of associates	**(85)**	**(0.1)**	(94)	(0.1)
Under-provision/(over provision) in prior years	**204**	**0.1**	(90)	(0.1)
Tax effect of different tax rates in other jurisdictions	**(510)**	**(0.4)**	165	0.1
Income tax expense for the year	**374**	**0.3**	222	0.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

9. Directors' and Chief Executive's Remuneration

Details of the directors' remuneration of the Company for the year, disclosed pursuant to Listing Rules and Section 383 of the Hong Kong Companies Ordinance, are as follows:

	Directors' Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	2016 Total RMB'000
Executive directors:				
Tsui Annie (appointed on 12 Oct 2015)	–	335	15	350
Wang Ziyi (appointed on 17 May 2016)	131	–	–	131
Chow Yik (retired on 12 May 2016)	–	112	5	117
Lok Wing Fu (resigned on 21 June 2016)	–	159	8	167
Wun Chun Yip (appointed on 4 Jan 2016) (retired on 12 May 2016)	–	231	6	237
Independent non-executive directors:				
Kwok Pak Yu, Steven	167	–	–	167
Ma Sijing	112	–	–	112
Ho Yuen Ki (appointed on 10 August 2016)	53	–	–	53
Ho Kei Wing, Nelson (resigned on 4 July 2016)	56	–	–	56
	519	837	34	1,390

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

9. Directors' and Chief Executive's Remuneration *(Continued)*

	Directors' Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	2015 Total RMB'000
Executive directors:				
Chow Yik (retired on 12 May 2016)	–	287	13	300
Lok Wing Fu (resigned on 21 June 2016)	–	305	14	319
Tsui Annie (appointed on 12 Oct 2015)	–	69	3	72
Leung King Fai (resigned on 16 March 2015)	–	78	3	81
Independent non-executive directors:				
Kwok Pak Yu, Steven	157	–	–	157
Ma Sijing	104	–	–	104
Ho Kei Wing, Nelson (resigned on 4 July 2016)	104	–	–	104
Chief Executive Officer:				
Chan Yin Tsung (resigned on 20 May 2016)	–	209	10	219
	365	948	43	1,356

The details of those benefits in kind, including the principal terms and number of options granted, are disclosed in note 28.

For the years ended 31 December 2016 and 2015, no emolument was paid to the directors as an inducement to join or upon joining the Company or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

10. Individuals with Highest Emoluments

Of the five individuals with the highest emoluments, two (2015: one) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other three individual (2015: four) are as follows:

	2016 **RMB'000**	2015 RMB'000
Salaries and other emoluments	**2,649**	1,507
Retirement scheme contributions	**53**	51
	2,702	1,558

The emoluments paid or payable to members of senior management (excluding the Directors) were within the following bands:

	Number of individuals	
	2016	2015
Nil – HK$1,000,000	**2**	4
HK$1,000,000 – HK$1,500,000	**1**	–

For the years ended 31 December 2016 and 2015, no emolument was paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

11. Dividend

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

12. Loss Per Share

(a) Basic loss per share

The calculation of the basic loss per share for the year is based on the following data:

	2016 **RMB'000**	2015 RMB'000
Loss		
Loss for the purposes of basic loss per share, loss for the year attributable to the owners of the Company	**(84,021)**	(92,671)

	2016 **'000**	2015 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,544,023**	250,076

Note:

The weighted average number of ordinary shares for the years ended 31 December 2016 and 2015 have been adjusted for the rights issue. Completion of rights issue took place on 29 February 2016.

(b) Diluted loss per share

Diluted loss per share for the years ended 31 December 2016 and 2015 were same as the basic loss per share. The Company's outstanding share options and warrants were not included in the calculation of diluted loss per share because the effects of the Company's outstanding share options and warrants were anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

13. Plant and Equipments

Movements in plant and equipments are as follows:

	Construction in progress RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Machinery and equipment RMB'000	Total RMB'000
Cost					
At 1 January 2015	11,111	1,804	3,961	1,387	18,263
Currency realignment	–	58	303	–	361
Additions	–	47	2,563	15,268	17,878
Transfer	(11,111)	–	–	11,111	–
Disposal	–	(53)	(896)	–	(949)
At 31 December 2015 and 1 January 2016	–	1,856	5,931	27,766	35,553
Currency realignment	–	160	668	–	828
Additions	–	1,245	7,909	–	9,154
Transfer	–	–	–	–	–
Disposal	–	–	(5,625)	–	(5,625)
At 31 December 2016	–	3,261	8,883	27,766	39,910
Accumulated depreciation and impairment					
At 1 January 2015	–	509	407	41	957
Currency realignment	–	48	62	–	110
Charge for the year	–	481	1,090	125	1,696
Disposal	–	(53)	(195)	–	(248)
At 31 December 2015 and 1 January 2016	–	985	1,364	166	2,515
Currency realignment	–	98	85	–	183
Charge for the year	–	695	1,587	5,475	7,757
Disposal	–	–	(1,814)	–	(1,814)
At 31 December 2016	–	1,778	1,222	5,641	8,641
Carrying amounts					
At 31 December 2016	–	1,483	7,661	22,125	31,269
At 31 December 2015	–	871	4,567	27,600	33,038

Note: As at 31 December 2016, the carrying amount of the Group's motor vehicles of approximately RMB7,269,000 (2015: RMB4,042,000) of assets held under finance leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

14. Intangible Assets

Movements in intangible assets of the Group are as follows:

	Intellectual properties RMB'000 (note a)
Cost	
At 1 January 2015	127,972
Currency realignment	7,027
At 31 December 2015 and 1 January 2016	134,999
Currency realignment	9,380
At 31 December 2016	**144,379**
Accumulated amortisation and impairment	
At 1 January 2015	124,327
Amortisation expenses	740
Impairment loss	3,236
Currency realignment	6,498
At 31 December 2015 and 1 January 2016	134,801
Amortisation expenses	48
Impairment loss	142
Currency realignment	9,388
At 31 December 2016	144,379
Carrying amounts	
At 31 December 2016	–
At 31 December 2015	198

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

14. Intangible Assets *(Continued)*

(a) The intellectual property's useful life used in the calculation of amortisation is 8 years.

