PHOENITRON

Phoenitron Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8066)

Seeing Further
Going Forward

Characteristics of the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange")

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Contents

Corporate Information

DIRECTORS

Executive Directors
Lily Wu *(Chairman and Chief Executive Officer)*
Chang Wei Wen
Yang Meng Hsiu

Independent non-executive Directors
Chan Siu Wing, Raymond
Leung Ka Kui, Johnny
Wong Ka Wai, Jeanne

COMPLIANCE OFFICER

Lily Wu

QUALIFIED ACCOUNTANT

Lau Ka Chung *(FCPA, FCS)*

COMPANY SECRETARY

Lau Ka Chung *(FCPA, FCS)*

AUTHORISED REPRESENTATIVES

Lily Wu
Chang Wei Wen

AUDIT COMMITTEE

Wong Ka Wai, Jeanne *(Chairman)*
Chan Siu Wing, Raymond
Leung Ka Kui, Johnny

REMUNERATION COMMITTEE

Leung Ka Kui, Johnny *(Chairman)*
Chang Wei Wen
Chan Siu Wing, Raymond
Lily Wu
Wong Ka Wai, Jeanne

NOMINATION COMMITTEE

Lily Wu *(Chairman)*
Chan Siu Wing, Raymond
Leung Ka Kui, Johnny
Wong Ka Wai, Jeanne
Yang Meng Hsiu

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 302, Seapower Centre
73 Lei Muk Road
Kwai Chung
New Territories
Hong Kong

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 SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Nanyang Commercial Bank Limited

AUDITORS

Grant Thornton Hong Kong Limited

WEBSITE ADDRESS

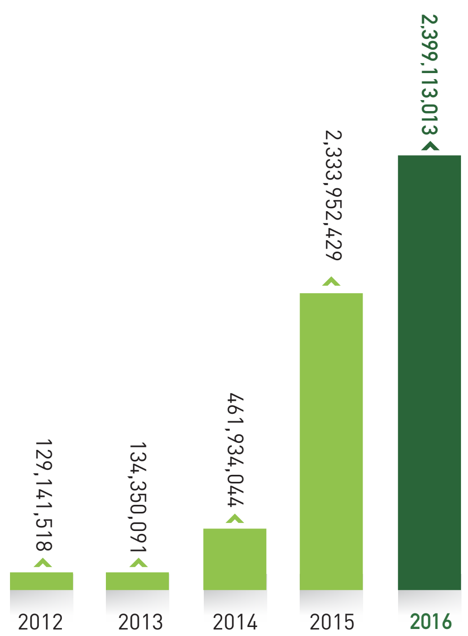
www.phoenitron.com

STOCK CODE

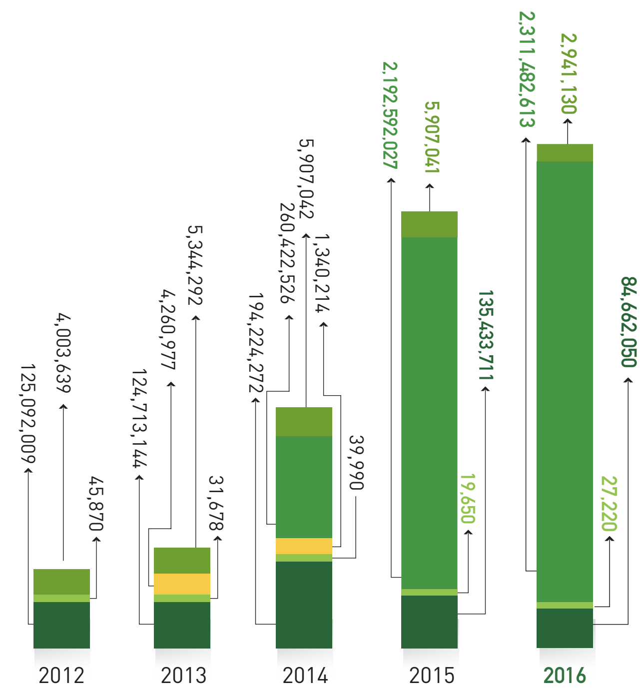
8066

Financial Highlights

TURNOVER

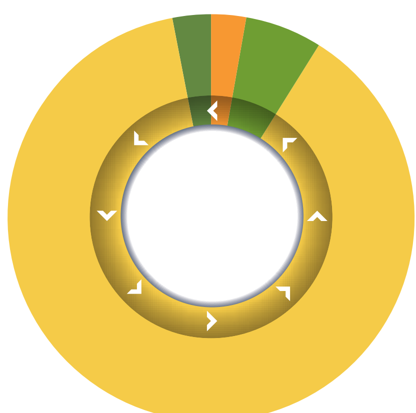


TURNOVER BY SEGMENTS



- Sales of smart cards
- Sales of smart card application systems
- Trading of scrap metals
- Sales of petro-chemical products
- Financial and management consultancy services

TOTAL ASSETS AT 31 DECEMBER 2016



- 3% Other Assets
- 6% Property, plant and equipment
- 88% Trade and other receivables
- 3% Bank balances and cash

Chairman's Statement

TO OUR SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to present to you the results of Phoenitron Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the financial year ended 31 December 2016 (the "Reporting Period").

RESULTS

For the year ended 31 December 2016, the Company recorded a consolidated revenue of approximately HK$2,399,113,000 (2015: approximately HK$2,333,952,000) and loss attributable to owners of the Company of approximately HK$234,002,000 (2015: profit of approximately HK$5,529,000).

DIVIDEND

The Board of Directors (the "Board") of the Company does not recommend any payment of a final dividend for the Reporting Period.

BUSINESS AND OPERATION REVIEW

During the Reporting Period, the Group is principally engaged in the contract manufacturing and sales of smart cards, the provision of financial and management consultancy services and the setting up of natural gas stations in Yangtze River Delta and other petrochemical related businesses. The Board believes the diversification and synthesis of our businesses will facilitate the long term development of the Group and enhance our shareholder value.

Contract manufacturing and sales of smart cards

In terms of business segment, the contract manufacturing and sales of smart cards composed of two parts, namely, the SIM cards manufacturing business and the module packaging and testing services ("MP&TS") business. In terms of geographical segment, the plant that is located in Shenzhen City is principally serving the overseas SIM cards market while the two plants that were located in Beijing used to serve the PRC SIM cards market and the PRC MP&TS market respectively.

During the Reporting Period, the Group's contract manufacturing and sales of SIM cards business experienced a difficult yet a positive year of transition. Operation-wise, we have taken decisive actions during the Reporting Period to evolve our organisation and culture. These include difficult steps, but they are necessary to position Phoenitron for future growth and industry leadership. One such important move is to discontinue the loss-making sub-segments servicing the PRC SIM card and the MP&TS markets by closing down the Beijing SIM card plant in early 2016 as well as by disposing the subsidiaries that were engaged in MP&TS business by end of the Reporting Period. The Board and the management consider that this move is necessary and justified for the long-term benefit and development of the Group after carefully evaluating and assessing the business and operating environment of the industry, including its future trends, including but not limited to (i) the prolonged weak and unstable demand from the leading telecommunication market customers which led to low utilisation rates in the Beijing plants for both of the SIM cards assembly business and the module packaging and testing services business, and (ii) worsening credit risks of increasingly delayed payments of outstanding receivables.

Financially, segment losses of approximately HK$10.9 million (2015: approximately HK$17.4 million) and approximately HK$15.4 million (2015: approximately HK$12.5 million) were recorded for each of the PRC SIM card market segment and the PRC MP&TS market segment during the Reporting Period, representing a decrease of approximately HK$6.5 million, or 37.4%, and increase of approximately HK$2.9 million, or 23.2% respectively, as compared to the corresponding period in last year. It should be noted that, despite the Beijing SIM card plant had ceased operations in early 2016, certain fixed overheads such as rental expense (as the lease was expired by mid of the year only) and depreciation charges (including write-offs or disposal during the Reporting Period) were still incurred during the Reporting Period in relation to the closure of the plant.

In addition to the aforementioned actions, we are developing other income sources in this business segment to enhance the Group's profitability. One such move is the relocation of the Shenzhen SIM card plant. As disclosed in the Company's annual report last year, the former plant in Shenzhen had been running at full capacity and was no longer be able to meet the expected increasing (but ever shortening of order lead time) orders from the overseas SIM card customers. Despite the delay in timetable, we completed the relocation from the old plant, situated in the Futian Free Trade Zone of Shenzhen City, to a 5,800m^2 new plant in the periphery Shenzhen City by end of 2016 and early January 2017. As part of the process of consolidating the Group's resources on the SIM cards manufacturing business, the machineries in Beijing (that were used to serve the PRC SIM cards market) had also been relocated to the Shenzhen new plant for better utilisation as well as for centralised management. Meanwhile, we will also be upgrading the existing machineries in our new Shenzhen plant in order to enhance its production capacity and achieve better efficiency, with the aim of better serving the more promising global SIM card market in the coming years. The new plant is still undergoing certain certification processes by our existing and potential customers, but it is expected that this segment will bring stable revenue and profits growth starting from the latter half of 2017.

Apart from the traditional SIM card services, we will also be providing certain higher-value-added SIM card services (e.g. multi-SIMs) as well as higher-value-added non-SIM card ancillary services in the coming year.

Thanks to a larger portion of higher-value-added non-SIM card manufacturing demand from the overseas customers, segment profit generated from the overseas SIM card market segment achieved a moderate increment of approximately HK$0.5 million, or 7.4%, from approximately HK$6.8 million in the corresponding period in 2015, to approximately HK$7.3 million.

Setting up natural gas stations in the Yangtze River Delta region and other petro-chemical related businesses

The Group's joint venture in Shanghai, namely, Shanghai Phoenitron Petroleum & Chemical Company Limited ("Shanghai Phoenitron"), whose main business is the operation of natural gas filling stations in the Yangtze River Delta region and other petro-chemical related business, operated for another full financial year. During the Reporting Period, Shanghai Phoenitron, and 上海仁重新能源科技有限公司 ("Shanghai Renzhong"), a wholly-owned subsidiary of Shanghai Phoenitron, were principally engaged in the wholesale of petro-chemical products and retailing of oils products. Thanks to the efforts of the local management team, Shanghai Phoenitron, together with Shanghai Renzhong, generated revenue of approximately HK$2,311.5 million (2015: approximately HK$2,192.6 million) during the Reporting Period and has become the key revenue generator of the Group.

Given the continuing volatility of global oil prices during the Reporting Period, and having considered the risk exposures and rewards, we continue to adopt a conservative approach for conducting the petro-chemical products business in our second year of full operations. Throughout 2016, we continued to establish, develop and stabilise the business relationship with our suppliers (large-scale national enterprises or centrally-owned enterprises) as we believe that a stable supply of products is of utmost importance for our future business expansion and development into retail sales of product oils. To further mitigate the risks, our strategy has been to engage in short-term transactions and only to conduct the wholesale business with customers who are large-scaled enterprises with good credit ratings (though the profit margin for transactions of this kind is usually lower but this is justified given the high volatility of the global crude oil prices in 2016). Shanghai Renzhong, a wholly-owned subsidiary of Shanghai Phoenitron, had successfully obtained the retail license for selling oil products and was able to conduct initial retail transactions during the Reporting Period. This move marked an important step as retail sales of oil products will better diversify product sales and may enjoy a higher profit margin than wholesale. We therefore expect 2017 segment sales to be a mixture of wholesale and retail sales, with an overall higher profit margin level than in 2016.

Financial and management consultancy services

The target clients of the financial and management consultancy services include companies that the Group is currently invested in or may invest in the future. The scope of services includes the provision of corporate organisation management, financial and financing planning and implementation, and other services. During the period under review, the Group recorded revenue of approximately HK$2.9 million (2015: approximately HK$5.9 million).

Provision of customised smart card application systems

Revenue generated from the provision of customised smart card application systems was approximately the same as in the previous year. The management will keep exploring new business opportunities.

Trading business of scrap metals

There was no revenue generated from this segment as the metal prices were weak during the Reporting Period (2015: nil). As the metals outlook is not promising in the foreseeable future, the Company is exploring various strategic solutions including but not limited to altering the usage of the machines and equipment in Taiwan for recycling of other materials and/or to cooperate with potential strategic partners in the recycling industry.

Impairment loss on amount due from a joint venture

The Central Government of the People's Republic of China (the "PRC") has promulgated a Consultation Paper (the "Consultation Paper") on the Proposed Amendments of the Order of the State Council of the PRC (Docket No. 307) – Measures on Administration of Recycling of Scrapped Vehicles. Pursuant to the Consultation Paper, it is proposed that certain requirements of carrying on a recycling of end-of-life vehicle ("ELV") business will be substantially relaxed or abolished (e.g. the level of registered capital, the size of the dismantling site, the number of staff and specialist in the site and the annual capacity of dismantling ELVs). In this regard, the Board views that the lowering of the entry barrier reduces the value of Hota Auto Recycling Corporation ("HARC")'s previously "limited issue" operating permit, and will inevitably attract more small-scale competitors to take part in the industry and the competition will intensify. Worse still, since HARC has positioned itself as a large-scaled recycling site with prior substantial investments in land, building & machineries, its average per unit cost of production, had HARC resumed operation, would be much higher than recently established small-scaled counterparts (this would be the case when its production is still in a low level until it actually ramping up to a certain level). Furthermore, it is proposed in the Consultation Paper that certain environmental protection policies should be tighten and that there will be a change in the government department in regulating and monitoring the industry, which all add further uncertainty in the industry. The business environment as a whole, when taking into account the facts stated in the section headed "Changes in Circumstances during the Reporting Period that attributing to the Impairment Loss on Amount due from a Joint Venture in view of the audit qualifications in respect of the amount due from a joint venture and of the impairment loss for the annual results of 2014 and 2015" below, will make it more difficult, if not impossible, for HARC to resume operations profitably in Zhangjiagang and to repay the outstanding debts due to the Company. In light of the above, the Board opined that the whole amount due from Hota Group, which is approximately HK$223.0 million, should be fully impaired. Note that the auditors has expressed a qualified opinion in respect of limitation of audit scope in relation to impairment assessment of the interest in and the amount due from a joint venture (but not on other items of the financial statements).

Changes in Circumstances during the Reporting Period that attributing to the Impairment Loss on Amount due from a Joint Venture in view of the audit qualifications in respect of the amount due from a joint venture and of the impairment loss for the annual results of 2014 and 2015

In view of the audit qualifications for the annual results of 2014 and 2015 regarding the Company's assessments in making any impairment loss on the amount due from the Hota Group, the following changes or developments in circumstances have occurred during the Reporting Period that are attributing to the impairment loss as compared with that of the 2014 and 2015 annual results:

(a) Conclude negotiations with potential investors on cooperation in respect of HARC

The Company disclosed in its previous announcements/financial reports that we had been negotiating with certain enterprises/institutional investors (whether engaging in the recycling of ELV business or not) for the possible co-operations of developing the ELV recycling business or for proposal of re-vitalizing HARC's assets or for the possible disposal of HARC. However, these negotiations have all ended unsuccessfully. The probability of getting back the money owed to the Company is becoming more and more remote notwithstanding the Group's effort in the past two years.

(b) Conduct fund-raising activities to finance the development of HARC

After due consideration by the Board, it is decided that the Company should focus on the development of the Group's other businesses that are believed to be more promising and bring value to the shareholders of the Company (i.e. the sales of petro-chemical products/LNG business and overseas SIM cards business).

(c) Withdrawal of representation regarding the financial support from a substantial shareholder of Company

In the Company's previous financial reports, it is disclosed that the Company has obtained the verbal representation (the "Representation") from a substantial shareholder of the Company of full financial support on the portion of the shortfall in case the Company fails to raise sufficient funds in the market for resuming HARC's business. During the Reporting Period, the Board was informed by this substantial shareholder of the Company that the Representation was withdrawn based on the view that the industry outlook is pessimistic.

(d) Other macro-economic factors

During the Reporting Period, the PRC's economic growth rate seems to have further slowed down and bank credit has apparently tightened. In addition, the demand for and the market price of scrap metals remains at record low levels. All these factors make it risky for the Company to resume HARC's business on its own.

Notwithstanding of the above, the Board and the management will continue to pursue all possible options, and places the highest priority on resolving Hota investment as soon as possible and to the best possible advantage of all shareholders.

PROSPECTS

Looking forward, we expect the Group will gradually move back to a more profitable track in 2017. The Board will continue to place great emphasis on developing and increasing the product variety of its LNG projects and its related petro-chemical business so as to bring more stable and substantial profit to the Group. Meanwhile, the Company is also exploring more co-operation opportunities with potential strategic alliances in all business segments. The Company will continue to explore the potential to both increase SIM card revenue from the overseas market with the added capacity, and to also increase profit through better and more efficient utilisation of the Group's assets and lowering of the operating costs of production. We are hopeful that the results of this segment will turn to profit again in the coming year. We believe, by applying the Company's funds in an appropriate manner and by utilizing the unique investment opportunities of the Company, we will bring stable revenues and profits for our shareholders.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to extend our gratitude to all members of the Board and staff for their dedication and contribution to the Group throughout the year 2016. I would also like to express my heartfelt appreciation to our shareholders, business partners, investors and customers for their continuous support.

Lily WU
Chairman

Hong Kong, 22 March 2017

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's financial results was principally derived from the sales of petro-chemical products, the contract manufacturing and sales of smart cards and the provision of financial and management consultancy services.

Sales of petro-chemical products

During the Reporting Period, sales of petro-chemical products conducted by Shanghai Phoenitron and its subsidiary amounted to approximately HK$2,311.5 million, representing an increase of approximately HK$118.9 million, or 5.4%, as compared to the corresponding period in 2015 of approximately HK$2,192.6 million, and continued to be the key revenue generator of the Group.

Contract manufacturing and sales of smart cards

The contract manufacturing and sales of smart cards composed mainly of two parts, namely, the SIM cards manufacturing business and the module packaging and testing services business:

SIM cards manufacturing business

During the Reporting Period, the Group's revenue generated from the SIM cards manufacturing business amounted to approximately HK$63.5 million, down by approximately HK$16.4 million or 20.5% as compared to the corresponding period in 2015 of approximately HK$79.9 million. Based on the geographical segment, revenue generated from this SIM cards manufacturing business can be further divided into two parts, namely, (i) revenue generated from the overseas market and (ii) revenue generated from the PRC market. During the Reporting period, the drop in revenue of the SIM cards manufacturing business was mainly due to the closure of the Beijing SIM card plant in early 2016 which was loss-making. Excluding the impact of ceased Beijing SIM card plant, the overseas SIM cards manufacturing business revenue was up by approximately HK$4.9 million, or 8.8%, on year-on-year basis, from approximately HK$55.4 million in 2015, to approximately HK$60.3 million.

Module packaging and testing services business

Revenue generated from the module packaging and testing services business amounted to approximately HK$21.2 million, down by approximately HK$34.3 million or 61.8% as compared to the corresponding period in 2015 of approximately HK$55.5 million. No further income with respect to this business will be generated as the subsidiaries engaging in this business had been disposed by the Group during the fourth quarter of 2016.

Provision of financial and management consultancy services

Revenue generated from the provision of financial and management consultancy services amounted to approximately HK$2.9 million during the Reporting Period (2015: approximately HK$5.9 million). No income in respect of this segment will be further accrued starting from the third quarter of 2016.

Cost of Sales ("COS") and Gross Profit

During the Reporting Period, the Group's COS comprised of the COS from each of the sales of petro-chemical products business segment and the contract manufacturing and sales of smart cards business segment.

Sales of petro-chemical products

During the Reporting Period, COS in relation to the sales of petro-chemical products amounted to approximately HK$2,306.4 million, representing an increase of approximately HK$120.7 million, or 5.5%, as compared to the corresponding period in 2015 of approximately HK$2,185.7 million. Gross profit dropped from approximately HK$6.9 million in 2015 to approximately HK$5.1 million due to the fluctuations in the international crude oil price during the Reporting Period.

Contract manufacturing and sales of smart cards

Similar to the revenue situation, COS incurred for the contract manufacturing and sales of smart cards composed of two parts, namely, the SIM cards manufacturing business and the module packaging and testing services business:

SIM cards manufacturing business

During the Reporting Period, cost of sales incurred for the SIM cards manufacturing business amounted to approximately HK$43.6 million, down by approximately HK$20.3 million or 31.8% as compared to the corresponding period in 2015 of approximately HK$63.9 million. Based on the geographical segment, COS incurred for this SIM cards manufacturing business can be further divided into two parts, namely, (i) COS incurred for the overseas market and (ii) COS incurred for the PRC market. Similar to the revenue situation, the drop in COS of the SIM cards manufacturing business was mainly due to the closure of the Beijing SIM card plant in early 2016 which was loss-making. Excluding the impact of ceased Beijing SIM card plant, the overseas SIM cards manufacturing business COS was up by approximately HK$3.6 million, or 10.8%, on year-on-year basis, from approximately HK$33.3 million in 2015, to approximately HK$36.9 million, and the gross profit amounted to approximately HK$23.4 million, representing an increase of approximately HK$1.3 million, or 5.9%, as compared to the corresponding period in 2015 of approximately HK$22.1 million.

Module packaging and testing services business

During the Reporting Period, COS incurred in relation the module packaging and testing services business amounted to approximately HK$31.3 million, down by approximately HK$30.5 million or 49.4% as compared to the corresponding period in 2015 of approximately HK$61.8 million. Due to the severe under-utilisation of the plant's capacity and its assets, gross loss for this segment increased from approximately HK$6.3 million in 2015, to approximately HK$10.1 million for the Reporting Period. This business had been disposed by the Group during the fourth quarter of 2016.

Due to the above-mentioned, gross profit of the Group dropped by approximately HK$4.8 million or 21.2%, from the corresponding period in 2015 of approximately HK$22.6 million, to approximately HK$17.8 million.

Other Income

Other income of approximately HK$19.0 million (2015: approximately HK$40.5 million) was mainly comprised of interest income arising from the amount due from a joint venture. As the interest rate charged to HARC is four times the prevailing bank lending rate in the PRC, interest income during the Reporting Period dropped since the prevailing bank lending rate in the PRC for the first half of 2016 dropped as compared to the corresponding period in 2015 and that the Company has ceased to accrue interest income chargeable to Hota Group since the third quarter of 2016 as the whole amount due by Hota Group has been fully impaired.

Other Gains/(Losses), Net

During the Reporting Period, other gains amounted to approximately HK$10.2 million (2015: losses of approximately HK$4.8 million) which was attributable to (i) a gain on disposal of certain subsidiaries (engaged in module packaging and testing services business) of approximately HK$8.4 million; (ii) a gain on disposal of certain fixed assets in relation to the Beijing SIM card plant of approximately HK$2.2 million, and (iii) partially offset by the exchange losses arising from foreign currency-based transactions of approximately HK$0.4 million.

Selling and Distribution Costs

During the Reporting Period, selling and distribution costs amounted to approximately HK$7.5 million, representing an increase of approximately HK$0.4 million, or 5.6%, as compared to the corresponding period in 2015 of approximately HK$7.1 million. The increase was mainly due to the increase in transportation costs by a total of approximately HK$1.4 million that were attributable to the increased sales of each of the petro-chemical products segment and the overseas SIM card segment, but partially offset by the drop in various selling expenses resulted from the closing down of the Beijing SIM card plant since early 2016 and the disposal of Beijing module packaging and testing service plant by end of 2016.

Administrative Expenses

Administrative expenses recorded a decrease of approximately HK$3.1 million, or 8.0% during the Reporting Period, from approximately HK$38.7 million recorded in 2015, to approximately HK$35.6 million. The decrease was due to the combined effects of: (i) the drop in various general administrative expenses of a total of approximately HK$4.6 million resulted from the closing down of the Beijing SIM card plant since early 2016 and the disposal of Beijing module packaging and testing service plant by end of 2016; (ii) a net decrease in written off of property, plant and equipment of approximately HK$2.0 million (the written-off was due to the closure of Beijing SIM card plant); (iii) decrease in legal and professional fee and other expenses of approximately HK$1.2 million for other group companies; (iv) the net increase in bad debt written off of approximately HK$2.9 million; and (v) the increases in various administrative expenses of a total of approximately HK$1.8 million that were attributable to the increased sales of each of the petro-chemical products segment and the overseas SIM card segment.

Impairment Loss on Available-for-Sale Financial Assets

An impairment loss of approximately HK$11.7 million (2015: nil) represented a cumulative loss recognized in the available-for-sale financial assets revaluation reserve reclassified to profit or loss as there was a significant and prolonged decline in the fair value of the Group’s investment in the Series A preferred shares of Hota (USA) that was recognised as an available-for-sale financial assets.

Impairment Loss on Amount Due from a Joint Venture

During the Reporting Period, an impairment loss on amount due from HOTA Group of approximately HK$223.0 million was recognised (2015: nil). The reasons are disclosed in the Company’s previous announcements and the section headed “Chairman’s Statement” above.

Impairment Loss on Amount Due from Non-Controlling Interests

During the Reporting Period, an impairment loss on amount due from non-controlling interests of an inactive subsidiary of HK$0.5 million was recognised (2015: nil).

Impairment Loss on Other Receivables and Prepayments

During the Reporting Period, an impairment loss on other receivables and prepayments of approximately HK$1.1 million in respect of certain other receivables and prepayment attributable to the trading of scrap metals business segment was recognised (2015: nil).

Finance Costs

During the Reporting Period, the Group’s finance costs amounted to approximately HK$0.7 million (2015: approximately HK$1.6 million). The drop was due largely to the drop in average borrowings as compared to the corresponding period in 2015.

Income Tax Expense

During the period under review, the income tax expense of the Group amounted to approximately HK$0.9 million (2015: approximately HK$3.9 million).

As a result of the foregoing, loss attributable to owners of the Company the Reporting Period amounted to approximately HK$234.0 million (2015: profit of approximately HK$5.5 million).

LIQUIDITY AND FINANCIAL RESOURCES/CAPITAL STRUCTURE

During the year under review, the Group financed its business operations and investments with cash revenue generated from operating activities, bank loans and other borrowings. As at 31 December 2016, the Group had cash and bank balances and pledged bank deposits of approximately HK$4.2 million (31 December 2015: approximately HK$20.2 million), secured bank loans and other borrowings of approximately HK$12.5 million (31 December 2015: approximately HK$30.4 million).

As at 31 December 2016, the Group had current assets of approximately HK$129.2 million (2015: approximately HK$367.6 million) and current liabilities of approximately HK$49.6 million (2015: approximately HK$83.3 million). The current ratio, expressed as current assets over current liabilities, was 2.6 (2015: 4.4).

EMPLOYEE INFORMATION

As at 31 December 2016, the Group employed a total of 204 employees (2015: 424 employees), of which 13 were located in Hong Kong and the rest were located in the PRC and Taiwan. Employee cost, including directors' remuneration, was approximately HK$31.5 million (2015: approximately HK$44.5 million) for the year under review. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. In addition to basic salaries and participation in mandatory provident fund scheme, staff benefits include medical scheme and share options.

SIGNIFICANT INVESTMENTS

There was no other significant investments for the year ended 31 December 2016.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Saved as disclosed in note 31 to the consolidated financial statements, the Group made no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2016.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the "Chairman's Statement" sections, there were no future plans for material investments or capital assets.

CHARGE ON GROUP ASSETS

At 31 December 2016, bank deposits of HK$9,295 were pledged by a Company's subsidiary as collaterals to secure general banking facilities granted to the Group (2015: certain machinery and equipment with carrying amounts of HK$10,185,005 and bank deposits of HK$3,677,778 were pledged by the Company's subsidiaries) and no trade receivables were assigned to secure borrowings (2015: a Company's subsidiary has assigned the trade receivables of certain customers to secure borrowings amounting to HK$3,571,429).

GEARING RATIO

The gearing ratio of the Group, expressed as a percentage of total borrowings to total assets of the Group, was 8.9% as at 31 December 2016 (2015: 7.5%).

FINAL DIVIDEND

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

COMPETING INTERESTS

As at 31 December 2016, none of the directors or the management shareholders or any of its respective associates (as defined under the GEM Listing Rules) of the Company had any interest in a business that competed or might compete with the business of the Group directly or indirectly.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2016, the Company repurchased and cancelled a total of 1,270,000 of its own shares on the Stock Exchange at an aggregate consideration (before expenses) of HK$180,035.

Particulars of the repurchases are as follows:

Month of repurchase	No. of shares	Price per share Highest HK$	Price per share Lowest HK$	Aggregate price HK$
April	1,270,000	0.155	0.139	180,035
Total	1,270,000			180,035

The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the year.

ANNUAL GENERAL MEETING

The annual general meeting (the "AGM") of the shareholders of the Company will be held at 11:30 a.m., on Wednesday, 10 May 2017, at Unit 302, 3rd Floor, Seapower Centre, 73 Lei Muk Road, Kwai Chung, New Territories, Hong Kong and the notice of AGM will be published and dispatched to the shareholders in the manner as required by the GEM Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlements to attend the AGM, the register of members of the Company will be closed from Friday, 5 May 2017 to Wednesday, 10 May 2017 (both dates inclusive) during which period no transfer of shares of the Company will be registered. In order to qualify for attending the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 4 May 2017.

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2016.

INTRODUCTION

The Board believes that good corporate governance practices are essential for effective management and enhancement of shareholder value and investor confidence. The Company has taken a proactive approach in strengthening corporate governance practices, increasing transparency and sustaining accountability to shareholders through effective internal controls, under the leadership of its experienced and committed Board.

The Company has applied the principles set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 to the GEM Listing Rules.

In the opinion of the Board, the Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 December 2016 with the exception of the code provision A.2.1 which requires that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual, and code provision C3.3(e)(i) which require members of the Audit Committee must meet, at least twice a year, with the issuer's auditors. Details relating to the foregoing deviation are summarized below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2016.

BOARD OF DIRECTORS

The Board is responsible for overseeing the management of the business and affairs of the Group with the overriding objective of enhancing share value. With delegating authorities from the Board, management of the Company is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

Code provision A.2.1. stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

Ms. Lily Wu ("Ms. Wu") serves as the Chairman of the Board since 1 April 2006. Mr. Anton Ho, the former Chief Executive Officer, resigned from the post with effect from 1 January 2009 and the position was left vacant since his resignation. After due and careful consideration by the Board, Ms. Wu was further appointed as the Chief Executive Officer on 23 March 2009. The reasons for not splitting the roles of chairman and chief executive officer are (i) the size of the Group is still relatively small and thus not justified in separating the roles of chairman and chief executive officer; and (ii) the Group has in place an internal control system to perform the check and balance function. Ms. Wu is primarily responsible for leadership of the Group and the Board, setting strategic direction, ensuring the effectiveness of management in execution of the strategy approved by the Board. Execution responsibilities lie with another executive Director and senior management of the Company.

The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company.

Corporate Governance Report

Code provision C.3.3.(e)(i) stipulates that members of the Audit Committee should liaise with the Board and senior management and the committee must meet, at least twice a year, with the issuer's auditors. During the Reporting Period, members of the Audit Committee met with the Company's former auditors, BDO Limited, for one time only.

Based on the previous practice, members of the Audit Committee used to meet with BDO Limited on November and March of each year. However, BDO had resigned on November 2016 and the Company was unable to appoint a new auditor before the year end since, pursuant to the Company's Articles of Association, shareholders' approval has to be sought in the general meeting for any proposed appointment of new auditors to fill the causal vacancy. Notwithstanding the above, communication between members of the audit committee of the Company and Grant Thornton Hong Kong Limited, the new auditors of the Company, took place as soon as it was duly appointed in the EGM held on January 2017.

Board composition

Up to the date of this annual report, the Board comprises six Directors, including three executive Directors and three Independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors

Ms. Lily Wu *(Chairman and Chief Executive Officer)*
Mr. Wang Jia Hua *(Managing Director) (appointed on 5 January 2016 and ceased on 4 January 2017)*
Mr. Chang Wei Wen
Mr. Yang Meng Hsiu

Independent non-executive Directors

Mr. Chan Siu Wing, Raymond
Mr. Leung Ka Kui, Johnny
Ms. Wong Ka Wai, Jeanne

Biographical details of Directors are set out on pages 22 to 23 of this annual report.

The Directors, with relevant and sufficient experience and qualifications, have given sufficient time and attention to the affairs of the Group and have exercised due care and fiduciary duties to the significant issues of overall business planning, management and strategic development of the Group.

Board and general meetings

The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. During the year ended 31 December 2016, there were five board meetings and one general meeting held. The Directors can attend meetings in person or via telephone conference as permitted under the articles of association of the Company.

Details of individual attendance of all Directors at the board meetings and general meeting are as follows:

Name of Directors	Attendance of Board meetings	Attendance of general meeting
Executive Directors		
Ms. Lily Wu	5/5	1/1
Mr. Wang Jia Hua	4/5	0/1
Mr. Chang Wei Wen	5/5	1/1
Mr. Yang Meng Hsiu	5/5	1/1
Independent Non-executive Directors		
Mr. Chan Siu Wing, Raymond	5/5	0/1
Mr. Leung Ka Kui, Johnny	5/5	0/1
Ms. Wong Ka Wai, Jeanne	5/5	0/1

Information of material issues, due notice of meeting and minutes of each directors' meeting have been sent to each of the Directors for their information, comment and review.

The Board is responsible to set strategic plans, formulates policies and provides effective oversight over the management on the operational affairs, and members of the Board are individually and collectively accountable to the shareholders of the Company. The management is responsible for the daily operations of the Group. For significant matters that are specifically delegated by the Board, the management must report back to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group.

Independent non-executive Directors

Each Director is required to keep abreast of his responsibilities as a director of the Company and of the Company's conduct, business activities and development. Given the essential unitary nature of the Board, independent non-executive Director has the same duties of care and skill and fiduciary duties as executive Directors. Independent non-executive Director brings a wide range of business and financial expertise, experience and independent judgment to the Board. Functions of independent non-executive Director include but should not be limited to the following:

i. participating in Board meetings to bring independent judgment;

ii. taking the lead where potential conflict of interests may arise;

iii. serving on the audit, nomination and remuneration committees if invited; and

iv. scrutinizing the Group's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

Pursuant to Rule 5.05 of the GEM Listing Rules, the Board has appointed three independent non-executive Directors, representing half of the Board and all of them have appropriate professional accounting qualifications or related experiences on financial management which is in compliance with Rule 5.05A and 5.05 of the GEM Listing Rules. Currently, there is no specific terms of service for each of the independent non-executive Directors and the appointment may continue thereafter unless and until terminated by either the Company or the independent non-executive director by giving not less than one month's prior notice in writing and such appointment is subject at all times to the Articles of Association.