During the year ended 31 December 2016, as the result of the unexpected poor performance of the biodegradable products, the directors of the Company carried out an impairment review. The recoverable amount of the intellectual properties was lower than the carrying amount of the intellectual properties and accordingly an impairment loss of approximately RMB142,000 (2015: RMB3,236,000) was recognised during the year ended 31 December 2016.

The recoverable amount of intellectual properties for the year ended 31 December 2016 and 2015 was determined based on value-in-use calculations. The impairment review of the recoverable amount products is based on the expected future cash flows and based on the financial budgets approved by management covering a 5-year period. Discount rate of 13.1% (2015: 13.05%) was applied on the value in use calculations.

(b) The amortisation charge for the year is included in "general and administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

15. Goodwill

	2016	2015
	RMB'000	RMB'000
Cost:		
At 1 January	**213,259**	213,259
Acquisition of subsidiaries (note 35)	**12,038**	–
Currency realignment	**503**	–
At 31 December	**225,800**	213,259
Accumulated impairment loss:		
At 1 January	**149,988**	–
Impairment loss for the year	**63,271**	149,988
As 31 December	**213,259**	149,988
Carrying amounts:		
At 31 December	**12,541**	63,271

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

15. Goodwill *(Continued)*

Particular of impairment testing on goodwill are disclosed below:

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

– Biomass fuel products business

– Trading of electronic parts business

Before recognition of impairment losses, the carrying amount of goodwill was allocated to cash-generating units as follows:

	2016	2015
	RMB'000	RMB'000
Biomass fuel products business	**213,259**	213,259
Trading of electronic part business	**12,541**	–

(a) For the year ended 31 December 2016 and 31 December 2015, the recoverable amount of biomass fuel product business cash-generating units has been determined based on a value in use calculation which uses cash flow projection based on financial budgets approved by the directors and valued by the professional value covering a five year period, and discount rate of 17.25% (2015: 13.95%) per annum. Cash flows beyond that five-year period have been extrapolated using a steady 3% (2015: 3.00%) growth rate. This growth rate does not exceed the long-term average growth rate for the market.

Impairment loss of approximately RMB63,271,000 was recognized during the year ended 31 December 2016 as the biomass fuel products business operation does not turnout as previously expected, due to decrease in demand of biomass fuel product as a result of the more stringent and competitive environment of the industry.

The key assumptions used in the value-in-use calculations are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

15. Goodwill *(Continued)*

(b) For the year ended 31 December 2016, the recoverable amount of trading of electronic parts business cash generating units has been determined based on a value in use calculation which uses cash flow projection based on financial budgets approved by the directors and valued by the professional value covering a five year period, and discount rate of 20% per annum. Cash flow beyond that five-year period has been extrapolated using a steady 3% growth rate. This growth rate does not exceed the long-term average growth rate of the market.

The key assumptions used in the value-in-use calculations are as follows:

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

16. Available-for-sale Financial Assets

	2016 **RMB'000**	2015 RMB'000
Unlisted investment – equity security, At cost less impairment	**9,868**	11,851

On 6 February 2015, Starry Regent Limited, a wholly owned Subsidiary of the Company, entered into a sales and purchase agreement with an independent third party, pursuant to which Starry Regent Limited agreed to acquired 5.4% equity interest in Peak Zone Group Limited at the consideration of HK$19,200,000 (equivalent to RMB16,082,000). The transaction was completed on 16 February 2015.

Due to significant changes with the performance of the available-for-sale ("AFS") financial assets, the fair value of the available-for-sale financial assets decreased significantly. An impairment loss of approximately RMB2,687,000 (2015: RMB4,059,000) was recognised in the Group's consolidated statement of profit or loss during the year ended 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

17. Interest in Associates

	RMB'000
At 1 January 2015	54,833
Share of post-acquisition profits and other comprehensive income, net of dividend received.	620
Currency realignment	3,130
At 31 December 2015 and 1 January 2016	58,583
Share of post-acquisition profits and other comprehensive income, net of dividend received	580
Less: Impairment loss on interest in associates	(17,042)
Currency realignment	4,035
At 31 December 2016	**46,156**

During the year under review, an impairment loss on interest in associates of approximately RMB17,042,000 was recognised in the Group's consolidated statement of profit or loss on the basis of material decline in the recoverable amount which was below the carrying amount and adverse changes in the market in which the associates operated.

During the year ended 31 December 2016, the Group had interests in the following associates:

Name of entity	Form of entity, place of incorporation/ registration and operations	Particulars of issued and fully paid share capital/registered capital	Percentage of equity attributable to the Group	Percentage of voting power hold	Principal activities
Sincere Smart International Limited	Incorporated in BVI	50,000 ordinary shares of US$1 each	22.5%	22.5%	Investment holding
Ideal Surplus Inc Limited	Incorporated in Hong Kong	10,000 ordinary shares of HK$ 1 each	22.5%	22.5%	Development and sales of POS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

17. Interest in Associates *(Continued)*

The summarised financial information in respect of the Group's associates is set out below:

	2016 **RMB'000**	2015 RMB'000
Total assets	**8,997**	11,901
Total liabilities	**(1,556)**	(7,037)
Net assets	**7,441**	4,864
Net asset attributable to the Group	**1,674**	1,094
Goodwill	**44,482**	57,489
Carrying amount	**46,156**	58,583
Revenue	**5,683**	5,373
Profit for the year	**2,317**	2,526
Group's share of profit of associates	**521**	568
Group's share of other comprehensive income	**59**	52
Group's share of total comprehensive income	**580**	620