The Company strongly supports the principle of Board independence. Mr. Leung Ka Kui, Johnny, Mr. Chan Siu Wing, Raymond and Ms. Wong Ka Wai Jeanne have been serving the Board as independent non-executive directors for more than nine years and have consistently demonstrated their willingness to exercise independent judgments and provide objective challenges to management. They have actively participated in board meetings and board committee meetings held during the year and have shown themselves able to give constructive and independent advice to the Board over significant issues. Therefore, the Board considers that all of them remain independent, notwithstanding the length of their tenure as independent non-executive directors. The Board has assessed their independence and considers that all independent non-executive Directors are independent as required under the GEM Listing Rules. All independent non-executive Directors have also confirmed their independence pursuant to Rule 5.09 of the GEM Listing Rules by providing an annual confirmation of their independence.

Continuous Professional Development

Pursuant to Code Provision A.6.5, which has come into effect from 1 April 2012, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by attending training course or reading relevant materials on the topics related to corporate governance and regulations.

The individual training record of each Director received for the year ended 31 December 2016 is summarized below:

Name of Directors	Attending seminar(s)/ Programme(s)/ relevant materials in relation to the business or directors' duties
Executive Directors	
Ms. Lily Wu	Yes
Mr. Wang Jia Hua	Yes
Mr. Chang Wei Wen	Yes
Mr. Yang Meng Hsiu	Yes
Independent non-executive Directors	
Mr. Chan Siu Wing, Raymond	Yes
Mr. Leung Ka Kui, Johnny	Yes
Ms. Wong Ka Wai, Jeanne	Yes

All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training or reading relevant materials in order to develop and refresh their knowledge and skills.

BOARD COMMITTEES

Audit committee

The audit committee currently comprises three independent non-executive Directors and is chaired by Ms. Wong Ka Wai, Jeanne. The rest of members are Mr. Leung Ka Kui, Johnny and Mr. Chan Siu Wing, Raymond. At the discretion of the audit committee, executive Directors and/or senior management personnel, overseeing the Group's finance and internal control functions, may be invited to attend meeting. The primary role and function of the audit committee are to review the Company's financial controls, internal control and risk management systems; to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; to review the Company's financial statements, annual reports, interim reports and quarterly reports, and to provide advice and comment thereon to the Board.

The audit committee held four meetings to review the quarterly, interim and annual results during the year ended 31 December 2016 as well as discussed and reviewed the Group's internal control and audit works with the auditor of the Group. Details of the attendance of the audit committee meetings are as follows:

Members	Attendance
Mr. Leung Ka Kui, Johnny	4/4
Ms. Wong Ka Wai, Jeanne	4/4
Mr. Chan Siu Wing, Raymond	4/4

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 December 2016 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

Nomination committee

The nomination committee comprises two executive Directors and three independent non-executive Directors and is chaired by Ms. Lily Wu. The rest of the members are Mr. Chan Siu Wing, Raymond, Mr. Leung Ka Kui, Johnny, Ms. Wong Ka Wai, Jeanne and Mr. Yang Meng Hsiu. The primary role and function of the nomination committee are to review and monitor the structure, size and composition of the Board at least once a year and make recommendations on any proposed changes to the Board to carry out the Company's corporate strategies; to assess the independence of independent non-executive Directors; and to make recommendations to the Board succession planning.

Diversity of the Board

The nomination committee is also responsible for the review of the Board's diversity policy, considering factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service of Board members, and review the measurable objectives that the Board has set for implementing the Board's diversity policy, and monitor the progress on achieving the measurable objectives.

The nomination committee held one meeting during the year ended 31 December 2016. Details of the attendance of the nomination committee meetings are as follows:

Members	Attendance
Ms. Lily Wu	1/1
Mr. Chan Siu Wing, Raymond	1/1
Mr. Leung Ka Kui, Johnny	1/1
Ms. Wong Ka Wai, Jeanne	1/1
Mr. Yang Meng Hsiu	1/1

Remuneration committee

The remuneration committee comprises two executive Directors and three independent non-executive Directors and is chaired by Mr. Leung Ka Kui, Johnny. The rest of the members are Mr. Chan Siu Wing, Raymond, Mr. Chang Wei Wen, Ms. Lily Wu and Ms. Wong Ka Wai, Jeanne. The primary role and function of the remuneration committee are to review and make recommendations to the Board on the Company's policy and structure for all directors and senior management remuneration; and to review and make recommendations to the Board the remuneration packages of all Directors and senior management.

The remuneration committee held one meeting during the year under review. Details of the attendance of the remuneration committee meetings are as follows:

Members	Attendance
Mr. Leung Ka Kui, Johnny	1/1
Mr. Chan Siu Wing, Raymond	1/1
Mr. Chang Wei Wen	1/1
Ms. Lily Wu	1/1
Ms. Wong Ka Wai, Jeanne	1/1

Compliance Officer

Ms. Lily Wu was appointed as the Compliance Officer of the Company on 28 December 2005. Details of her qualifications and experience are set out in the section headed "Profiles of Directors and Senior Management" on page 22 of this annual report.

Company Secretary

Mr. Lau Ka Chung is the Company Secretary of our Company. Details of his qualifications and experience are set out in the section headed "Profiles of Directors and Senior Management" on page 23 of this annual report.

Directors' and auditor's responsibilities for the consolidated financial statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2016, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements of the Group on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 30 to 33. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

AUDITORS' REMUNERATION

During the year ended 31 December 2016, the fees paid/payable to the auditors of the Company in respect of audit and non-audit services provided by the auditors of the Company were as follows:

Nature of services	Amount HK$'000
Audit services	590
Non-audit services	120

INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges its responsibility for the effectiveness of the Group's internal control and risk management systems. Such internal control and risk management systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board had conducted a review on the effectiveness of the Group's internal control and risk management systems once during the year ended 31 December 2016 which covered financial, operational, compliance procedural and risk management functions and had considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. In light of the size and scale of the Group's businesses, the Board is also delegated with the responsibilities for the internal control of the Group and for reviewing its effectiveness. As such, the Group currently does not have an internal audit department. The Board will review and consider to establish such department as and when it thinks necessary.

The Group believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Group has therefore made continued efforts to uplift its quality of corporate governance. It has established a highly effective system of internal controls and adopted a series of measures to ensure its safety and effectiveness. As a result, the Group is able to safeguard its assets and protect the interests of its Shareholders.

The Board is of the view that the systems of internal control and risk management are effective and there are no irregularities, improprieties, fraud or other deficiencies that suggest material deficiency in the effectiveness of the Group's internal control system.

Principal risks and uncertainties

A number of factors may affect the results and business operations of the Group, major risks are summarised below.

Reliance on limited number of customers

The Group derived a significant portion of our revenue from a limited number of customers. For the year ended 31 December 2016, the five largest customers of the Group contributed 96.3% of total revenue to the Group. There is no assurance that these significant customers will continue their business relationship with the Group or that the revenue generated from the customers will increase or be maintained in the future. The Group will continue to expand the customer base to mitigate the risk.

Default Risks

The revenue generated from the wholesales of petro-chemical product is derived from a relatively small number of transaction with each transaction amount is significant. If there is any default in payment, it would have significant impact on the results and position of the Group. In this regards, the Group has adopted a conservative approach, that is, we will only conduct the wholesale business with customers who are large-scaled enterprises with good credit ratings (though the profit margin for transactions of this kind is usually lower), and to keep monitoring the payment status of each customer.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting

Pursuant to article 58 of the articles of association of the Company (the "Articles of Association"), the Directors of the Company, notwithstanding anything in its bye-laws shall, on the requisition of Shareholders of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene an extraordinary general meeting ("EGM") of the Company.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the Company Secretary at the Company's principal place of business in Hong Kong, and may consist of several documents in like form each signed by one or more requisitionists.

The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board of Directors to include the resolution in the agenda for the EGM.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists may themselves convene a meeting.

Enquiries put to the Board

The enquiries must be in writing with contact information of the requisitionists and deposited at the Company Secretary at the Company's principal place of business in Hong Kong.

Procedures for putting forward proposals at shareholders' meetings

Pursuant to article 59(1) of the Articles of Association, in order to put forward proposals at an annual general meeting ("AGM"), or EGM, the Shareholders should submit a written notice of those proposals with the detail contact information to the Company Secretary at the Company's principal place of business in Hong Kong. The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

The notice period to be given to all the Shareholders for consideration of the proposal raised by the Shareholders concerned at AGM or EGM varies according to the nature of the proposal, as follows:

- At least 21 clear days' notice in writing if the proposal constitutes a special resolution of the Company in AGM or EGM

- At least 14 clear days' notice in writing for all other EGMs

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include (i) the publication of quarterly, interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the websites of GEM and the Company; (iv) the Company's website offering communication channel between the Company and its shareholders and investors; and (v) the Company's share registrars in Hong Kong serving the shareholders in respect of all share registration matters.

The Company aims to provide its shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear, detailed, timely manner and on a regular basis information of the Group to shareholders through the publication of quarterly, interim and annual reports and/or dispatching circulars, notices, and other announcements.

Significant Changes in Constitutional Documents

There were no significant changes in the constitutional documents of the Company for the year ended 31 December 2016.

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Lily WU, aged 54, is an executive Director and the Chairman of the Company. She was appointed as Director of the Company in June 2005. Ms. Wu has 30 years of experience in the technology sector investment research and industry analysis. She is currently an independent investment analyst on technology companies for private equity firms, and has previously worked as a director in equity research for Salomon Smith Barney, and as a vice president in equity research for Bankers Trust. Ms. Wu earned a Bachelor of Science degree with Honors in Engineering from the California Institute of Technology.

CHANG Wei Wen, aged 40, is an executive Director. He was appointed as a non-executive Director of the Company in May 2006 and was re-designated as an executive Director of the Company in December 2006 when he assumed key management and operating responsibilities for the Group. He formerly worked as an assistant to directors of a Taiwan company, which is principally engaged in international trade and wholesale of information software and electronic materials. Mr. Chang obtained a Bachelor of Organization Management degree from Patten University.

YANG Meng Hsiu, aged 40, is an executive Director. He was appointed as Director of the Company in March 2011. Mr. Yang graduated from The Leader University of Taiwan (currently known as The University of Kang Ning) with a bachelor degree in leisure management. Mr. Yang had more than 11 years of experience in product planning and brand name marketing business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEUNG Ka Kui, Johnny, aged 60, is an independent non-executive Director. He is the chairman of the remuneration committee and one of the members of the audit committee and the nomination committee of the Company. Mr. Leung is a qualified solicitor in Hong Kong, the United Kingdom and Singapore. He has over 32 years of experience in the legal field. Currently, he is the managing partner of Messrs. Johnny K. K. Leung & Co, a law firm in Hong Kong. Mr. Leung is currently an independent non-executive director of Celestial Asia Securities Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange. Mr. Leung holds a Bachelor of Laws from the University of London, United Kingdom. Mr. Leung joined the Company in September 2001.

WONG Ka Wai, Jeanne, aged 52, is an independent non-executive Director. She is the chairman of the audit committee and one of the members of the remuneration committee and the nomination committee of the Company. Ms. Wong has over 29 years of experience in finance, accounting, taxation and corporate affairs. Ms. Wong is a member of the Chartered Accountants Australia and New Zealand, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong and a member of the Society of Trust and Estate Practitioners. She holds a Bachelor Degree in Economics from the University of Sydney, Australia. Ms. Wong is currently the Managing Director of Wellex Consultancy Limited as well as the Chief Financial Officer and Consultant of a local law firm and CPA firm. Ms. Wong is also an independent non-executive director of Hua Xia Healthcare Holdings Limited, a company whose shares are listed on GEM of the Stock Exchange. Ms. Wong joined the Company in September 2001.

CHAN Siu Wing, Raymond, aged 52, is an independent non-executive Director. He is one of the members of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Chan has over 26 years of experience in the field of accounting, taxation, finance and trust. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a founding member of the Macau Society of Certified Practising Accountants. Mr. Chan holds a Bachelor of Economics degree from the University of Sydney. Mr. Chan holds the position of independent non-executive director of each of Nature Home Holding Company Limited, Hong Kong Finance Group Limited and Quali-Smart Holdings Limited, companies whose shares are listed on the Main Board of the Stock Exchange. Mr. Chan was formerly an executive director of ENM Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange and has resigned on 1 January 2015. Mr. Chan was also formerly an independent non-executive director of each of China Kingstone Mining Holdings Limited and National Agricultural Holdings Limited, companies whose shares are listed on the Main Board of the Stock Exchange and has resigned on 23 December 2015 and on 31 March 2016 respectively. Mr. Chan joined the Company in February 2007.

SENIOR MANAGEMENT

LAU Ka Chung, aged 44, is the financial controller and the Company Secretary of the Group. Mr. Lau has over 20 years of experience in auditing, accounting & finance, taxation and corporate compliance. Mr. Lau holds a Master degree in Corporate Governance from the Hong Kong Polytechnic University and a Bachelor Degree in Business Administration (majoring in Finance) from the Hong Kong University of Science and Technology. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, as well as a fellow member of The Hong Kong Institute of Chartered Secretaries in Hong Kong. Mr. Lau joined the Group in May 2003.

Directors' Report

The Directors have pleasure in submitting the annual report of the Company together with its audited consolidated financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. Details of the principal activities of its subsidiaries are set out in note 37 to the consolidated financial statements.

The revenue of the Group is derived principally from the contract manufacturing and sales of smart cards, sales of petro-chemical products and the provision of financial and management consultancy services.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 34.

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

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 35 to the consolidated financial statements respectively.

DIRECTORS

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

Executive Directors

Lily Wu *(Chairman and Chief Executive Officer)*
Wang Jia Hua (appointed on 5 January 2016 and ceased on 4 January 2017)
Chang Wei Wen
Yang Meng Hsiu

Independent non-executive Directors

Chan Siu Wing, Raymond
Leung Ka Kui, Johnny
Wong Ka Wai, Jeanne

In accordance with Article 87(1) of the Articles of Association, Ms. Lily Wu and Mr. Chang Wei Wen retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 18 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance (as defined in rule 18.25 of the GEM Listing Rules) to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE CAPITAL AND SHARE OPTIONS

There was no movement in the Company's authorised share capital during the year. Details of the movement in the Company's issued share capital and share option scheme during the year are set out in notes 33 and 34 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's reserve available for distribution represents the contributed surplus, share premium, other reserves and accumulated losses. At the balance sheet date, the Company had no reserves available for distribution.

DIRECTORS' INTERESTS AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL AND OPTIONS

As at 31 December 2016, the interests or short position of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were 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 into the register referred to therein, or which were required, pursuant to Rules 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of director	Nature of interest	Long/short position	Number of shares of the Company	Number of Underlying shares of the Company	Approximate percentage of interest in the Company's issued share capital
Lily Wu *(Note)*	Beneficial owner	Long	1,000,000	5,000,000	0.16
Chang Wei Wen	Beneficial owner	Long	5,250,000	–	0.14
Wang Jia Hua	Beneficial owner	Long	5,000,000	–	0.13
Yang Meng Hsiu	Beneficial owner	Long	43,000,000	–	1.14

Note:

1. These include 5,000,000 Share Options conferring rights to subscribe for 5,000,000 Shares.

Save as disclosed above, as at 31 December 2016, none of the Directors and chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were 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 into the register referred to therein, or which were required, pursuant to Rules 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, the following persons/companies had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying voting rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Name of shareholders	Type of interests	Long/short position	Number of shares of the Company	Approximate percentage of Interests
Golden Dice Co., Ltd *(Note 1)*	Beneficial	Long	519,275,125	13.80
Best Heaven Limited *(Note 1)*	Beneficial	Long	315,865,000	8.39
Mr. Tsai Chi Yuan *(Note 1)*	Interests in controlled company	Long	835,140,125	22.19

Note:

1. Mr. Tsai Chi Yuan is deemed to be a substantial shareholder of the Company by virtue of his 100% beneficial interest in Golden Dice Co., Ltd and Best Heaven Limited.

Save as disclosed above, as at 31 December 2016, the Directors are not aware of any other persons or corporation (other than the Directors and chief executive of the Company) having an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, significant related party transactions entered into by the Group are disclosed in note 39 to the consolidated financial statements. Transactions constituted continuing connected transaction under the GEM Listing Rules is identified below:

(a) On 8 January 2015, Shanghai Phoenitron, a non-wholly owned subsidiary of the Company, entered into the deposit agreement (the "Deposit Agreement") (as supplemented by the Supplemental Agreement dated 4 May 2016) with Shanghai Jianzhou Petroleum & Chemical Company Limited ("Shanghai Jianzhou"), pursuant to which Shanghai Jianzhou agreed to act as the Shanghai Phoenitron's local industry reference in Shanghai to provide comfort to the Shanghai Phoenitron's suppliers to extend local market credit limit and credit terms despite that Shanghai Phoenitron was a newly established entity in 2014 with less than one year operating history. Under the terms of the Deposit Agreement, Shanghai Phoenitron may make a security deposit (the "Security Payment") to Shanghai Jianzhou in a sum of not more than RMB85,000,000 at its sole discretion based on its business needs from time to time, and due to this Deposit Agreement, Shanghai Phoenitron's suppliers offered credit limit of not less than 200% of the security deposit as well as provided a credit term of not less than 30 days from the date of receipt of the products by Shanghai Phoenitron. During the year ended 31 December 2015, Shanghai Phoenitron had deposited Security Payment of approximately RMB81,320,000 (equivalent to HK$96,809,524) to Shanghai Jianzhou during its ordinary course of business. In mid-March 2016, all the Security Payment has been withdrawn by Shanghai Phoenitron and no Security Payment is deposited with Shanghai Jianzhou thereafter and up to the date of this annual report.