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

17. Interest in Associates *(Continued)*

Particular of impairment testing on goodwill are disclosed below:

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

– Provision of cloud platforms application and solutions business

After recognition of impairment losses, the carrying amount of goodwill was allocated to cash-generating units as follows:

	2016 **RMB'000**	2015 RMB'000
Provision of cloud platforms application and solutions business	**44,482**	57,489

For the years ended 31 December 2016 and 2015, the recoverable amount of this cash-generating units has been determined based on a value in use calculation which uses cash flow projection based on financial budgets approved by the directors and valued by the professional valuer covering a five year period, and discount rate of 12.54% (2015: 12.47%) per annum. Cash flows beyond that five-year period have been extrapolated using a steady 3% (2015: 3.00%) growth rate. This growth rate does not exceed the long-term average growth rate for the market.

The key assumptions used in the value-in-use calculations are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

18. Particulars of Subsidiaries

(a) The particulars of material subsidiaries of the Company at 31 December 2016 were as follows:

Name of company	Place of incorporation	Particulars of issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held by the Company Directly	Indirectly	Principal activities
Create Profit Enterprises Limited	Hong Kong	HK$10,000	–	100%	Finance and Money lending
Leader Joy International Limited	Hong Kong	HK$1	–	100%	Investment holding
Huge Lucky Limited	Hong Kong	HK$10,000	–	100%	Trading and Manufacturing biomass fuel products
Hong Kong Leap Trading Co. Limited	Hong Kong	HK$10,000	–	100%	Trading of electronic parts
佛山市寶地創新科技有限公司	the PRC	RMB500,000	–	100%	Trading and Manufacturing biomass fuel products
德慶縣炬林環保新能源開發有限公司	the PRC	RMB2,000,000	–	51%	Trading and Manufacturing biomass fuel products

The above table lists the subsidiaries of the Group, which, in the opinion of the directors, principally affected the results or assets of the Group. The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

18. Particulars of Subsidiaries *(Continued)*

(b) Detail of non-wholly owned subsidiary that has material non-controlling interests

Name of company	Place of incorporation	Proportion of ownership interests voting right held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
德慶縣炬林環保新能源開發有限公司（「炬林環保」）	PRC	**49%**	49%	(33,631)	(73,716)	(9,579)	24,336

(i) 炬林環保

	2016 RMB'000	2015 RMB'000
Current assets	**822**	984
Non-current assets	**22,497**	91,244
Current liabilities	**(42,868)**	(28,818)
Equity attributable to owners of the Company	**(9,970)**	25,329
Non-controlling interests	**(9,579)**	24,336
Revenue	**353**	454
Expenses	**(69,567)**	(150,893)
Loss for the year	**(69,214)**	(150,439)
Total comprehensive loss attributable to owners of the Company	**(35,299)**	(76,723)
Total comprehensive loss attributable to owners of the non-controlling interests	**(33,915)**	(73,716)
Total comprehensive loss for the year	**(69,214)**	(150,439)
Net cash (used in)/generated from operating activities	**(14)**	15,279
Net cash used in investing activities	**–**	(15,268)
Net cash used in financing activities	**–**	–
Net cash inflow/(outflow)	**(14)**	11

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

19. Inventories

	2016 RMB'000	2015 RMB'000
Raw material	–	213
Work in progress	–	71
Finished goods	126	76
	126	360

20. Trade, Loan and Other Receivables, Prepayments and Deposits

	2016 RMB'000	2015 RMB'000
Trade debtors	4,756	20,411
Loans receivables (note)	296,777	89,292
Other receivables	5,570	3,942
Trade deposit	–	4,188
Rental and other deposits	1,533	1,371
Prepayments	826	733
	309,462	119,937
Less: Non-current portion		
– Loan receivables	(3,974)	(1,597)
	305,488	118,340

Note:

The Group's loans receivable, which arise from the money lending business in Hong Kong, are denominated in Hong Kong dollar. Secured loans receivable are secured by collaterals provided by customers, bear interest and are repayable with fixed terms agreed with the Group's customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

20. Trade, Loan and Other Receivables, Prepayments and Deposits *(Continued)*

a) Ageing analysis of trade debtors and loan receivables

Included in trade and loan receivables are trade debtors and loan receivables with the following ageing analysis based on invoice date and inception of such loans as of the end of the reporting period:

(i) Trade debtors

	2016 RMB'000	2015 RMB'000
0 to 30 days	–	–
31 to 60 days	87	–
61 to 90 days	4,403	313
91 to 180 days	–	18,356
181 to 365 days	–	1,742
Over 365 days	266	–
	4,756	20,411
Less: allowance for doubtful debts	–	–
	4,756	20,411

Customers are generally granted with credit term of 90 days.

(ii) Loan receivables

	2016 RMB'000	2015 RMB'000
0-30 days	18,742	1,551
31 to 60 days	–	509
61 to 90 days	143,251	–
91 to 180 days	29,746	29,314
181 to 365 days	65,078	30,945
Over 365 days	39,960	26,973
	296,777	89,292
Less: allowance for doubtful debts	–	–
	296,777	89,292

The loan to customers were repaid in accordance with the terms of the loan agreements. Further details on the Group's policy are set out in note 32b(i).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

20. Trade, Loan and Other Receivables, Prepayments and Deposits

(Continued)

b) Impairment of trade debtors and loan receivables

In determining the recoverability of trade debtors, the Group considers any change in the credit quality of the trade receivables and financial difficulties and only a portion of receivable is expected to be recovered. At 31 December 2016 and 2015, none of the Group's trade debtors were individually determined to be impaired.

At the end of each reporting date, the Group's loan receivables were individually assessed for impairment. The Group encountered difficulties in collection of certain loan receivables and appropriate allowance for bad and doubtful debts has been made against these loan receivables. The individually impaired loan receivables are recognised based on the credit history of the borrowers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific allowance for bad and doubtful debts was recognised. There were no impairment loss recognised for the years ended 31 December 2016 and 2015.

The Group has concentration of credit risk from five highest borrowers of RMB94,816,000 (2015: RMB71,181,000) in total at 31 December 2016.

c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither past due nor impaired and that are past due but not impaired are as follows:

	2016 **RMB'000**	2015 RMB'000
Neither past due nor impaired	**–**	–
Less than 6 months past due	**4,490**	18,669
More than 6 months past due	**266**	1,742
Total	**4,756**	20,411

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

Trade debtors that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold collaterals from the relevant customers over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

20. Trade, Loan and Other Receivables, Prepayments and Deposits

(Continued)

d) Loan receivables that are not impaired

The ageing analysis of loan receivable that are neither past due nor impaired and that are past due but not impaired are as follows:

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	**296,777**	89,292
Less than 6 month past due	**–**	–
More than 6 month past due	**–**	–
Total	**296,777**	89,292

Loan receivables that neither past due nor impaired are related to all loans are currently under contract.

21. Financial Assets at Fair Value Through Profit or Loss

	2016 RMB'000	2015 RMB'000
Listed securities:		
– Equity securities listed in Hong Kong	**43,047**	45,216

Financial assets at fair value through profit or loss are stated at fair values which are determined with reference to quoted market bid prices

22. Cash and Bank Balances

	2016 RMB'000	2015 RMB'000
Cash and bank balance, denominated in		
– Hong Kong dollars and United Sates dollars	**11,370**	3,400
– Renminbi	**322**	37
Cash and cash equivalents in consolidated statement of financial position and consolidated statement of cash flows	**11,692**	3,437

Cash and bank balances of approximately RMB322,000 (2015: RMB37,000) are denominated in Renminbi. Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government. Cash at banks earn interest at floating rates based on daily bank deposits rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

23. Trade and Other Payables

	2016 RMB'000	2015 RMB'000
Trade creditors	**946**	2,661
Accrued expenses and other payables	**38,664**	24,259
	39,610	26,920

Included in trade and other payables are trade creditors with the following ageing analysis:

	2016 RMB'000	2015 RMB'000
0 to 30 days	**–**	–
Over 30 days	**946**	2,661

The average credit period on purchases of goods is 30 days.

24. Tax Payables

(a) Current taxation in the consolidation statement of financial position represents:

	2016 RMB'000	2015 RMB'000
Current tax payables for PRC enterprise income tax	**110**	3
Current tax payables for Hong Kong profit tax	**–**	718
	110	721

(b) Deferred taxation recognised

No deferred tax liabilities have been recognized as the Group does not have significant temporary difference for the year ended 31 December 2016 and 2015.

At the end of the reporting period, no deferred tax assets has been recognised in relation to the deductible temporary difference and tax losses as it is not probable that taxable profit will be available against which the deductible temporary difference and tax losses can be utilised (2015: Nil). The Group and the Company has tax losses of approximately RMB23,452,000 (2015: RMB30,799,000), which do not expire under current tax legislation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

25. Obligations under Finance Leases

	Minimum lease payment		Present Value of minimum lease payment	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance leases:				
Within one year	**2,011**	1,022	**1,707**	884
More than one year and not more than five years	**5,541**	2,528	**5,132**	2,375
In the fifth year	**–**	63	**–**	62
	7,552	3,613	**6,839**	3,321
Less: Future finance charges	**(713)**	(292)	**–**	–
Present value of lease obligations	**6,839**	3,321	**6,839**	3,321
Less: Amount due within one year shown under current liabilities			**(1,707)**	(884)
Amount due after one year			**5,132**	2,437

The Group has leased the motor vehicles under finance leases. The lease term is 5 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranged 2% and 2.75% per annum. Obligations under finance leases are denominated in Hong Kong dollars.

The obligations under finance leases are secured by the lessor's charge over the leased motor vehicles and by corporate guarantees provided by the Company.

26. Capital and Reserves

(a) Share capital

(i) Authorised and issued share capital

	Per value of each share	Number of shares	Nominal value
	HK$	'000	HK$'000
Authorised:			
At 1 January 2015	0.10	10,000,000	1,000,000
Sub-division (iii)		990,000,000	–
Share consolidated (iv)		(950,000,000)	–
At 31 December 2015, 1 January 2016 and 31 December 2016	0.02	50,000,000	1,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

26. Capital and Reserves *(Continued)*

(a) Share capital *(Continued)*

(i) Authorised and issued share capital (Continued)

		2016			2015		
		Number of shares	Nominal value of ordinary shares		Number of shares	Nominal value of ordinary shares	
		'000	HK$'000	RMB'000	'000	HK$'000	RMB'000
Ordinary share, issued and fully paid:							
At 1 January		**255,540**	**5,111**	**4,067**	4,259,002	425,898	339,771
Issue of shares pursuant rights issue	(i)	**1,533,240**	**30,665**	**25,780**	–	–	–
Issue of shares upon placing of shares	(ii)	**–**	**–**	**–**	851,800	85,180	66,977
Capital reduction	(iii)	**–**	**–**	**–**	–	(505,967)	(402,681)
Share consolidation	(iv)	**–**	**–**	**–**	(4,855,262)	–	–
At 31 December 2016		**1,788,780**	**35,776**	**29,847**	255,540	5,111	4,067

The holders of ordinary shares are entitled to receive dividends of HK$0.02 each as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(i) Pursuant to the rights issue on the basis of six rights share of HK$0.02 each for every one share held on the record date, 1,533,240,504 new shares were issued in 29 February 2016 at HK$0.16 per share. The net proceeds of approximately HK$240,760,000 (equivalent to RMB206,239,000) was intended to apply to further development of money lending business and any future acquisition of investments.