(b) In 2014, Shanghai Phoenitron entered into two purchase contracts with Shanghai Jianzhou in relation to the purchase of fuel oil from Shanghai Jianzhou for an aggregated contract sum of approximately RMB41,384,615 (equivalent to approximately HK$52,281,427).

    In 2016, Shanghai Phoenitron and its wholly owned subsidiary, Shanghai Renzhong, entered into sale contracts with Shanghai Jianzhou respectively in relation to the sales of diesel oil and mixed aromatics to Shanghai Jianzhou for an aggregated contract sum of approximately RMB64,285,128 (equivalent to approximately HK$76,348,132 using the respective monthly exchange rate RMB0.842 to HK$1.00 or equivalent to approximately HK$76,613,487 using the yearly average rate).

(c) Shanghai Renzhong has also entered into various purchase contracts with Shanghai Jianzhou in relation to the purchase of diesel oil from Shanghai Jianzhou during the year ended 31 December 2016 for an aggregated contract sum of approximately RMB722,436 (equivalent to approximately HK$858,533). Such transaction will constitute de minimus continuing connected transactions and were fully exempted pursuant to Rule 20.74 of the GEM Listing Rules given that all the percentage ratios (other than the profits ratio) are less than 1% and the transaction is connected transaction only because it involves connected person(s) at the subsidiary level.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of businesses of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Grant Thornton Hong Kong Limited, the Company's auditor, has been appointed to report on the Group's continuing connected transactions for the year ended 31 December 2016 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Grant Thornton Hong Kong Limited has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

SENIOR MANAGEMENT

The Group regards the executive directors, independent non-executive directors and financial controller of the Company as members of the senior management team.

The emoluments paid or payable to members of senior management were within the following brands:

	Number of individuals	
	2016	2015
Emolument bands		
Nil – HK$1,000,000	7	6
HK$1,000,001 – HK$1,500,000	1	1

The biographies of members of the senior management team at the date of this annual report are disclosed in the section headed "Profiles of Directors and Senior Management" in this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report of the Company prepared in accordance with Appendix 20 to the GEM Listing Rules will be published within three months after the publication of the annual report of the Company.

EVENTS AFTER THE REPORTING PERIOD

The events after the reporting period of the Group are set out in note 44 to the consolidated financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

Information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

Sales

– the largest customer	81.0%
– five largest customers in aggregate	96.3%

Purchases

– the largest supplier	78.5%
– five largest suppliers in aggregate	98.6%

At no time during the year have the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in the Group's five largest suppliers or customers during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association, or the laws and regulations of the Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the 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.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 98 of the annual report.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 December 2015 were audited by BDO Limited. BDO Limited has resigned as auditor of the Company on 25 November 2016. Following the resignation of BDO Limited, the Board has resolved, with the recommendation of the Audit Committee, to propose the appointment of Grant Thornton Hong Kong Limited as the new auditor of the Company and to convene an extraordinary general meeting to propose to the Shareholders that Grant Thornton Hong Kong Limited be appointed by an ordinary resolution as the new auditor of the Company and to hold office until the conclusion of the next annual general meeting of the Company. The resolution was passed 18 January 2017.

The consolidated financial statements of the Company for the Reporting Period have been audited by Grant Thornton Hong Kong Limited which will retire and, being eligible, offer itself for re-appointment at the forthcoming AGM. Having approved by the Board upon the Audit Committee's recommendation, a resolution to re-appoint Grant Thornton Hong Kong Limited and to authorise the Directors to fix its remuneration will be proposed at the forthcoming AGM.

For and on behalf of the Board
Lily Wu
Chairman

Hong Kong, 22 March 2017

Independent Auditor's Report

Grant Thornton
致同

To the members of Phoenitron Holdings Limited
(incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Phoenitron Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 34 to 97, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Limitation of audit scope in relation to impairment assessment of the interest in and the amount due from a joint venture

As at 31 December 2015, the Group had an amount due from a joint venture, Hota (USA) Holding Corp. ("Hota (USA)") and its wholly owned subsidiary, Hota Auto Recycling Corporation ("HARC"), (collectively the "Hota Group") of approximately HK$202,837,000. The predecessor auditor's report dated 22 March 2016 in the Group's annual report for the year ended 31 December 2015 contained a qualified opinion arising from the limitation of audit scope on impairment assessment of the amount due from the joint venture. As explained in note 24 to the consolidated financial statements, an impairment loss on the unsettled amount due from the joint venture of approximately HK$223,020,000 was recognised during the year ended 31 December 2016 as the directors considered the chance to recover the amount due from the joint venture was remote.

The Group holds common shares and convertible preferred shares of Hota (USA). The Group's investment in the preferred shares of Hota (USA) was classified as available-for-sale financial assets carried at fair value. Changes in the fair value was recognised in other comprehensive income and accumulated separately in equity under the available-for-sale financial assets revaluation reserve. When there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in other comprehensive income should be reclassified from equity to profit or loss. As at 31 December 2015, the cumulative fair value loss on the preferred shares of approximately HK$11,739,000 was recognised in the available-for-sale financial assets revaluation reserve. As explained in note 21 to the consolidated financial statements, such loss was reclassified from equity to profit or loss for the year ended 31 December 2016 as the directors considered the decline in the fair value of the investment was significant and prolonged.

We have not obtained sufficient appropriate audit evidence to verify the financial ability of the Hota Group as at 31 December 2015 and we were unable to obtain sufficient documentation to evaluate (i) the recoverability of the amount due from the joint venture of approximately HK$202,837,000 as at 31 December 2015, and (ii) the decline in the fair value of the preferred shares of Hota (USA) was significant or prolonged as at 31 December 2015. Therefore, we were unable to determine whether any adjustments to the impairment loss recognised during the year ended 31 December 2016 in respect of the interest in and the amount due from the joint venture were necessary, which may have significant impact on the Group's financial position as at 31 December 2015 and 1 January 2016, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2016.

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

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables *Refer to notes 2.7 (summary of significant accounting policies), 4(i) (critical accounting estimates and judgments) and 23 to the consolidated financial statements*	

The impairment of trade receivables is estimated by the management through the application of judgment and use of subjective assumptions in assessing the recoverability of trade receivables.
 	
In determining the allowance for trade receivables, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and ageing analysis of the trade receivables.
 	
As at 31 December 2016, the Group had trade receivables amounting to HK$97,108,376. Due to the significance of trade receivables (representing 69.3% of total assets) and the corresponding uncertainty inherent in such an estimate, we considered this as a key audit matter.
	Our procedures in relation to impairment assessment of trade receivables included the following:
	
	– Obtaining an understanding of the Group's procedures on credit limits and credit periods given to customers;
	
	– Assessing the factors considered by the management for determining whether an impairment event had occurred and thus impairment provision is required which includes:
	
	    – Re-computing and testing the ageing analysis of the trade receivables, on a sample basis, to the source documents;
	
	    – Checking subsequent settlement of trade receivables and assessed the adequacy of the impairment provision against the remaining outstanding trade receivables;
	
	    – Evaluating management's judgments on the recoverability of trade receivables, taking into account specific customer circumstances with reference to the credit history including default or delay in payments, settlement records and the financial condition of each individual customer.
	
	We found the management's judgments and assumptions used in the impairment assessment of trade receivables were supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2016 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

22 March 2017

Lee Lai Lan, Joyce
Practising Certificate No.: P06409

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 HK$	2015 HK$
Revenue	6	**2,399,113,013**	2,333,952,429
Cost of sales		**(2,381,299,603)**	(2,311,360,595)
Gross profit		**17,813,410**	22,591,834
Other income	7	**19,049,036**	40,535,661
Other gains/(losses), net	8	**10,231,328**	(4,761,854)
Selling and distribution costs		**(7,487,860)**	(7,057,259)
Administrative expenses		**(35,567,985)**	(38,688,446)
Impairment loss on interest in an associate	20	**–**	(527,805)
Impairment loss on available-for-sale financial assets	21	**(11,739,442)**	–
Impairment loss on amount due from a joint venture	24	**(223,020,200)**	–
Impairment loss on amount due from non-controlling interests	26	**(500,000)**	–
Impairment loss on other receivables and prepayments		**(1,095,000)**	–
Finance costs	9	**(647,613)**	(1,611,551)
(Loss)/Profit before income tax	10	**(232,964,326)**	10,480,580
Income tax expense	11	**(880,361)**	(3,927,660)
(Loss)/Profit for the year		**(233,844,687)**	6,552,920
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		**(6,615,324)**	(9,072,631)
Release of translation reserve on disposal of subsidiaries	31	**(1,636,158)**	–
Reclassification adjustment of available-for-sale financial assets revaluation reserve upon impairment	21	**11,739,442**	–
Other comprehensive income/(loss) for the year		**3,487,960**	(9,072,631)
Total comprehensive loss for the year		**(230,356,727)**	(2,519,711)
(Loss)/Profit for the year attributable to:			
Owners of the Company		**(234,001,534)**	5,529,253
Non-controlling interests		**156,847**	1,023,667
		(233,844,687)	6,552,920
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(228,946,329)**	(2,446,092)
Non-controlling interests		**(1,410,398)**	(73,619)
		(230,356,727)	(2,519,711)
		HK cents	HK cents
(Loss)/Earnings per share	13		
– Basic		**(62.181)***	1.517*
– Diluted		**(62.181)***	1.517*

* Adjusted for share consolidation with effect from 19 January 2017.

The notes on pages 39 to 97 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 HK$	2015 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	18	**8,408,272**	33,305,565
Intangible asset	19	**420,000**	420,000
Prepayments for acquisition of property, plant and equipment		**2,121,143**	3,124,662
Interest in an associate	20	**–**	–
Long-term financial assets	21	**–**	–
		10,949,415	36,850,227
Current assets			
Inventories	22	**186,768**	9,946,511
Trade and other receivables	23	**123,654,580**	36,942,766
Amount due from a joint venture	24	**–**	202,837,077
Amount due from a related company	25	**–**	97,047,619
Amount due from non-controlling interests	26	**–**	500,000
Tax recoverable		**1,188,401**	118,597
Pledged bank deposits	27	**9,295**	3,677,778
Cash and cash equivalents	28	**4,199,398**	16,510,763
		129,238,442	367,581,111
Current liabilities			
Trade and other payables	29	**37,121,793**	52,916,878
Borrowings	30	**12,452,356**	30,361,932
		49,574,149	83,278,810
Net current assets		**79,664,293**	284,302,301
Total assets less current liabilities		**90,613,708**	321,152,528
Non-current liabilities			
Deferred tax liabilities	32	**4,707**	4,707
Net assets		**90,609,001**	321,147,821
EQUITY			
Share capital	33	**75,258,500**	75,283,900
Reserves	35	**(8,695,872)**	220,407,150
Equity attributable to owners of the Company		**66,562,628**	295,691,050
Non-controlling interests	38	**24,046,373**	25,456,771
Total equity		**90,609,001**	321,147,821

Lily Wu
Director

Chang Wei Wen
Director

The notes on pages 39 to 97 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company										
	Share capital HK$	Share premium* HK$	Contributed surplus* HK$	Share option reserve* HK$	Other reserves* HK$	Translation reserve* HK$	Available-for-sale financial assets revaluation reserve* HK$	Accumulated losses* HK$	Total reserve HK$	Non-controlling interests HK$	Total HK$
Balance at 1 January 2015	68,049,500	284,927,411	13,985,669	1,360,008	7	16,809,819	(11,739,442)	(161,087,228)	144,256,244	3,793,244	216,098,988
Repurchase of shares *(note 33(a))*	(457,600)	(4,698,642)	–	–	–	–	–	–	(4,698,642)	–	(5,156,242)
Issue of shares upon shares subscription *(note 33(b))*	7,692,000	83,295,640	–	–	–	–	–	–	83,295,640	–	90,987,640
Transactions with owners	7,234,400	78,596,998	–	–	–	–	–	–	78,596,998	–	85,831,398
Profit for the year	–	–	–	–	–	–	–	5,529,253	5,529,253	1,023,667	6,552,920
Other comprehensive loss											
– Translation of financial statements of foreign operations	–	–	–	–	–	(7,975,345)	–	–	(7,975,345)	(1,097,286)	(9,072,631)
Total comprehensive (loss)/income for the year	–	–	–	–	–	(7,975,345)	–	5,529,253	(2,446,092)	(73,619)	(2,519,711)
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	21,737,146	21,737,146
Balance at 31 December 2015 and 1 January 2016	**75,283,900**	**363,524,409**	**13,985,669**	**1,360,008**	**7**	**8,834,474**	**(11,739,442)**	**(155,557,975)**	**220,407,150**	**25,456,771**	**321,147,821**
Repurchase of shares *(note 33(a))*	**(25,400)**	**(156,693)**	**–**	**–**	**–**	**–**	**–**	**–**	**(156,693)**	**–**	**(182,093)**
Transactions with owners	**(25,400)**	**(156,693)**	**–**	**–**	**–**	**–**	**–**	**–**	**(156,693)**	**–**	**(182,093)**
(Loss)/Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(234,001,534)**	**(234,001,534)**	**156,847**	**(233,844,687)**
Other comprehensive (loss)/income											
– Translation of financial statements of foreign operations	**–**	**–**	**–**	**–**	**–**	**(5,048,079)**	**–**	**–**	**(5,048,079)**	**(1,567,245)**	**(6,615,324)**
– Release of translation reserve on disposal of subsidiaries *(note 31)*	**–**	**–**	**–**	**–**	**–**	**(1,636,158)**	**–**	**–**	**(1,636,158)**	**–**	**(1,636,158)**
– Reclassification adjustment of available-for-sale financial assets revaluation reserve upon impairment	**–**	**–**	**–**	**–**	**–**	**–**	**11,739,442**	**–**	**11,739,442**	**–**	**11,739,442**
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**–**	**–**	**(6,684,237)**	**11,739,442**	**(234,001,534)**	**(228,946,329)**	**(1,410,398)**	**(230,356,727)**
Balance at 31 December 2016	**75,258,500**	**363,367,716**	**13,985,669**	**1,360,008**	**7**	**2,150,237**	**–**	**(389,559,509)**	**(8,695,872)**	**24,046,373**	**90,609,001**

* The total of these accounts as at the reporting date represents "Reserves" in the consolidated statement of financial position.

The notes on pages 39 to 97 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 HK$	2015 HK$
Cash flows from operating activities			
(Loss)/Profit before income tax		**(232,964,326)**	10,480,580
Adjustments for:			
Bad debts written off		**3,241,722**	339,166
Depreciation		**13,759,749**	16,948,189
Exchange difference, net		**–**	(399,620)
Finance costs		**647,613**	1,611,551
Gain on disposal of subsidiaries	*31*	**(8,389,411)**	–
Loss on disposal of long-term financial assets		**–**	114,954
(Gain)/Loss on disposal of property, plant and equipment		**(2,241,729)**	155,443
Write-down of inventories to net realisable value		**–**	2,109,133
Written-off of property, plant and equipment		**584,567**	2,547,184
Interest income		**(18,008,833)**	(40,440,022)
Impairment loss on amount due from a joint venture		**223,020,200**	–
Impairment loss on amount due from non-controlling interests		**500,000**	–
Impairment loss on available-for-sale financial assets		**11,739,442**	–
Impairment loss on interest in an associate		**–**	527,805
Impairment loss on other receivables and prepayments		**1,095,000**	–
Changes in working capital:			
Decrease in inventories		**8,420,585**	2,296,216
(Increase)/Decrease in trade and other receivables		**(97,882,909)**	63,530,913
Increase/(Decrease) in trade and other payables		**4,357,457**	(53,085,573)
Decrease in amount due from non-controlling interests		**–**	3,793,968
Cash (used in)/generated from operations		**(92,120,873)**	10,529,887
Interest paid		**(511,128)**	(1,550,906)
Income tax paid		**(1,961,967)**	(4,584,457)
Net cash (used in)/from operating activities		**(94,593,968)**	4,394,524
Cash flows from investing activities			
Interest received		**16,497**	30,133
Increase in amount due from a joint venture		**(4,004,346)**	(5,959,400)
Decrease/(Increase) in amount due from a related company		**97,047,619**	(97,047,619)
Decrease in pledged bank deposits		**3,668,483**	3,143,130
Net cash outflow arising from disposal of subsidiaries	*31*	**(1,433,966)**	–
Proceeds on disposal of property, plant and equipment		**4,563,815**	–
Proceeds on sale of long-term financial assets		**–**	2,043,104
Purchase of property, plant and equipment		**(2,099,313)**	(6,977,317)
Prepayments for acquisition of property, plant and equipment		**(2,170,758)**	913,039
Net cash from/(used in) investing activities		**95,588,031**	(103,854,930)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 HK$	2015 HK$
Cash flows from financing activities			
Capital contribution from non-controlling interest		**–**	21,737,146
Proceeds from new bank loans		**28,870,053**	61,888,562
Repayments of bank loans		**(44,669,061)**	(71,307,967)
Proceeds from shareholders' loans		**19,190,031**	4,000,000
Repayments of shareholders' loans		**(16,700,000)**	(793,476)
Proceeds from other loans		**2,200,000**	500,000
Repayments of other loans		**(1,700,000)**	(5,638,426)
Proceeds from shares issued		**–**	93,073,200
Share issue cost		**–**	(2,085,560)
Repurchase of shares	*33(a)*	**(182,093)**	(5,156,242)
Net cash (used in)/from financing activities		**(12,991,070)**	96,217,237
Net decrease in cash and cash equivalents		**(11,997,007)**	(3,243,169)
Cash and cash equivalents at 1 January		**16,510,763**	19,475,200
Effect of foreign exchange rate changes		**(314,358)**	278,732
Cash and cash equivalents at 31 December		**4,199,398**	16,510,763

The notes on pages 39 to 97 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Phoenitron Holdings Limited (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company is located at Unit 302, Seapower Centre, 73 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

The principal activities of the Company and its subsidiaries (the "Group") during the year include the manufacturing and sales of smart cards, the provision of customised smart card application systems, the provision of financial and management consultancy services, trading of scrap metals and sales of petro-chemical products.