(ii) On 15 June 2015, the placement of 851,800,000 shares under general mandate granted at an issue price of HK$0.103.

(iii) Pursuant to a special resolution passed by the shareholders of the Company at an extraordinary general meeting on 15 July 2015, the approval from the Grand Court of Cayman Islands ("Court") and a copy of the order granted by the Court and minutes approved by the Court were filed and registered with Registrar of Companies in the Cayman Islands on 15 October 2015 (Cayman time), the paid-up capital of each of the issued shares had been reduced from HK$0.10 each to HK$0.001 each by cancelling paid-up capital to the extent of HK$0.099 per issued share by way of a reduction of capital, so as to form an ordinary share with par value of HK$0.001 each; and immediately following the Capital Reduction, each of the authorised but unissued Shares with par value of HK$0.10 each had been subdivided into one hundred (100) unissued new shares of HK$0.001 each became effective after 4:00 p.m. on 15 October 2015 but before 9:00 a.m. on 16 October 2015, (due to time difference between Hong Kong and Cayman Islands).

(iv) Pursuant to an ordinary resolution passed by the shareholders of the Company at an extraordinary general meeting on 6 November 2015 every 20 issued and unissued shares of HK$0.001 each in share capital of the Company be consolidated into one share of HK$0.02 each with effect from 9 November 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

26. Capital and Reserves *(Continued)*

(b) Nature and purpose

(i) Share premium

Share premium represents the share premium of the Company, the application of which is governed by the Companies Law of the Cayman Islands. Under the Companies Law (2000 revision) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

(ii) Capital reduction reserve

Pursuant to a special resolution passed on 15 July 2015, the issued share capital of the Company was be reduced by cancelling paid up capital to the extent of HK$0.099 on each of the shares in issue such that the nominal value of all the issued shares be reduced (the "Issued Capital Reduction") from HK$0.10 each to HK$0.01 each; and the nominal value of all unissued shares in the authorised share capital of the Company was reduced (the "Authorised Capital Reduction") from HK$0.10 each to HK$0.01 each. Upon the Issued Capital Reduction and the Authorised Capital Reduction becoming effective, the authorised share capital of the Company was HK$1,000,000,000, divided into 1,000,000,000,000 ordinary shares of HK$0.001 each. The Issued Capital Reduction was completed on 16 October 2015.

(iii) Share-based compensation reserve

Share-based compensation reserve comprises the portion of the grant date fair value of unexercised share options granted to employees and other service providers of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 3(n)(ii).

(iv) General fund reserve

According to the relevant laws and regulations in the PRC, the subsidiaries established in the PRC, is required to appropriate at least 10% of after-tax profit (after offsetting prior years' losses), based on the PRC statutory financial statements prepared in accordance with the generally accepted accounting principles and financial regulations applicable to the PRC enterprises, to a general fund reserve until the balance of the fund reaches 50% of its registered capital. Thereafter, any further appropriation can be made at the directors' discretion.

The general fund reserve can be utilised to offset the prior years' losses, or be utilised to increase the capital on the condition that the general fund reserve shall be maintained at a minimum of 25% of the registered capital after such increase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

26. Capital and Reserves *(Continued)*

(b) Nature and purpose *(Continued)*

(v) Exchange reserve

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

(vi) Contributed surplus

The contributed surplus of the Company represents the difference between the aggregate nominal value of the share capital issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares.

Under the Companies Law (2000 Revision) of the Cayman Islands, contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued capital account.

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The capital structure of the Group consists of (i) cash and cash equivalents; and (ii) capital, which comprises all components of equity.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. In order to balance its overall capital structure, the Group may issue new shares, raise new debt financing or sell assets to reduce debt.

The Group monitors its capital structure on the basis of gearing ratio. The Group's gearing ratio as at 31 December 2016 is 10.0% (2015: 9.2%), which is calculated by dividing total liabilities of approximately RMB46,559,000 (2015: RMB30,962,000) over the total assets of approximately RMB464,161,000 (2015: RMB335,891,000).

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

26. Capital and Reserves *(Continued)*

(d) Movements in components of equity

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

The Company

	Share Capital *RMB'000*	Share premium *RMB'000*	Contributed surplus *RMB'000*	Warrants reserve *RMB'000*	Capital reduction reserve *RMB'000*	Share-based compensation reserve *RMB'000*	Exchange reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2015	339,771	146,824	56,774	1,263	92,489	36,239	(4,503)	(397,503)	271,354
Loss for the year	–	–	–	–	–	–	–	(91,334)	(91,334)
Other comprehensive loss for the year									
Exchange differences on other translating into presentation currency	–	–	–	–	–	–	22,625	–	22,625
Total comprehensive loss for the year	–	–	–	–	–	–	22,625	(91,334)	(68,709)
Issue of share upon placing of shares	66,977	2,009	–	–	–	–	–	–	68,986
Transaction costs in relation to issue of shares pursuant to placing of shares	–	(1,035)	–	–	–	–	–	–	(1,035)
Capital reduction	(402,681)	–	–	–	402,681	–	–	–	–
Release upon lapse of share option	–	–	–	–	–	(1,343)	–	1,343	–
At 31 December and 1 January 2016	4,067	147,798	56,774	1,263	495,170	34,896	18,122	(487,494)	270,596
Loss for the year	–	–	–	–	–	–	–	(334,712)	(334,712)
Other comprehensive loss for the year									
Exchange differences on other translating into presentation currency	–	–	–	–	–	–	40,347	–	40,347
Total comprehensive loss for the year	–	–	–	–	–	–	40,347	(334,712)	(294,365)
Issue of shares pursuant to rights issue	25,780	180,460	–	–	–	–	–	–	206,240
Transaction costs attributable to rights issue		(3,094)	–	–	–	–	–	–	(3,094)
Recognition of share-based payment	–	–	–	–	–	504	–	–	504
Release upon lapse of share option	–	–	–	–	–	(832)	–	832	–
	29,847	325,164	56,774	1,263	495,170	34,568	58,469	(821,374)	179,881