The consolidated financial statements for the year ended 31 December 2016 were approved for issue by the board of directors on 22 March 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements on pages 34 to 97 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collectively includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial assets which are measured at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

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

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective.

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

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

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

When the Group loses control of a subsidiary, 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 HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates and joint ventures

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

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

In consolidated financial statements, an investment in an associate or a joint venture is initially recognised at cost and subsequently accounted for using the equity method. 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 the associate or joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to 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 in the determination of the Group's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the associate or joint venture is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate or joint venture's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal Group that is classified as held for sale). The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the associate or joint venture for the year, including any impairment loss on the investment in associate or joint venture recognised for the year. The Group's other comprehensive income for the year includes its share of the associate or joint venture's other comprehensive income for the year.

Unrealised gains on transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the associates or joint venture. Where unrealised losses on assets sales between the Group and its associate or joint venture are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate or joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate or joint venture's accounting policies to those of the Group when the associate or joint venture's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. For this purpose, the Group's interest in the associate or joint venture is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or joint venture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates and joint ventures (Continued)

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates or joint venture. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate or joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs of disposal) of the associate or joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including cash flows arising from the operations of the associate or joint venture and the proceeds on ultimate disposal of the investment.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

2.4 Foreign currencies

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

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

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

On the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a joint venture that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

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

2.6 Intangible assets (other than goodwill)

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use.

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets, with finite and indefinite useful lives, are tested for impairment as described below in note 2.17.

2.7 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries, associates and joint ventures are set out below.

Financial assets are classified into the following categories:

– loans and receivables

– financial assets at fair value through profit or loss

– available-for-sale financial assets

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Financial assets (Continued)

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

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

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

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

(i) Loans 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 are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 2.15 to these consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Financial assets (Continued)

(iii) *Available-for-sale financial assets*

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the available-for-sale financial assets revaluation reserve in equity, except for impairment losses (see policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

For available-for-sale investments in equity securities 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 instruments, they are measured at cost less any identified impairment losses at each reporting period subsequent to initial recognition.

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

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

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

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

– The disappearance of an active market for that financial asset because of financial difficulties; and

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Financial assets (Continued)

Impairment of financial assets (Continued)

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

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

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

(ii) Available-for-sale financial assets carried at fair value

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale and stated at fair value are not recognised in the profit or loss. The subsequent increase in fair value is recognised in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

(iii) Financial assets carried at cost

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of the impairment losses is recognised in profit or loss of the period in which the impairment occurs and not reversed in subsequent periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Financial assets (Continued)

Impairment of financial assets (Continued)

Impairment losses on financial assets other than trade and other receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade and other receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade and other receivables is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2.8 Derivative financial instruments

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial assets or financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

2.9 Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. Cost is determined using the weighted average basis, and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. It excludes borrowing costs.

2.10 Cash and cash equivalents

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

2.11 Financial liabilities

The Group's financial liabilities include borrowings and trade and other payables. They are included in the line items in the statement of financial position as borrowings under current or non-current liabilities or trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 2.20).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial liabilities (Continued)

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least twelve months after the reporting date.

Trade and other payables

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

2.12 Leases

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

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit and loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation 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. All provisions are reviewed at each reporting period and adjusted to reflect the current best estimate.

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 uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.14 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2.15 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of rebates and discounts. 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 as follows:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Service income from providing financial and management consultancy and handling fee income are recognised when the relevant services are rendered.

Interest income is recognised on an accrual basis using the effective interest method.

2.16 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to the purchase of assets are included in liabilities as deferred government grants in the consolidated statement of financial position and are recognised in profit or loss on a straight line basis over the expected lives of the related assets/deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Government grants relating to income is presented in gross under "Other income" in the consolidated statement of profit or loss and other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Impairment of non-financial assets

Intangible assets with indefinite useful lives are test for impairment at least annually, irrespective of whether there is any indication that they are impaired. Property, plant and equipment and interests in subsidiaries, an associate and joint ventures are subject to impairment testing whenever there are indications that the asset's carrying amount may not be recoverable.

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

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

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

2.18 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute specified percentage of its payroll costs to the central pension scheme.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Employee benefits (Continued)

Short-term employee benefits

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

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

2.19 Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profit.

2.20 Borrowing costs

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

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

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

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

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

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

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

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Accounting for income taxes (Continued)

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

   (i) the same taxable entity; or

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

2.22 Segment reporting

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

In respect of geographical information, revenue is based on shipment destination instructed by customers and non-current assets are where the assets are located.

2.23 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) a person or a close member of that person's family is related to the Group 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 key management personnel of the Group or of a parent of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Related parties (Continued)

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

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

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

(iii) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint arrangement 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 the employees of the Group or an entity related to the Group.

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

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

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

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

3. ADOPTION OF NEW AND AMENDED HKFRSs

(a) New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2016

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2016:

Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012-2014 Cycle*

The adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

(b) Issued but not effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's financial statements.

HKFRS 9 "Financial Instruments"

HKFRS 9 "Financial Instruments" introduces extensive changes to HKAS 39's guidance on the classification and measurement of financial assets and financial liabilities, impairment requirements for financial assets and general hedge accounting.

The directors have started assessing the impact of HKFRS 9 but are not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.

- an expected credit loss-based impairment (either on a twelve-month basis or a lifetime basis) will need to be recognised on the Group's trade receivables (see note 23).

HKFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. HKFRS 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

1. Identify the contract(s) with customer.

2. Identify the performance obligations in the contract.

3. Determine the transaction price.

4. Allocate the transaction price to the performance obligations.

5. Recognise revenue when (or as) the entity satisfies a performance obligation.

3. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(b) Issued but not effective HKFRSs (Continued)

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

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

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

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The directors have started to assess the impact of HKFRS 15 but not yet in a position to provide quantified information.

HKFRS 16 "Leases"

HKFRS 16 "Leases" will replace HKAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability. HKFRS 16 is effective from periods beginning on or after 1 January 2019. The directors are yet to fully assess the impact of HKFRS 16 and therefore is unable to provide quantified information. However, in order to determine the impact the Group are in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under HKFRS 16's new definition.
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices.
- assessing their current disclosures for operating leases (note 41) as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets.
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions.
- assessing the additional disclosures that will be required.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Allowance for bad and doubtful debts

The provision policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the accounts receivables (note 23). A considerable amount of estimates and judgment are required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers or debtors were to deteriorate resulting in an impairment of their ability to make payments, additional allowance will be required.

(ii) Fair value and impairment assessment of the investment in convertible preferred shares

As disclosed in note 21, the Group's investment in the Series A preferred shares of Hota (USA) Holding Corp. ("Hota USA") are accounted for as an available-for-sale financial asset and the derivative component arising from the conversion right of the Series A preferred shares are measured at fair values which are determined based on the financial position of Hota USA and its subsidiary (the "Hota Group") and its latest business plans and conditions and the Group considered the entire investment to be fully impaired during the year ended 31 December 2016.

(iii) Impairment on amount due from a joint venture

The impairment assessment on amount due from a joint venture (note 24) is based on the evaluation of collectability of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the business environment, operating conditions and the financing and business plans of the joint venture and its wholly owned subsidiary. During the year ended 31 December 2016, an impairment loss on amount due from a joint venture of HK$223,020,200 (2015: nil) was recognised in the profit or loss. As at 31 December 2016, the net carrying amount of the amount due from a joint venture amounted to nil (2015: HK$202,837,077).

5. SEGMENT INFORMATION

The operating segments are reported in a manner consistent with the way in which information is reported internally to the executive directors for the purposes of resources allocation and assessment of segment performance. The business components in the internal reporting to the executive directors, the chief operating decision-makers, are determined following the Group's major product and service lines. The Group is currently organised into the following five operating segments:

- Sales of smart cards;
- Sales of smart card application systems;
- Financial and management consultancy services;
- Trading of scrap metals; and
- Sales of petro-chemical products.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

Revenue and expenses are allocated to the reportable segments with reference to sales generated and the expenses incurred by those segments. The measurement of segment profit or loss before income tax is the same as those used in preparing these financial statements under HKFRSs except that finance costs, gain on disposal of subsidiaries, impairment loss on interest in an associate, impairment loss on available-for-sale financial assets, impairment loss on amount due from a joint venture, impairment loss on amount due from non-controlling interests, impairment loss on other receivables and prepayments, exchange losses, net, corporate income and expenses and other income and expenses not directly attributable to business activities of the operating segments are not included in arriving at the operating results of the operating segments.

Segment assets include all assets with the exception of intangible asset, interest in an associate, long-term financial assets, amount due from non-controlling interests, tax recoverable, assets which are not attributable to the business activities of the operating segments and other assets which are managed on a group basis such as pledged bank deposits and cash and cash equivalents.

Segment liabilities include all liabilities except for deferred tax liabilities, liabilities which are not attributable to the business activities of the operating segments and other liabilities which are managed on a group basis such as borrowings.

5. SEGMENT INFORMATION (Continued)

Segment results, segment assets and segment liabilities

Information regarding the Group's reportable segments including the reconciliation to revenue, (loss)/profit before income tax, total assets, total liabilities and other segment information are as follows:

2016

	Sales of smart cards HK$	Sales of smart card application systems HK$	Financial and management consultancy services HK$	Trading of scrap metals HK$	Sales of petro-chemical products HK$	Corporate/ Unallocated HK$	Consolidated HK$
Reportable segment revenue	84,662,050	27,220	2,941,130	–	2,311,482,613	–	2,399,113,013
Reportable segment (loss)/profit	(19,012,577)	(8,687)	20,601,273	(2,894,742)	2,098,348	(49,316)	734,299
Finance costs							(647,613)
Gain on disposal of subsidiaries							8,389,411
Impairment loss on an available-for-sale financial assets							(11,739,442)
Impairment loss on amount due from a joint venture							(223,020,200)
Impairment loss on amount due from non-controlling interests							(500,000)
Impairment loss on other receivables and prepayments							(1,095,000)
Exchange losses, net							(399,812)
Corporate expenses, net							(4,685,969)
Loss before income tax							(232,964,326)
Reportable segment assets	36,042,545	5,600	–	2,501,586	93,690,741	2,130,291	134,370,763
Intangible asset							420,000
Tax recoverable							1,188,401
Pledged bank deposits							9,295
Cash and cash equivalents							4,199,398
Total consolidated assets							140,187,857
Reportable segment liabilities	31,310,431	19,300	–	1,175,409	2,278,810	2,337,843	37,121,793
Borrowings							12,452,356
Deferred tax liabilities							4,707
Total consolidated liabilities							49,578,856
Other information							
Depreciation	13,499,519	–	–	181,450	–	78,780	13,759,749
Interest income	8,408	1	17,992,336	6,218	1,776	94	18,008,833
Additions to property, plant and equipment	3,152,185	–	–	–	–	–	3,152,185

5. SEGMENT INFORMATION (Continued)

Segment results, segment assets and segment liabilities (Continued)

2015

	Sales of smart cards HK$	Sales of smart card application systems HK$	Financial and management consultancy services HK$	Trading of scrap metals HK$	Sales of petro-chemical products HK$	Corporate/ Unallocated HK$	Consolidated HK$
Reportable segment revenue	135,433,711	19,650	5,907,041	–	2,192,592,027	–	2,333,952,429
Reportable segment (loss)/profit	(23,130,794)	(21,502)	45,748,974	(3,491,671)	5,478,677	(27,350)	24,556,334
Finance costs							(1,611,551)
Impairment loss on interest in an associate							(527,805)
Exchange losses, net							(4,491,457)
Corporate expenses, net							(7,444,941)
Profit before income tax							10,480,580
Reportable segment assets	76,931,568	4,125	202,837,077	3,716,096	97,083,316	2,632,018	383,204,200
Intangible asset							420,000
Amount due from non-controlling interests							500,000
Tax recoverable							118,597
Pledged bank deposits							3,677,778
Cash and cash equivalents							16,510,763
Total consolidated assets							404,431,338
Reportable segment liabilities	49,930,032	15,400	–	575,805	389,751	2,005,890	52,916,878
Borrowings							30,361,932
Deferred tax liabilities							4,707
Total consolidated liabilities							83,283,517
Other information							
Depreciation	16,574,422	–	–	186,139	–	187,628	16,948,189
Interest income	19,243	6	40,407,839	3,836	7,520	1,578	40,440,022
Additions to property, plant and equipment	6,977,317	–	–	–	–	–	6,977,317

5. SEGMENT INFORMATION (Continued)

Segment results, segment assets and segment liabilities (Continued)

There has been no inter-segment sale between different business segments during the year or in prior year.

Geographical information

The following table presents the revenue from external customers for the reporting period and the specified non-current assets by geographical locations as at the reporting date.

	Revenue from external customers		Specified non-current assets	
	2016	2015	**2016**	2015
	HK$	HK$	**HK$**	HK$
The PRC	**2,322,344,102**	2,269,579,611	**8,718,168**	33,348,173
Europe	**26,838,934**	36,543,647	**–**	–
Africa	**26,765,324**	3,258,613	**–**	–
Asia, excluding the PRC and Hong Kong	**15,176,846**	17,812,965	**1,636,066**	2,362,824
Hong Kong	**5,046,677**	644,377	**595,181**	1,139,230
Others	**2,941,130**	6,113,216	**–**	–
Total	**2,399,113,013**	2,333,952,429	**10,949,415**	36,850,227

The Company is an investment holding company incorporated in the Cayman Islands where the Group does not have activities. Since the major operations of the Group are conducted in the PRC, which is considered as the Group's country of domicile for the disclosure purpose of HKFRS 8 "Operating Segments".

The presentation of the geographical information for the year ended 31 December 2015 have been reclassified to align with the presentation of the current year.

Specified non-current assets include property, plant and equipment, intangible asset, prepayment for acquisition of property, plant and equipment and interest in an associate.

Information about major customers

Revenue from each of the major customers during the reporting period is as follows:

	2016	2015
	HK$	HK$
Customer A	**1,942,376,289**	N/A[3]
Customer B	**N/A[2]**	1,127,616,056
Customer C	**N/A[2]**	N/A[3]
Customer D	**N/A[2]**	N/A[3]
Customer E	**N/A[2]**	N/A[1]

1 The corresponding revenue did not contribute over 10% of total revenue of the Group during the prior year.

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

3 These are new customers in 2016. Therefore, they did not contribute any revenue to the Group in 2015.

6. REVENUE

The Group's principal activities are disclosed in note 1. Revenue from the Group's principal activities recognised during the reporting period is as follows:

	2016 HK$	2015 HK$
Sales of smart cards	**84,662,050**	135,433,711
Sales of smart card application systems	**27,220**	19,650
Financial and management consultancy services	**2,941,130**	5,907,041
Sales of petro-chemical products	**2,311,482,613**	2,192,592,027
	2,399,113,013	2,333,952,429

7. OTHER INCOME

	2016 HK$	2015 HK$
Interest income from amount due from a joint venture	**17,992,336**	40,407,839
Bank interest income	**16,497**	32,183
Government grants *(note)*	**429,733**	–
Sundry income	**610,470**	95,639
	19,049,036	40,535,661

Note:

The grant was to subsidise the Group for contributing the development and trading in the Shanghai Pilot Free Trade Zone. There are no unfulfilled conditions or contingencies relating to these grants.

8. OTHER GAINS/(LOSSES), NET

	2016 HK$	2015 HK$
Gain/(Loss) on disposal of property, plant and equipment	**2,241,729**	(155,443)
Loss on disposal of long-term financial assets	**–**	(114,954)
Gain on disposal of subsidiaries *(note 31)*	**8,389,411**	–
Exchange losses, net	**(399,812)**	(4,491,457)
	10,231,328	(4,761,854)

9. FINANCE COSTS

	2016 HK$	2015 HK$
Interest charges on bank loans	**481,111**	937,413
Interest charges on other borrowings	**166,502**	674,138
	647,613	1,611,551

10. (LOSS)/PROFIT BEFORE INCOME TAX

	2016 HK$	2015 HK$
(Loss)/Profit before income tax is arrived at after charging:		
Auditors' remuneration		
– Audit services	**749,989**	854,827
– Non-audit services	**120,000**	84,200
Costs of inventories recognised as an expense *(note)*, including:	**2,381,299,603**	2,311,360,595
Write-down of inventories to net realisable value	**–**	2,109,133
Written-off of property, plant and equipment	**584,567**	2,547,184
Depreciation	**13,759,749**	16,948,189
Bad debts written off	**3,241,722**	339,166
Employee benefit expenses *(note 14)*	**31,501,217**	44,511,127
Operating lease charges on land and buildings	**7,044,176**	8,053,737
Provision for staff laid-off	**–**	899,203

Note:

Cost of inventories includes HK$31,091,614 (2015: HK$46,492,904) relating to depreciation, staff costs, and operating lease charges, which amount is also included in the respective total amounts disclosed above and in note 14 for these expenses.