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

27. Summarised financial information of the Company

	2016	2015
	RMB'000	RMB'000
Non-current assets		
Plant and equipments	**19**	9
Investments in subsidiaries	**12,038**	17,956
	12,057	17,965
Current assets		
Other receivables, prepayments and deposits	**165,538**	259,672
Cash and bank balances	**6,260**	293
	171,798	259,965
Current liabilities		
Other payables	**3,974**	7,334
	3,974	7,334
Net current assets	**167,824**	252,631
Total assets less current liabilities	**179,881**	270,596
Net assets	**179,881**	270,596
Capital and reserves attributable to owners of the Company		
Share capital	**29,847**	4,067
Reserves	**150,034**	266,529
Total equity	**179,881**	270,596

The consolidated financial statements were approved and authorized for issue by the board of directors on 24 March 2017 and are signed on its behalf by:

Tsui Annie
Director

Wang Ziyi
Director

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

28. Equity Settled Share-based Transactions

The Company has the Share Option Scheme which was adopted on 24 September 2009 whereby the directors of the Company are authorised, at their discretion, to invite eligible participants of the Group, including the employees and directors of any company in the Group, to take up options at HK$10 consideration to subscribe for shares of the Company. The Share Option Scheme remains in force for a period of 10 years from adoption of such scheme and expires on 23 September 2019. The exercise period of the share options granted is determined by the directors of the Company but not later than 10 years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

The purpose of Share Option Scheme is to provide incentives or rewards to the participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the shares in issue from time to time.

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

An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the Directors of the Company to each grantee of the option which period may commence on a day after the date upon which the option is granted but shall and in any event be not later than ten years from the date of grant. Unless otherwise determined by the Directors of the Company at their sole discretion, there is no requirement of a minimum period for which a share option must be held.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

28. Equity Settled Share-based Transactions *(Continued)*

	Date of grant	Exercised price HK$	Number of share option outstanding at 1 January '000	Granted during the year '000	Exercise during the year '000	Lapsed/ cancelled/ forfeited during the year '000	Share consolidation '000	Adjustment during the year '000	Number of share options outstanding at 31 December '000
2016									
Directors	28 November 2013	4.56 (Adjusted)	250	–	–	(350)	–	100	–
			250	–	–	(350)	–	100	–
Eligible participants	11 November 2009	59.03 (Adjusted)	115	–	–	–	–	46	161
	28 November 2013	4.56 (Adjusted)	8,490	–	–	–	–	3,396	11,886
	12 August 2016	0.29 (Adjusted)	–	178,800	–	(178,800)	–	–	–
	22 December 2016	0.16	–	178,000	–	–	–	–	178,000
			8,605	356,800	–	(178,800)	–	3,442	190,047
			8,855	356,800	–	(179,150)	–	3,542	190,047
Weighted average Exercise price			5.42	0.29	–	4.56	–	5.27	0.61

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

28. Equity Settled Share-based Transactions *(Continued)*

	Date of grant	Exercised price HK$	Number of share option outstanding at 1 January '000	Granted during the year '000	Exercise during the year '000	Lapsed/ cancelled/ forfeited during the year '000	Share consolidation '000	Adjustment during the year '000	Number of share options outstanding at 31 December '000
2015									
Directors	11 November 2009	82.64							
		(Adjusted)	204	–	–	(204)	–	–	–
	28 November 2013	6.38							
		(Adjusted)	10,000	–	–	(5,000)	(4,750)	–	250
			10,204	–	–	(5,204)	(4,750)	–	250
Eligible participants	11 November 2009	82.64							
		(Adjusted)	2,298	–	–	–	(2,183)	–	115
	28 November 2013	6.38							
		(Adjusted)	169,800	–	–	–	(161,310)	–	8,490
			172,098	–	–	–	(163,493)	–	8,605
			182,302	–	–	(5,204)	(168,243)	–	8,855
Weighted average Exercise price*			7.43	–	–	9.37	7.37	–	7.37

* Weighted average exercise price was adjusted with the share consolidation completed on 9 November 2015.

As at 31 December 2016, the weighted average remaining contractual life of the share option is 1 years (2015: 2 years).

During the year ended 31 December 2016, there were 356,800,000 (2015: nil) share options granted and the offer of the grant of 178,800,000 (2015: nil) share options were cancelled.

During the year ended 31 December 2016, there were 350,000 share options lapsed. (2015: 5,204,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

29. Retirement Benefits Scheme

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap monthly relevant income of HK$30,000. Contributions to the scheme vest immediately.

Under the above schemes, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

The employees in the PRC are members of state-managed retirement benefit scheme operated by the PRC government. The Company's subsidiary operating in the PRC is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contribution under the scheme.

For the year ended 31 December 2016, the aggregate amount of the Group's contributions to the aforementioned schemes was approximately RMB123,000 (2015: RMB154,000) which was included in the staff costs.

30. Material Related Party Transactions

Save as disclosed elsewhere in the consolidated financial statements, the Group has the following material related party transactions:

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note 9, is as follows:

	2016 **RMB'000**	2015 RMB'000
Short-term employees benefit	**2,914**	2,305
Retirement scheme contributions	**61**	72
Total	**2,975**	2,377

Total remuneration is included in "staff cost" (see note 7).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

31. Commitments

At 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	**1,013**	1,670
After 1 year but within 5 years	**1,390**	–
	2,403	1,670

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

32. Financial Instruments

(a) Categories of Financial Instruments

	2016 RMB'000	2015 RMB'000
Financial assets		
Loans and receivables (including cash and bank balances)	**321,155**	119,204
Financial assets at fair value through profit or loss	**43,047**	45,216
Available-for-sale financial assets	**9,868**	11,851
Financial liabilities		
Amortised cost	**46,449**	30,241

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

32. Financial Instruments *(Continued)*

(b) Financial Risk Management And Fair Values

Financial risk factors

The Group's financial assets include cash and cash equivalents, trade, loan receivables and other receivables, prepayments and deposits. The Group's financial liabilities include trade and other payables.

The Group does not have nor has issued financial instruments for trading purposes. Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(i) Credit risk

The Group's credit risk is primarily attributable to trade, loan and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Money lending business

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approval and other monitoring procedures to ensure that follow-up action is taken for the recoverable amount. In addition, the Group reviews the recoverable amount of each individual's loan receivables at the end of each reporting period to ensure that adequate impairment loss are made for irrecoverable amounts. As at 31 December 2016, base on past experience, the directors of the Company are of the opinion that no provision for impairment on individual loans is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The Group manages and analyses the credit risk for each of their new and existing clients before standard payment terms and conditions are offered. If there is no independent rating, the Group assesses the credit quality of the customer based on the customer's financial position, past experience and other factors. The Group holds collateral against receivable and interest receivables in the form of mortgages over property. Majority of the collateral are residential, properties and all of the collaterals are located in Hong Kong. Individual risk limits are set based on the value of collaterals provided by customers and internal or external ratings in accordance with limits set by the directors. The utilisation of credit limits is regularly monitored.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

32. Financial Instruments *(Continued)*

(b) Financial Risk Management And Fair Values *(Continued)*

Financial risk factors *(Continued)*

(i) Credit risk (Continued)

Other credit risk

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

The Group has a concentration of credit risk in certain individual customers. At the end of each reporting period, the five largest receivable balances accounted for approximately 100% (2015: approximately 63.54%) of the trade receivable and the largest trade receivable was approximately RMB4,403,000 (2015: RMB16,943,000) and was approximately 92.6% (2015: approximately 15.44%) of the Group's total trade receivables. The Group seeks to minimize its risk by dealing with counterparties which have good credit history. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

32. Financial Instruments *(Continued)*

(b) Financial Risk Management And Fair Values *(Continued)*

Financial risk factors *(Continued)*

(ii) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions and other lenders to meet its liquidity requirements in the short and longer term.

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

			2016			
	Carrying Amount RMB'000	Total Contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Over 5 years RMB'000
Trade and other payables	39,610	39,610	39,610	–	–	–
Obligations under finance leases	6,839	7,552	2,011	2,011	3,530	–
	46,449	47,162	41,621	2,011	3,530	–

			2015			
	Carrying Amount RMB'000	Total Contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Over 5 years RMB'000
Trade and other payables	26,920	26,920	26,920	–	–	–
Obligations under finance leases	3,321	3,613	1,022	1,022	1,506	63
	30,241	30,533	27,942	1,022	1,506	63

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

32. Financial Instruments *(Continued)*

(b) Financial Risk Management And Fair Values *(Continued)*

Financial risk factors *(Continued)*

(iii) Interest rate risk

Sensitivity analysis

At 31 December 2016 and 31 December 2015, the Group has no borrowing at variable interest rate and fixed interest rate that expire the Group's cash flow interest rate risk and fair value interest rate risk.

(iv) Currency risk

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

As most of the Group's monetary assets and liabilities are denominated in Renminbi and Hong Kong dollars and the Group conducts its business transactions principally in Renminbi and Hong Kong dollars, the exchange rate risk of the Group is not significant and the Group does not employ any financial instruments for hedging purposes.

(v) Fair value of financial instrument

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

i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

32. Financial Instruments *(Continued)*

(b) Financial Risk Management And Fair Values *(Continued)*

Financial risk factors *(Continued)*

(v) Fair value of financial instrument *(Continued)*

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as at 31 December 2016 and 2015.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

At 31 December 2016	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	43,047	–	–	–

Financial assets	Fair value at	For value Hierarchy	Valuation technique(s) and key input(s)
Financial assets at fair value through profit or loss	31/12/16 RMB43,047,000	Level 1	Quoted bid prices in active market

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

32. Financial Instruments *(Continued)*

(b) Financial Risk Management And Fair Values *(Continued)*

Financial risk factors *(Continued)*

(v) Fair value of financial instrument (Continued)

Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

At 31 December 2015	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	45,216	–	–	45,216

Financial assets	**Fair value at**	**For value Hierarchy**	**Valuation technique(s) and key input(s)**
Financial assets at fair value through profit or loss	31/12/15 RMB45,216,000	Level 1	Quoted bid prices in active market

Financial assets	**Fair value at**	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**
Private equity investments classified as AFS investment in on the statement of financial limited engaged position	31/12/16: 5.4 per cent equity discounted cash flow Peak Zone Group capture the present in the electronic commerce industry on Provision of integrated application RMB9,868,000	Level 3	Income approach – in this approach, the management's experience and method was used to conditions of the specific value of the expected future economic benefits to be derived from the ownership of these Investees	Long-term revenue growth of 2.5% taking into account knowledge of market industries Weight average cost of capital (WACC), determined using a Capital Pricing Model ranging from of 13.5% Discount for lack of marketability of 10.8%