11. INCOME TAX EXPENSE

	2016 HK$	2015 HK$
Current tax		
Hong Kong Profits Tax:		
Current year	**378,075**	1,885,509
(Over)/Under-provision in prior year	**(13,892)**	657,726
	364,183	2,543,235
PRC Enterprise Income Tax:		
Current year	**516,178**	1,384,425
Total income tax expense	**880,361**	3,927,660

Reconciliation between income tax expense and accounting (loss)/profit at applicable tax rates is as follows:

	2016 HK$	2015 HK$
(Loss)/Profit before income tax	**(232,964,326)**	10,480,580
Income tax at Hong Kong Profits Tax rate of 16.5% (2015: 16.5%)	**(38,439,114)**	1,729,296
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,329,929)**	(2,335,823)
Tax effect of non-deductible expenses	**43,170,777**	1,349,800
Tax effect of non-taxable income	**(12,296,600)**	(6,977,672)
Tax effect of tax losses not recognised	**10,526,500**	9,594,758
Utilisation of tax losses previously not recognised	**(747,265)**	(182,181)
Tax effect of other temporary differences not recognised	**9,884**	107,615
(Over)/Under-provision in prior year	**(13,892)**	657,726
Others	**–**	(15,859)
Income tax expense	**880,361**	3,927,660

Notes:

(a) **Hong Kong Profits Tax**

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimate assessable profits for the year and the prior year.

(b) **PRC Enterprise Income Tax**

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year and prior year based on the existing legislation, interpretations and practices in respect thereof. The applicable income tax rate is 25% (2015: 25%) for the year ended 31 December 2016.

12. DIVIDENDS

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

13. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, calculated as follows:

	2016	2015
(Loss)/Profit attributable to owners of the Company (HK$)	(234,001,534)	5,529,253
Weighted average number of ordinary shares in issue *(note)*	376,324,191	364,395,652
Basic (loss)/earnings per share (expressed in HK cents per share)	(62.181)	1.517

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is calculated by dividing the loss attributable to owners of the Company of HK$234,001,534 (2015: profit of HK$5,529,253) by the weighted average number of ordinary shares of 376,324,191 shares (2015: 364,581,303 shares) during the year, calculated as follows:

	2016	2015
Weighted average number of ordinary shares in issue used in the calculation of basic (loss)/earnings per share *(note)*	376,324,191	364,395,652
Effect of deemed issue of shares under the Company's share option scheme *(note)*	–	185,651
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	376,324,191	364,581,303

No adjustment has been made to basic loss per share as the outstanding share options had anti-dilutive effect on the basic loss per share for the year ended 31 December 2016.

Note:

The share consolidation pursuant to the shareholders resolutions dated 18 January 2017 (note 44) is adjusted in the weighted average number of ordinary shares in issue and effect of deemed issue of shares under the Company's share option scheme as if the share consolidation had occurred at 1 January 2015, the beginning of the earliest period reported.

14. EMPLOYEE BENEFIT EXPENSES

	2016 HK$	2015 HK$
Salaries, wages and other benefits	27,716,290	40,162,454
Contributions to defined contribution retirement plans	3,784,927	4,348,673
	31,501,217	44,511,127

15. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' emoluments for the years ended 31 December 2016 and 2015 are as follows:

2016

	Fee HK$	Salaries, allowances and benefits in kind HK$	Discretionary bonus HK$	Retirement scheme contributions HK$	Total HK$
Executive Directors:					
Lily Wu *(note a)*	–	338,613	–	16,931	355,544
Chang Wei Wen	–	1,180,807	54,268	48,271	1,283,346
Wang Jia Hua *(note b)*	–	460,419	–	10,000	470,419
Yang Meng Hsiu	–	282,439	4,268	27,196	313,903
	–	2,262,278	58,536	102,398	2,423,212
Independent Non-executive Directors:					
Wong Ka Wai, Jeanne	120,000	–	–	–	120,000
Leung Ka Kui, Johnny	120,000	–	–	–	120,000
Chan Siu Wing, Raymond	120,000	–	–	–	120,000
	360,000	–	–	–	360,000
	360,000	2,262,278	58,536	102,398	2,783,212

15. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

2015

	Fee HK$	Salaries, allowances and benefits in kind HK$	Discretionary bonus HK$	Retirement scheme contributions HK$	Total HK$
Executive Directors:					
Lily Wu *(note a)*	–	338,613	–	16,931	355,544
Chang Wei Wen	–	1,206,825	55,952	53,915	1,316,692
Yang Meng Hsiu	–	322,857	5,952	32,840	361,649
	–	1,868,295	61,904	103,686	2,033,885
Independent Non-executive Directors:					
Wong Ka Wai, Jeanne	80,000	–	–	–	80,000
Leung Ka Kui, Johnny	80,000	–	–	–	80,000
Chan Siu Wing, Raymond	80,000	–	–	–	80,000
	240,000	–	–	–	240,000
	240,000	1,868,295	61,904	103,686	2,273,885

Notes:

(a) Ms. Lily Wu is also the chief executive of the Company and her emoluments disclosed above include those for services rendered by her as the chief executive for the years ended 31 December 2016 and 2015.

(b) Mr. Wang Jia Hua was appointed as the Managing Director on 5 January 2016 and ceased to be Managing Director on 4 January 2017 upon the end of his service agreement.

During the year ended 31 December 2016, no remuneration has been paid by the Group to the directors as an inducement to join or upon joining the Group and no directors have waived any remuneration (2015: nil).

16. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals include two (2015: one) director(s) whose remuneration is disclosed in note 15. The aggregate emoluments of the remaining three (2015: four) highest paid individuals are as follows:

	2016	2015
	HK$	HK$
Salaries and allowances	**1,809,148**	1,805,685
Contributions to retirement scheme	**54,150**	59,661
	1,863,298	1,865,346

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
Emolument bands		
Nil – HK$1,000,000	**3**	4

17. RETIREMENT SCHEMES

Under the Mandatory Provident Fund Schemes Ordinance regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, with effect from 1 December 2000, the Group participates in a Mandatory Provident Fund retirement benefits scheme (the "MPF scheme") operated by an approved trustee in Hong Kong and makes contributions for its eligible employees. 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 of monthly relevant income. The cap of monthly relevant is HK$30,000 during the year (2015: HK$30,000). Contributions to the scheme vest immediately.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme being operated by the local PRC government. The subsidiaries are required to contribute specified percentage of the average basic salary to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the year ended 31 December 2016, the aggregate amount of employer's contribution made by the Group is HK$3,784,927 (2015: HK$4,348,673). No forfeited contribution is available for offset against existing contributions during the reporting period (2015: nil).

18. PROPERTY, PLANT AND EQUIPMENT

	Printing and testing equipment HK$	Office equipment HK$	Furniture and fixtures HK$	Leasehold improvement HK$	Motor vehicles HK$	Total HK$
At 1 January 2015						
Cost	146,170,192	4,344,185	6,637,884	18,303,165	3,241,035	178,696,461
Accumulated depreciation	(110,239,337)	(3,373,786)	(4,247,540)	(10,795,959)	(2,776,626)	(131,433,248)
Net book amount	35,930,855	970,399	2,390,344	7,507,206	464,409	47,263,213
Year ended 31 December 2015						
Opening net book amount	35,930,855	970,399	2,390,344	7,507,206	464,409	47,263,213
Additions	6,252,217	268,978	41,584	–	414,538	6,977,317
Disposals	(155,443)	–	–	–	–	(155,443)
Written-off	–	–	(602,455)	(1,944,729)	–	(2,547,184)
Depreciation	(13,022,134)	(393,877)	(717,171)	(2,475,541)	(339,466)	(16,948,189)
Exchange differences	(897,284)	(30,031)	(80,144)	(249,839)	(26,851)	(1,284,149)
Closing net book amount	28,108,211	815,469	1,032,158	2,837,097	512,630	33,305,565
At 31 December 2015 and 1 January 2016						
Cost	144,434,100	3,797,991	3,739,847	11,503,539	3,571,623	167,047,100
Accumulated depreciation	(116,325,889)	(2,982,522)	(2,707,689)	(8,666,442)	(3,058,993)	(133,741,535)
Net book amount	28,108,211	815,469	1,032,158	2,837,097	512,630	33,305,565
Year ended 31 December 2016						
Opening net book amount	**28,108,211**	**815,469**	**1,032,158**	**2,837,097**	**512,630**	**33,305,565**
Additions	**3,152,185**	**–**	**–**	**–**	**–**	**3,152,185**
Disposals	**(2,312,746)**	**(9,340)**	**–**	**–**	**–**	**(2,322,086)**
Written-off	**(65,036)**	**(179,703)**	**(145,093)**	**(108,334)**	**(86,401)**	**(584,567)**
Disposal of subsidiaries *(note 31)*	**(8,981,085)**	**–**	**(17,511)**	**(1,357,542)**	**–**	**(10,356,138)**
Depreciation	**(11,591,851)**	**(344,443)**	**(339,865)**	**(1,280,007)**	**(203,583)**	**(13,759,749)**
Exchange differences	**(891,481)**	**(17,858)**	**(2,595)**	**(91,214)**	**(23,790)**	**(1,026,938)**
Closing net book amount	**7,418,197**	**264,125**	**527,094**	**–**	**198,856**	**8,408,272**
At 31 December 2016						
Cost	**86,164,530**	**2,771,553**	**2,321,859**	**1,094,579**	**2,736,588**	**95,089,109**
Accumulated depreciation	**(78,746,333)**	**(2,507,428)**	**(1,794,765)**	**(1,094,579)**	**(2,537,732)**	**(86,680,837)**
Net book amount	**7,418,197**	**264,125**	**527,094**	**–**	**198,856**	**8,408,272**

As at 31 December 2016, no property, plant and equipment was pledged for the Group's banking facilities (2015: HK$10,185,005)(note 40).

19. INTANGIBLE ASSET

	PRC driving licence HK$
At 1 January 2015, 31 December 2015 and 31 December 2016	
Cost	**420,000**
Accumulated impairment	**–**
Net book amount	**420,000**

The intangible asset represents the acquisition cost of a driving licence in the PRC. The PRC driving licence is considered to have an indefinite economic life as there is no foreseeable limit on the period of time over which the driving licence is expected to generate economic benefit to the Group and the licence is renewable at minimal cost. Accordingly it is not amortised.

20. INTEREST IN AN ASSOCIATE

	2016 HK$	2015 HK$
Share of net assets	**–**	–

Details of the Group's associate as at 31 December 2016 are as follows:

Name of company	Place of establishment	Particulars of paid-up registered capital	Group's effective interest	Principal activities
力欣房地產經紀（上海）有限公司	The PRC	Renminbi ("RMB") 5,000,000	20%	Real estate advisory

The associate has a reporting date of 31 December. The associate was dormant and inactive during the years ended 31 December 2015 and 2016, accordingly, financial information is not available to disclose in the financial statements.

The Group has not incurred any contingent liabilities or other commitments relating to its investment in this associate.

The directors considered the investment cost in associate have been impaired and would not be recoverable as at 31 December 2015, an impairment loss of HK$527,805 had been recognised in the consolidated statement of profit or loss and other comprehensive income in prior year.

21. LONG-TERM FINANCIAL ASSETS

Hota (USA) is an investment holding company incorporated in the United States of America ("USA"), and its subsidiary is principally engaged in the business of disintegration of used automobiles and sale of metal derived from automobiles in Zhangjiagang, the PRC (the "Resources Recycling Business").

As at 31 December 2016, the Group is interested in (i) 83.33% (2015: 83.33%) of the Series A preferred shares of Hota (USA), which entitles the Group to receive 5% non-cumulative dividends and are redeemable at 100% of the respective principal amount since the 3rd quarter of 2012; and (ii) 35.29% (2015: 35.29%) of the common shares of Hota (USA). Each of the Series A preferred shares entitles the holder thereof to convert the same into one common share of Hota (USA) and the holders of the Series A preferred shares shall be entitled to have one vote for each common share of Hota (USA) into which each Series A preferred share is convertible on an as-converted basis, and shall vote together with the holders of the common shares. Accordingly, the Group is interested in 57.81% (2015: 57.81%) of the entire share capital of Hota (USA) as at 31 December 2016 as enlarged by the allotment and issue of the common shares upon exercise of the conversion rights attaching to the entire Series A preferred shares in issue. The board of Hota (USA) comprised of 4 directors, 2 of whom were appointed by the Group and decision is taken by simple majority. Accordingly, the directors regard Hota (USA) as a joint venture of the Group.

The Group's investment in the Series A preferred shares of Hota (USA) are accounted for as an available-for-sale financial asset which are stated at fair value of nil as at 31 December 2016 (2015: HK$65,309,305), and the derivative component arising from the conversion right of the Series A preferred shares are accounted for as financial assets at fair value through profit or loss which are stated at fair value of nil as at 31 December 2016 (2015: HK$12,482,378). The Group's investment in the common shares of Hota (USA) are accounted for as interest in a joint venture. As at 31 December 2015, the accumulated losses shared by the Group up to 2012 of HK$77,791,683 were applied to and have fully reduced the Group's investment in the Series A preferred shares of Hota (USA) which are in substance formed part of the Group's long-term investment in Hota Group. As detailed in the paragraph below, as at 31 December 2016, the Group considered the investment in Series A preferred shares was fully impaired. Accordingly, the decrease in the fair value of the Series A preferred shares of HK$77,791,683 during the year ended 31 December 2016 was offset against the negative interest in the joint venture by the same amount.

The Resources Recycling Business has stopped commercial production since 2014 in view of adverse business environment and operating conditions. Hota Group then became inactive since 2015 and did not generate any income. As at 31 December 2016, Hota Group has unaudited net liabilities of approximately HK$574 million (2015: approximately HK$385 million) and, to the best knowledge of the directors of the Company, has no concrete plan to resume the Resources Recycling Business in the foreseeable future. In 2016, the Group has engaged an independent and professionally qualified valuer to estimate the fair value of certain major assets of the Hota Group and the estimated fair value was lower than its unaudited net carrying amount at the end of the reporting period. Accordingly, the Group considered the entire investment was fully impaired as at 31 December 2016.

During the year ended 31 December 2016, the directors considered the decline in the fair value of the available-for-sale investment was significant and prolonged and the cumulative impairment loss of HK$11,739,442 recognised in the available-for-sale financial assets revaluation reserve was reclassified from equity to profit or loss for the year ended 31 December 2016.

The Group has not incurred any contingent liabilities or other commitments relating to its investment in the joint venture. No share of losses of Hota Group is recognised by the Group for the years ended 31 December 2016 and 2015.

21. LONG-TERM FINANCIAL ASSETS (Continued)

Details of Hota (USA) and its principal subsidiary as at 31 December 2016 are as follows:

Name of company	Place of establishment	Particulars of paid-up registered capital	Percentage of ownership interest	Principal activities
Hota (USA)	USA	Common shares United States dollar ("USD") 34	35.29% (2015: 35.29%)	Investment holding
		Series A preferred shares USD12,000,000	83.33% (2015: 83.33%)	
HARC (張家港永峰泰環保科技有限公司)*	The PRC	USD20,000,000		Resources recycling business

* Wholly-foreign-owned enterprise held by Hota (USA)

Hota Group has a reporting date of 31 December. Summarised financial information in relation to the joint venture is presented below:

	2016 HK$	2015 HK$
As at 31 December		
Non-current assets	**220,511,025**	245,829,392
Current assets	**33,629,583**	46,576,032
Current liabilities	**(639,868,964)**	(553,618,562)
Non-current liabilities	**(188,259,287)**	(123,789,596)
Net liabilities	**(573,987,643)**	(385,002,734)
Included in the above amounts are:		
Cash and cash equivalents	**33,375**	40,707
Current financial liabilities (excluding trade and other payable)	**(473,717,194)**	(478,656,715)
Non-current financial liabilities (excluding other payable and provision)	**(184,030,934)**	(123,789,596)
Year ended 31 December		
Revenue	**–**	3
Loss for the year and total comprehensive loss	**(63,247,169)**	(53,386,688)
Included in the above amounts are:		
Depreciation and amortisation	**4,342,393**	4,826,863
Interest expense	**46,425,604**	40,407,839

22. INVENTORIES

	2016 HK$	2015 HK$
Raw materials	120,230	7,603,086
Work-in-progress	–	1,666,048
Finished goods	66,538	677,377
	186,768	9,946,511

23. TRADE AND OTHER RECEIVABLES

	2016 HK$	2015 HK$
Trade receivables	97,108,376	25,011,495
Less: Provision for impairment of trade receivables	–	–
Trade receivables, net *(note (a))*	97,108,376	25,011,495
Other receivables, deposits and prepayments *(note (b))*	27,641,204	39,689,371
Less: Provision for impairment of other receivables and prepayments	(1,095,000)	(27,758,100)
Other receivables, net *(note (b))*	26,546,204	11,931,271
	123,654,580	36,942,766

Notes:

(a) The credit term granted by the Group to its trade customers normally ranges from 30 days to 90 days. Based on the invoice dates, the ageing analysis of the Group's trade receivables net of impairment provision is as follows:

	2016 HK$	2015 HK$
0 – 30 days	5,755,567	7,357,060
31 – 90 days	10,178,476	13,899,032
Over 90 days	81,174,333	3,755,403
	97,108,376	25,011,495

During the year ended 31 December 2016, management has determined trade receivables of HK$3,241,722 (2015: HK$339,166) as individually impaired and have been written off as bad debts.

At each reporting date, the Group reviews trade receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2016, none of the Group's trade receivables (2015: nil) which were aged over 90 days have been identified as impaired and accordingly, no provision has been made in respect of these receivables.

23. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(a) (Continued)

The ageing analysis of trade receivables net of impairment provision that are past due but not impaired, based on due date is as follows:

	2016 HK$	2015 HK$
Neither past due nor impaired	**13,598,078**	15,737,780
1 – 30 days past due	**2,524,366**	5,543,866
31 – 90 days past due	**642,454**	1,658,918
Over 90 days past due	**80,343,478**	2,070,931
	97,108,376	25,011,495

Trade receivables that were neither past due nor impaired related to a number of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, the 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 does not hold any collateral over these balances.

(b) As at 31 December 2015, included in other receivables were the outstanding consideration in relation to a partial disposal of interests in Hota (USA) in 2011 and a deposit payment in relation to purchases of scrap vehicles amounting to approximately USD1,862,000 (equivalent to HK$14,523,600) (2015: USD1,862,000 (equivalent to HK$14,523,600)) and HK$13,234,500 (2015: HK$13,234,500), respectively. Full provision has been made in respect of these amounts in prior years and such provision was written off during the year ended 31 December 2016.

The movement in the provision for impairment of other receivables and prepayments is as follows:

	2016 HK$	2015 HK$
Balance at the beginning of the year	**27,758,100**	27,758,100
Written off during the year	**(27,758,100)**	–
Impairment loss recognised	**1,095,000**	–
Balance at the end of the year	**1,095,000**	27,758,100

As at 31 December 2016, the Group has determined other receivables of HK$1,095,000 (2015: nil) as individually impaired. Based on this assessment, provision for impairment loss has been recognised accordingly. The Group did not hold any collateral as security or other credit enhancements over the impaired other receivables, whether determined on an individual or collective basis.

24. AMOUNT DUE FROM A JOINT VENTURE

As at 31 December 2016, the amounts due comprise of loans to and interest receivables from Hota (USA) and HARC (collectively the "Loans") which are unsecured, repayable on demand and interest-bearing at 10% per annum (2015: 10%) and 19% per annum (2015: 19% to 24%), respectively.

In 2011, the Group entered into a series of loan agreements with the joint venture with terms in relation to a possible capitalisation for the Loans, in case the joint venture failed to repay the Loans together with any interest accrued. With reference to the announcement on 14 March 2014, the Group had requested repayment of the loans due from HARC and had applied to the relevant authorities in Jiangsu, the PRC, for debt confirmation in this respect. Subsequent to 2012 and up to the end of the reporting period, the Group has not received any repayments from the joint venture. During the year ended 31 December 2016, interest income of HK$17,992,336 (2015: HK$40,407,839) was recognised in profit or loss. The Group ceased to recognise loan interest income since the 3rd quarter of 2016.

As explained in note 21, Hota Group has been experiencing financial difficulties over the years and became inactive and has no concrete plan to resume its business in the foreseeable future, the Group considered there is a low chance to recover the remaining outstanding balance of the Loans is remote. Based on this assessment, the directors of the Company determined to recognise an impairment loss on the outstanding balances of the amount due of HK$223,020,200 (2015: nil) during the year ended 31 December 2016. As at 31 December 2016, the accumulated provision for impairment amounted to HK$375,887,468 (2015: HK$152,867,268). The Group did not hold any collateral over the Loans.

25. AMOUNT DUE FROM A RELATED COMPANY

As at 31 December 2015, included in the amount due from 上海建州石化有限公司 ("Shanghai Jianzhou"), a related company controlled by a director of one of the major subsidiaries, of HK$97,047,619 was a prepayment for purchase of petro-chemical products and a security deposit for providing comfort to the suppliers of a subsidiary in order to extend the subsidiary's local market credit limit and credit terms of HK$238,095 and HK$96,809,524, respectively. The amounts were fully settled during the year ended 31 December 2016.

26. AMOUNT DUE FROM NON-CONTROLLING INTERESTS

The amount due from Affluent Expert Limited, a non-controlling shareholder of a subsidiary, was unsecured, interest-free and has been fully impaired during the year ended 31 December 2016.

27. PLEDGED BANK DEPOSITS

Pledged bank deposits at the end of the reporting period represent bank deposits pledged to secure general banking facilities granted to the Group and are denominated in USD (note 40).

28. CASH AND CASH EQUIVALENTS

	2016 HK$	2015 HK$
Cash at banks and in hand	**4,199,398**	16,510,763
Denominated in:		
RMB	**2,406,707**	6,093,809
Hong Kong Dollars	**1,225,087**	6,110,881
USD	**78,464**	1,828,912
New Taiwan Dollar ("NTD")	**489,140**	2,464,985
British Pound ("GBP")	**–**	2,302
Other currencies	**–**	9,874
	4,199,398	16,510,763

As at the reporting date, bank balances and cash of the Group denominated in RMB amounted to HK$2,406,707 (2015: HK$6,093,809). RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

29. TRADE AND OTHER PAYABLES

	2016 HK$	2015 HK$
Trade payables	**22,407,191**	37,956,807
Other payables and accrual	**14,714,602**	14,960,071
	37,121,793	52,916,878

Credit periods granted by suppliers normally range from 30 days to 90 days. Based on the invoice date, the ageing analysis of the trade payables were as follows:

	2016 HK$	2015 HK$
0 – 30 days	**2,721,614**	3,334,000
31 – 60 days	**3,675,517**	4,283,839
61 – 90 days	**870,818**	2,091,878
Over 90 days	**15,139,242**	28,247,090
	22,407,191	37,956,807

30. BORROWINGS

	2016 HK$	2015 HK$
Current liabilities		
Bank loans, secured *(note (a))*	**4,962,325**	25,861,932
Other borrowings, unsecured *(note (b))*	**7,490,031**	4,500,000
Total borrowings	**12,452,356**	30,361,932

Notes:

(a) The analysis of the carrying amounts of bank loans is as follows:

	2016 HK$	2015 HK$
Current liabilities		
Portion of term loans due for repayment within one year	**4,962,325**	24,218,049
Portion of term loans due for repayment after one year which contain a repayment on demand clause	**–**	1,643,883
Total bank loans	**4,962,325**	25,861,932

The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

Among the Group's bank borrowings as at 31 December 2016, no borrowings were arranged at fixed annual interest rates (2015: HK$6,927,402 at 4% to 5.7% per annum). The remaining balance of the Group's bank borrowings of HK$4,962,325 (2015: HK$18,934,530) were arranged at floating rates LIBOR plus 1.75% per annum (2015: LIBOR plus 1.75% per annum and HIBOR plus 2.5% per annum).

All interest-bearing bank loans are carried at amortised cost. Certain of term loans due for repayment after one year contain a repayment on demand clause and are shown under current liabilities. The bank loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations. The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements.

The above bank loans were secured by certain assets of the Group as disclosed in note 40, and corporate guarantees provided by the Company (2015: Corporate guarantees provided by the Company, its subsidiaries and a director of the Company).

(b) At the reporting dates, the amounts due are unsecured, carries interest at 0% to 3% per annum (2015: carries interest at 0% to 3% per annum) and repayable on demand. As at 31 December 2016, included in other borrowings were non-interest bearing borrowings and interest-bearing borrowings at 3% per annum (2015: nil) from minority shareholders of HK$4,520,000 (2015: HK$4,000,000) and HK$1,300,000 (2015: nil), respectively, and a non-interest bearing borrowing from a substantial shareholder of the Company of HK$670,031 (2015: nil).

31. DISPOSAL OF SUBSIDIARIES

On 16 December 2016, the Group has completed the disposal of its entire interest in Macro Creation Holdings Limited and its subsidiaries ("Macro Creation Group") to an independent third party at a consideration of HK$1,000,000. Macro Creation Group is engaged in module packaging and testing services business.

The major classes of assets and liabilities of the Macro Creation Group as at 16 December 2016, are as follows:

	HK$
Property, plant and equipment	10,356,138
Prepayment for acquisition of property, plant and equipment	320,320
Inventories	1,389,680
Trade and other receivables	4,898,430
Cash and cash equivalents	1,433,966
Trade and other payables	(20,235,657)
Bank borrowings	(4,916,130)
Net liabilities disposed of	(6,753,253)

	2016 HK$
Gain on disposal of subsidiaries:	
Cash consideration receivable included in other receivables	1,000,000
Net liabilities disposed of	6,753,253
Expenses in connection with the disposal	(1,000,000)
Cumulated translation reserve in respect of the net assets of the subsidiaries	1,636,158
Gain on disposal of subsidiaries *(note 8)*	8,389,411

	2016 HK$
Analysis of net cash flow on disposal:	
Cash and cash equivalent disposed of	(1,433,966)
Net cash outflow on disposal of subsidiaries	(1,433,966)

32. DEFERRED TAX

At the reporting dates, the Group's recognised deferred tax liabilities arise from depreciation allowance in excess of accounting depreciation. The Group has not recognised deferred tax assets in respect of tax losses of HK$123,175,584 as at 31 December 2016 (2015: HK$113,805,086). Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise benefits therefrom. Under the current tax legislation in Hong Kong, the tax losses amounting to HK$34,806,903 (2015: HK$8,341,621) do not have expiry period. Under the current tax legislation in the PRC, the tax losses amounting to HK$79,610,934 (2015: HK$104,521,979) can be carried forward for five years from the year when the corresponding loss was incurred. Under the current tax legislation in Taiwan, the tax losses amounting to HK$8,757,747 (2015: HK$941,486) can be carried forward for ten years from the year when the corresponding loss was incurred.

As at 31 December 2016, deferred tax liabilities have not been established for the withholding tax that would be payable on the unremitted earnings of HK$27,594,853 (2015: HK$30,623,485) of certain PRC subsidiaries because the Company controls the dividend policy of these subsidiaries and it is not probable that these subsidiaries will distribute such earnings in foreseeable future.

33. SHARE CAPITAL

	2016			2015		
	Par value per share HK$	**Number of shares**	**Nominal value HK$**	Par value per share HK$	Number of shares	Nominal value HK$
Authorised:						
Ordinary shares						
At 1 January and 31 December	**0.02**	**5,000,000,000**	**100,000,000**	0.02	5,000,000,000	100,000,000

	2016			2015		
	Par value per share HK$	**Number of shares**	**Nominal value HK$**	Par value per share HK$	Number of shares	Nominal value HK$
Issued and fully paid:						
Ordinary shares						
At 1 January	**0.02**	**3,764,195,000**	**75,283,900**	0.02	3,402,475,000	68,049,500
Repurchase of shares *(note (a))*	**0.02**	**(1,270,000)**	**(25,400)**	0.02	(22,880,000)	(457,600)
Issue of shares upon shares subscription *(note (b))*	**–**	**–**	**–**	0.02	384,600,000	7,692,000
At 31 December	**0.02**	**3,762,925,000**	**75,258,500**	0.02	3,764,195,000	75,283,900

33. SHARE CAPITAL (Continued)

Notes:

(a) For the year ended 31 December 2016, the Company purchased back 1,270,000 shares over the Stock Exchange. The shares have been duly cancelled during the year. Details of the shares repurchased during 2016 are summarised as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share Highest HK$	Price per ordinary share Lowest HK$	Aggregate purchase price HK$
April 2016	1,270,000	0.155	0.139	180,035
	1,270,000			180,035
Total expenses on shares repurchased during the year				2,058
Total				182,093

For the year ended 31 December 2015, the Company purchased back 22,880,000 shares over the Stock Exchange. The shares have been duly cancelled during the year. Details of the shares repurchased during 2015 are summarised as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share Highest HK$	Price per ordinary share Lowest HK$	Aggregate purchase price HK$
July 2015	12,625,000	0.234	0.207	2,764,035
August 2015	7,675,000	0.249	0.215	1,774,110
September 2015	800,000	0.242	0.228	189,270
November 2015	1,780,000	0.228	0.211	390,585
	22,880,000			5,118,000
Total expenses on shares repurchased during the year				38,242
Total				5,156,242

33. SHARE CAPITAL (Continued)

Notes: (Continued)

(b) Pursuant to a subscription agreement entered into between the Company and four independent subscribers ("Subscribers") on 21 April 2015, 384,600,000 new ordinary shares of the Company were allotted and issued at a price of HK$0.242 per share to the Subscribers for a total gross cash consideration of HK$93,073,200, which result an increase in the share capital and share premium by HK$7,692,000 and HK$83,295,640 respectively after netting off the cost of share subscription amounted to HK$2,085,560.

The share capital of the Company comprises only of fully paid ordinary shares of HK$75,258,500 (2015: HK$75,283,900). All shares are equally eligible to receive dividends and to the repayment of capital and each of the shares are entitled to one vote at shareholders' meeting of the Company.

34. SHARE OPTION

Pursuant to the resolution passed by the shareholders of the Company at the extraordinary general meeting of the Company dated 8 January 2008, a new share option scheme (the "New Share Option Scheme") was approved and adopted. The summary of the terms of the share option scheme is set out below.

The purpose of the New Share Option Scheme is to recognise and motivate the contribution of employees to the growth of the Group. Under the New Share Option Scheme, the board of directors which shall include the independent non-executive directors may, at its discretion, invite any employees including any executive directors of any companies in the Group to take up options at HK$1.00 to subscribe for shares in the Company at the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date 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 immediate preceding the date of grant; and (iii) the nominal value of a share.

The total number of shares which may be issued upon exercise of all options which may be granted under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue as at the date of approval of the New Share Option Scheme.

The option period in respect of any particular option shall be determined by the board of directors, provided that no option shall be exercisable after ten years from the date of its grant.

The share options are fully vested at the date of grant. All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

34. SHARE OPTION (Continued)

Summary of the share options outstanding during the year and in prior year are as follows:

Name of participant	At 1 January 2015, 31 December 2015 and 31 December 2016	Date of grant	Exercisable period	Exercise price HK$
Directors				
Lily Wu	5,000,000	17 November 2008	17 November 2008 to 16 November 2018	0.186
	5,000,000			
Weighted average exercise price (HK$)	0.186			

There were no movements in the share options during the years ended 31 December 2016 and 2015. No share options were granted, exercised or forfeited during the year (2015: nil).

The options outstanding at 31 December 2016 had a weighted average remaining contractual life of 1.95 years (2015: 2.95 years).

At the end of the reporting period, the Company had 5,000,000 (2015: 5,000,000) share options outstanding under the New Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 5,000,000 ordinary shares of the Company and additional share capital of HK$100,000 and share premium of HK$830,000.

35. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Share premium represents the excess of the net proceeds from issuance of the shares of the Company over its par value, less any dividends paid out of the share premium account and any premium paid for the repurchase of shares of the Company.

Contributed surplus of the Group represents the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to a group reorganisation conducted in previous years over the nominal value of the share capital of the Company issued in exchange therefore, less share issue expenses.

Translation reserve of the Group represents the exchange differences on translation of the financial statements of the PRC subsidiaries and a Taiwan subsidiary.

35. RESERVES (Continued)

The Group (Continued)

Share option reserve is set up in accordance with the accounting policy set out in note 2.19.

Available-for-sale financial assets revaluation reserve is set up in accordance with the accounting policy set out in note 2.7.

Certain portion of the retained earnings of the Company's PRC subsidiaries is restricted for distribution. Under the relevant PRC laws and regulations, the PRC subsidiaries are required to appropriate at least 10% of profit after tax to general reserve fund until reaching 50% of the registered capital. The general reserve fund can be applied to set-off accumulated losses and to convert into paid-in capital. Such restricted profits included in the Group's accumulated losses amounted to HK$11,157,196 (2015: HK$5,715,340).

The Company

	Share premium HK$	Contributed surplus HK$	Share option reserve HK$	Other reserves HK$	Accumulated losses HK$	Total HK$
At 1 January 2015	284,927,411	24,190,659	1,360,008	7	(156,938,848)	153,539,237
Loss for the year	–	–	–	–	(9,998,237)	(9,998,237)
Issue of shares upon shares subscription *(note 33(b))*	83,295,640	–	–	–	–	83,295,640
Repurchase of shares *(note 33(a))*	(4,698,642)	–	–	–	–	(4,698,642)
At 31 December 2015 and 1 January 2016	363,524,409	24,190,659	1,360,008	7	(166,937,085)	222,137,998
Loss for the year	–	–	–	–	(224,346,882)	(224,346,882)
Repurchase of shares *(note 33(a))*	(156,693)	–	–	–	–	(156,693)
At 31 December 2016	**363,367,716**	**24,190,659**	**1,360,008**	**7**	**(391,283,967)**	**(2,365,577)**

Share premium represents the excess of the net proceeds from issuance of the shares of the Company over its par value, less any dividends paid out of the share premium account and any premium paid for the repurchase of shares of the Company.

Contributed surplus of the Company represents the difference between the combined net assets value of the subsidiaries acquired pursuant to a group reorganisation conducted in previous years over the nominal value of the share capital of the Company issued in exchange therefore, less share issue expenses.

36. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	Notes	2016 HK$	2015 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		–	78,779
Interests in subsidiaries	*37*	80,533,173	92,919,847
		80,533,173	92,998,626
Current assets			
Other receivables		1,130,292	2,539,030
Amount due from a joint venture		–	202,837,077
Tax recoverable		343,769	323,416
Cash and cash equivalents		623,436	5,139,513
		2,097,497	210,839,036
Current liabilities			
Other payables		2,337,841	2,005,889
Borrowings		6,990,031	4,000,000
Amount due to a subsidiary		409,875	409,875
		9,737,747	6,415,764
Net current (liabilities)/assets		(7,640,250)	204,423,272
Net assets		72,892,923	297,421,898
EQUITY			
Share capital	*33*	75,258,500	75,283,900
Reserves	*35*	(2,365,577)	222,137,998
Total equity		72,892,923	297,421,898

Lily Wu	**Chang Wei Wen**
Director	*Director*

37. INTERESTS IN SUBSIDIARIES

	2016 HK$	2015 HK$
Unlisted shares, at cost	**26,954,990**	26,954,990
Amounts due from subsidiaries	**226,668,695**	222,401,384
Less: Provision for impairment	**(173,090,512)**	(156,436,527)
	80,533,173	92,919,847

The amounts due from subsidiaries are unsecured, interest-free and have no fixed term of repayment. In the opinion of the directors, the amounts due from subsidiaries would not be repayable within twelve months from the reporting date.