There were no transfer between Level 1, 2 and 3 in both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

32. Financial Instruments *(Continued)*

(b) Financial Risk Management And Fair Values *(Continued)*

Financial risk factors *(Continued)*

(v) Fair value of financial instrument (Continued)

Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

Financial assets	Fair value at	For value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Private equity investments classified as AFS on the statement of financial position	31/12/15: 5.4 per cent equity investment in Peak Zone Group Limited engaged in the electronic commerce industry on Provision of integrated application RMB11,851,000	Level 3	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.	Long-term revenue growth of 2.5% taking into account management's experience and knowledge of market conditions of the specific industries Weight average cost of capital (WACC), determined using a Capital Asset Pricing Model ranging from of 13.9% Discount for lack of marketability of 10.8%

There were no transfer between Level 1, 2 and 3 in both years.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The above table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

33. Accounting Estimates and Judgements

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. The critical accounting judgements in applying the Group's accounting policies are described below.

(a) Impairment for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the trade debtors and loans receivable, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write offs would be higher than estimated.

(b) Impairment for non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36 "Impairment of Assets". The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

(c) Depreciation and amortisation

Plant and equipments are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Intangible assets except for those with indefinite lives are amortised on a straight-line basis over the estimated useful lives. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

33. Accounting Estimates and Judgements *(Continued)*

(d) Provision for income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilized, the management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(e) Impairment for goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value.

The carrying amount of goodwill as at 31 December 2016 was RMB12,541,000 and RMB44,482,000 (2015: RMB63,271,000 and RMB57,489,000). Details of the impairment loss calculation are set out in note 15 and 17.

(f) Impairment of intangible assets

Determining whether intangible assets is impaired requires an estimation of the value in use of the cash-generating units. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value.

(g) Impairment of available-for-sale financial assets

Management reviews the recoverability of the Group's available-for-sale investments with reference to current market environment whenever events or changes in circumstances indicate that the carrying amounts of the assets exceed their corresponding recoverable amounts. Appropriate impairment for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

In determining whether impairment on available-for-sale investments is required, the Group takes into consideration the current market environment and the estimates of future cash flows which the Group expects to receive. Impairment is recognised based on the present value of estimated future cash flows. If the market environment and circumstances change significantly, resulting in a decrease in the recoverable amount of these available-for-sale investments, additional impairment loss may be required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

34. Non-Cash Transactions

During the year ended 31 December 2016, the group has HK$9,221,000 addition to plant and equipments (2015: HK$2,494,000) (equivalent to approximately RMB7,909,000 (2015: RMB2,089,000)) as made under the finance leases.

35. Acquisition of subsidiaries

On 14 September 2016, the Group entered into sale and purchase agreement to acquire 100% equity interest in Reach Solution Technology Limited and its subsidiaries to an independent third party at consideration of HK$14,000,000 (equivalent to approximately RMB12,541,000). The acquisition was completed on 30 September 2016. Summary of the effects of the acquisition is as follows:

	Acquires' carrying amount and fair value Total RMB'000
Net assets	–
Goodwill	12,038
	12,038

The Group were acquired Reach Solution Group as to new segment business of Group's electronic parts business.

Net cash outflow from the acquisition

	RMB'000
Cash consideration	12,038
Net cash outflow	(12,038)
	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2016

35. Acquisition of subsidiaries *(Continued)*

Goodwill arising on acquisition

	RMB'000
Consideration transferred	12,038
Fair value of identifiable net asset acquired	–
	12,038

Goodwill arose in the acquisition of Reach Solution Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amount in relation to the benefit of revenue growth and future market development of Reach Solution Group. These benefit not recognised separately from goodwill because they do not meet the recognition criteria of identifiable intangible assets. None of the goodwill arising on these acquisition is expected to be deductible for tax purpose.

Included in the gain for the year of approximately RMB618,000 and turnover for the year of approximately RMB4,162,000 attributable to the additional business generated by Reach Solution Group.

Has these business combinations been effected at 1 January 2016, the gain for the year of approximately RMB618,000 and turnover for the year of approximately RMB4,162,000 attributable to the continuing operation Reach Solution Group.

36. Events after the Reporting Period

On 24 February 2017, the Company have been placing 357,740,000 shares at the placing price of HK$0.125 per placing share under general mandate. The Company received net proceeds of approximately HK$43,820,000 from the placing. The Company intends to apply the said net proceeds as to approximately HK$35,000,000 for further expanding the money lending business and approximately HK$8,820,000 for general working capital of the Group.

37. Authorisation for Issue of the Consolidated Financial Statements

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 24 March 2017.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial year is set out below.

Consolidated results

	Year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (restated)
Revenue	**27,153**	37,209	34,685	56,351	78,127
(Loss)/profit before taxation	**(117,545)**	(166,165)	(12,040)	(118,127)	18,674
Income tax expense	**(374)**	(222)	(976)	(374)	(1,068)
Net (loss)/profit from ordinary activities for the year	**(117,919)**	(166,387)	(13,016)	(118,501)	17,606
Attributable to:					
Owners of the Company	**(84,021)**	(92,671)	(12,625)	(118,501)	17,606
Non-controlling interests	**(33,898)**	(73,716)	(391)	–	–
	(117,919)	(166,387)	(13,016)	(118,501)	17,606

	Year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**103,808**	168,538	306,085	20,863	111,314
Current assets	**360,353**	167,353	127,715	31,835	15,880
Current liabilities	**(41,427)**	(28,525)	(41,392)	(5,440)	(130,923)
Net current assets/(liabilities)	**318,926**	138,828	86,323	26,395	(115,043)
Non-current liabilities	**(5,132)**	(2,437)	(1,970)	–	(37)
Net assets/(liabilities)	**417,602**	304,929	390,438	47,258	(3,766)