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

Name of company	Place of incorporation/ establishment and operation and kind of legal entity	Particulars of issued capital/paid-up registered capital	Percentage of interest held by the Company	Principal activities
Beijing Tecsun Venus Technology Limited	The PRC, wholly-foreign-owned enterprises	US$1,781,842	100%	Smart cards manufacturing and sales
Cardlink Technology (HK) Limited	Hong Kong, limited liability company	HK$10,000	100%	Investment holding
China Phoenitron Energy Shares Limited	Hong Kong, limited liability company	HK$1,000,000	50%	Trading and dismantling of scrap vehicles
Elegant Future (HK) Limited	Hong Kong, limited liability company	HK$1	100%	Investment holdings and trading of scrap vehicles
Elegant Future (Taiwan) Company Limited	Taiwan, limited liability company	NTD60,000,000	100%	Trading and dismantling of scrap vehicles
Intercard Limited	Hong Kong, limited liability company	HK$10,666,667	100%	Sales of smart cards, system development and provision of research and development, marketing and sales

37. INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ establishment and operation and kind of legal entity	Particulars of issued capital/paid-up registered capital	Percentage of interest held by the Company	Principal activities
Phoenitron Resources Company Limited	Hong Kong, limited liability company	HK$10,000	100%	Investment holding
PMIS Limited	Hong Kong, limited liability company	HK$10,000	100%	Development and provision of smart card application systems
Shanghai Phoenitron Petroleum & Chemical Company Limited ("Shanghai Phoenitron")	The PRC, partially-foreign-owned enterprises	RMB80,000,000	75%	Provision of LNG services and sales of petro-chemical products
Topwise Technology (SZ) Limited	The PRC, wholly-foreign-owned enterprises	HK$10,000,000	100%	Smart cards manufacturing and sales
Waystech Group Limited	BVI, limited liability company	US$10,000	100%	Investment holding
北京萬利時智能科技有限公司	The PRC, wholly-foreign-owned enterprises	RMB8,335,083	100%	Smart cards manufacturing and sales
上海仁重新能源科技有限公司	The PRC, wholly-foreign-owned enterprises	RMB2,000,000	75%	Provision of LNG services and sales of petro-chemical products

Other than Waystech Group Limited, which is held directly by the Company, all subsidiaries are held indirectly.

None of the subsidiaries has issued any debt securities at the end of the year.

38. NON-CONTROLLING INTERESTS

Refer to note 37, Shanghai Phoenitron, a 75% subsidiary of the Company, has material non-controlling interest (NCI). The NCI of all other subsidiaries that are not 100% owned by the group are considered to be immaterial.

Summarised financial information in relation to Shanghai Phoenitron, before intra-group eliminations, is presented below:

	2016 HK$	2015 HK$
For the year ended 31 December		
Revenue	**2,294,400,069**	2,191,305,673
Profit for the year	**1,628,054**	4,138,921
Translation reserve	**(6,228,425)**	(4,388,794)
Total comprehensive loss	**(4,600,371)**	(249,873)
Loss allocated to NCI	**(1,150,093)**	(62,468)
Dividends paid to NCI	**–**	–
For the year ended 31 December		
Cash flows (used in)/from operating activities	**(93,863,616)**	10,211,852
Cash flows from/(used in) investing activities	**94,635,488**	(96,869,048)
Cash flows from financing activities	**–**	86,947,576
Net cash inflows	**771,872**	290,380
As at 31 December		
Current assets	**97,299,614**	99,982,188
Non-current assets	**2,234,637**	59,524
Current liabilities	**(4,205,833)**	(112,923)
Non-current liabilities	**–**	–
Net assets	**95,328,418**	99,928,789
Accumulated non-controlling interests	**23,832,104**	24,982,197

39. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out by the Group in the ordinary course of business with related parties.

(a) Transactions with related parties

Related party relationship	Type of transaction	2016 HK$	2015 HK$
Hota Group, a joint venture	Interest income on amount due from a joint venture[1]	**17,992,336**	40,407,839
	Fees earned from providing financial and management consultancy service[2]	**2,941,130**	5,907,041
Mr. Tsai Chi Yuan, the substantial shareholder of the Company	Consultancy fee expense	**660,000**	660,000
	Interest expense	**–**	9,782
	Salaries and allowances	**235,614**	520,225
	Rental expense	**254,049**	264,600
Mr. Wang Jia Hua, an executive director of the Company[3]	Interest income	**29,705**	–
Shanghai Jianzhou[4]	Purchase of petro-chemical products	**858,533**	–
	Sales of petro-chemical products	**76,613,487**	–

1 Particulars of the Group's balance with the joint venture as a result of the above transaction is disclosed in note 24.

2 According to the loan agreements with Hota (USA), financial and management service fee will be charged to Hota (USA) at 5% per annum on the outstanding principal balance.

3 Mr. Wang Jia Hua, an executive director of the Company from 5 January 2016 to 4 January 2017. For more details please refer to Company's announcement published on 6 January 2017.

4 Mr. Zhang Zixiang, a director of a major subsidiary of the Group prior to 15 March 2016, is the beneficial shareholder of Shanghai Jianzhou.

(b) Compensation of key management personnel

Members of key management during the year comprised only the executive directors whose remunerations are set out in note 15.

40. PLEDGE OF ASSETS

The carrying amounts of the following assets have been pledged to secure general banking facilities granted to the Group:

	The Group	
	2016	2015
	HK$	HK$
Machinery and equipment *(note 18)*	**–**	10,185,005
Pledged bank deposit	**9,295**	3,677,778
	9,295	13,862,783

Apart from the above, the Group does not assign any trade receivables of certain customers to a bank to secure borrowings (2015: HK$3,571,429) granted to the Group as at the reporting date.

41. COMMITMENTS

As at the end of the reporting period, the Group had other significant commitments as follows:

Capital commitments

	2016	2015
	HK$	HK$
Contracted but not provided for:		
– Acquisition of plant and equipment	**8,174,849**	8,299,110
– Purchase of raw materials	**–**	23,869

Operating lease commitments

At the reporting date, the total future minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	2016	2015
	HK$	HK$
Within one year	**1,899,208**	4,945,110
In the second to fifth year, inclusive	**1,131,936**	700,442
	3,031,144	5,645,552

The Group leases a number of properties under operating leases. The leases run for an initial period of one to eight years (2015: one to three years), with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

42. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and equity price risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

In light of the simplicity of the operations, the risk management of the Group is carried out by the board of directors (the "Board") directly. The Board discusses both formally and informally principles for overall risk management, as well as policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, liquidity risk and use of financial instruments.

42.1 Categories of financial assets and liabilities

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

	2016 **HK$**	2015 HK$
Financial assets		
Loans and receivables		
– Trade and other receivables	**121,508,056**	32,897,340
– Pledged deposits	**9,295**	3,677,778
– Cash and cash equivalents	**4,199,398**	16,510,763
– Due from a related company	**–**	96,809,524
– Due from a joint venture	**–**	202,837,077
– Due from non-controlling interests	**–**	500,000
Available-for-sale financial assets		
– Investment in the preferred shares of Hota (USA)	**–**	65,309,305
Financial assets at fair value through profit or loss		
– Derivative component of investment in the preferred shares of Hota (USA)	**–**	12,482,378
	125,716,749	431,024,165
Financial liabilities		
Financial liabilities at amortised cost		
– Trade and other payables	**34,289,269**	51,090,804
– Borrowings	**12,452,356**	30,361,932
	46,741,625	81,452,736

42. FINANCIAL RISK MANAGEMENT (Continued)

42.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

Cash and cash equivalents and deposits with banks are normally placed at financial institutions that have sound credit rating and the Group considers the credit risk to be insignificant.

Management has a credit policy in place for approving the credit limits and the exposures to credit risk are monitored such that any outstanding debtors are reviewed and followed up on an ongoing basis. Credit evaluations are performed on customers requiring a credit over a certain amount including assessing the customer's creditworthiness and financial standing. The credit policy has been followed by the Group since prior years and is considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

The general credit terms allowed range from 30 to 90 days. As at the end of the reporting period, the Group does not hold any collateral from customers and the Group has a certain concentration of credit risk as 87% (2015: 0%) of the total trade receivables was due from the five largest customers of the Group.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 23.

42.3 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management.

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants by reviewing each operating entity's cash flow forecast, to ensure that the Group maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policy has been followed by the Group since prior years and is considered to have been effective in managing liquidity risks.

42. FINANCIAL RISK MANAGEMENT (Continued)

42.3 Liquidity risk (Continued)

The table below analyses the Group's bank borrowings based on undiscounted cash flows (including interest payments computed using contractual rates or current rates at the reporting date) and the earliest date the Group can be required to pay. Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

	On demand HK$	Less than 3 months HK$	Between 3 and 6 months HK$	Between 6 and 12 months HK$
At 31 December 2016				
Bank loans subject to a repayment on demand clause	**4,962,325**	**–**	**–**	**–**
At 31 December 2015				
Bank loans subject to a repayment on demand clause	22,290,503	–	–	–
Other bank loans	–	39,428	49,151	3,679,992
	22,290,503	39,428	49,151	3,679,992

42. FINANCIAL RISK MANAGEMENT (Continued)

42.3 Liquidity risk (Continued)

The following table summarises the maturity analysis of the Group's financial liabilities, including bank loans with a repayment on demand clause, based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "On demand" time band in the maturity analysis contained above. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Less than 3 months or on demand HK$	Between 3 and 6 months HK$	Between 6 and 12 months HK$	Between 1 and 2 years HK$	Between 2 and 5 years HK$
At 31 December 2016					
Trade and other payables	**34,289,269**	**–**	**–**	**–**	**–**
Bank loans subject to a repayment on demand clause	**4,975,043**	**–**	**–**	**–**	**–**
Other borrowings	**7,490,031**	**–**	**–**	**–**	**–**
	46,754,343	**–**	**–**	**–**	**–**
At 31 December 2015					
Trade and other payables	51,090,804	–	–	–	–
Bank loans subject to a repayment on demand clause	17,672,963	1,188,166	1,982,948	1,229,036	446,340
Other bank loans	39,428	49,151	3,679,992	–	–
Other borrowings	4,501,150	–	–	–	–
	73,304,345	1,237,317	5,662,940	1,229,036	446,340

42. FINANCIAL RISK MANAGEMENT (Continued)

42.4 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk mainly arises from borrowings. Bank loans issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages interest rate risk by monitoring its interest rate profile as set out in note 30. The Group conducts periodical review to determine preferred interest rates mix appropriate for the business profile. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The policy to manage interest rate risk has been followed by the Group since prior years is considered to be effective.

Sensitivity analysis

The following table illustrates the sensitivity of the Group's (loss)/profit for the year and equity to a possible change in interest rates of +/- 0.5% (2015:+/- 0.5%), with effect from the beginning of the year. The calculations are based on the Group's borrowings held at the end of the reporting period. All other variables are held constant.

	Decrease/ (Increase) in loss for the year and accumulated losses 2016 HK$	Increase/ (Decrease) in profit for the year and decrease/ (increase) in accumulated losses 2015 HK$
Change in interest rate:		
+0.5%	**(21,000)**	(79,000)
- 0.5%	**21,000**	79,000

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents the management's assessment of a reasonably possible change in interest rate over the period until the next annual reporting period.

The sensitivity analysis for the year ended 31 December 2016 has been prepared on the same basis.

42. FINANCIAL RISK MANAGEMENT (Continued)

42.5 Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk arise from its overseas sales and purchases, which are primarily denominated in RMB, Euro ("EUR") and USD. These are not the functional currencies of the Group entities to which these transactions relate.

To mitigate the Group's exposure to foreign currency risk, cash flows in foreign currencies are monitored into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short term foreign currency cash flows (due within 6 months) from longer term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. The policy to manage foreign currency risk has been followed by the Group since prior years and is considered to be effective.

Summary of exposure

Foreign currency denominated financial assets and liabilities, translated into Hong Kong dollars at the closing rates, are as follows:

	2016					2015				
	RMB HK$	USD HK$	EUR HK$	NTD HK$	GBP HK$	RMB HK$	USD HK$	EUR HK$	NTD HK$	GBP HK$
Trade and other receivables	133,424	16,061,679	–	–	–	11,116,707	16,469,208	79,121	–	–
Cash and cash equivalents	531	78,464	–	–	–	2,164	2,456,461	–	2,462,724	–
Amounts due from a jointly venture	–	–	–	–	–	141,246,484	61,472,791	–	–	–
Available-for-sale financial assets	–	–	–	–	–	–	65,309,305	–	–	–
Derivative component	–	–	–	–	–	–	12,482,378	–	–	–
Bank loan	–	(4,962,325)	–	–	–	–	–	–	–	–
Trade and other payables	(14,332)	(8,686,895)	–	–	(166,500)	(24,442,355)	(9,141,820)	–	–	(23,108)
Gross exposure arising from recognised financial assets and liabilities	119,623	2,490,923	–	–	(166,500)	127,923,000	149,048,323	79,121	2,462,724	(23,108)

42. FINANCIAL RISK MANAGEMENT (Continued)

42.5 Foreign currency risk (Continued)

Sensitivity analysis

As HK$ is linked to USD, the directors consider that the Group's exposure on currency risk in respect of USD is not significant. The following table illustrates the sensitivity of the Group's (loss)/profit for the year and equity in regards to a 5% (2015: 5%) appreciation in the Group entities' functional currencies against other foreign currencies. The 5% (2015: 5%) is the rate used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the reporting period has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year.

	2016 Decrease/(Increase) in loss for the year and accumulated losses				2015 Increase/(Decrease) in profit for the year and decrease/(increase) in accumulated losses			
	RMB HK$	**EUR HK$**	**GBP HK$**	**NTD HK$**	RMB HK$	EUR HK$	GBP HK$	NTD HK$
Changes in exchange rate:								
HK$ appreciate by 5% (2015: 5%) against foreign currencies	**(5,000)**	**–**	**7,000**	**–**	(5,341,000)	(3,000)	1,000	(103,000)
HK$ depreciate by 5% (2015: 5%) against foreign currencies	**5,000**	**–**	**(7,000)**	**–**	5,341,000	3,000	(1,000)	103,000

The sensitivity analysis for the year ended 31 December 2016 has been prepared on the same basis.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions.

42.6 Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2016 and 2015.

43. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optima capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Group monitors capital on the basis of gearing ratio. The ratio defined and calculated by the Group as total borrowings expressed as a percentage of total assets, was 8.9% as at 31 December 2016 as compared to 7.5% as at 31 December 2015.

44. SUBSEQUENT EVENTS

Pursuant to a resolution passed in the extraordinary general meeting ("EGM") held on 18 January 2017, the Company effected a capital reorganisation, which include (i) every ten shares of the Company's issued and unissued shares with par value of HK$0.02 per share have been consolidated into one share with par value of HK$0.2 each ("Consolidated Shares") with effect from 19 January 2017 ("Share Consolidation") and (ii) with effect of the Share Consolidation, the authorised share capital of the Company be increased from HK$100,000,000 divided into 500,000,000 Consolidated Shares to HK$300,000,000 divided into 1,500,000,000 Consolidated Shares by the creation of additional 1,000,000,000 Consolidated Shares, which shall rank pari passu in all respects with the Consolidated Shares in issue.

The implementation did not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the shareholders, save for any fractional consolidated shares (i.e. less than one consolidated share) to which shareholders may be entitled. Number of authorised and issued shares and par value will been adjusted in coming financial year retrospectively.

Financial Summary

For the year ended 31 December 2016

The following is a summary of the consolidated results and consolidated assets and liabilities of the Group for each of the five years ended 31 December 2016:

CONSOLIDATED RESULTS

	2012 HK$	2013 HK$	2014 HK$	2015 HK$	**2016 HK$**
Revenue	129,141,518	134,350,091	461,934,044	2,333,952,429	**2,399,113,013**
Profit/(Loss) from operations	8,421,444	(136,268,577)	(126,655,032)	12,092,131	**(232,316,713)**
Finance costs	(1,303,678)	(2,961,596)	(5,924,609)	(1,611,551)	**(647,613)**
Share of (losses)/profits of an associate	(269,078)	130,223	(468,476)	–	**–**
Share of losses of a jointly controlled by entity	(17,674,003)	–	–	–	**–**
(Loss)/Profit before income tax	(10,825,315)	(139,099,950)	(133,048,117)	10,480,580	**(232,964,326)**
Income tax expense	(1,466,716)	(1,913,869)	(593,946)	(3,927,660)	**(880,361)**
(Loss)/Profit for the year	(12,292,031)	(141,013,819)	(133,642,063)	6,552,920	**(233,844,687)**

CONSOLIDATED ASSETS AND LIABILITIES

	2012 HK$	2013 HK$	2014 HK$	2015 HK$	**2016 HK$**
Non-current assets	210,206,116	123,574,685	54,406,777	36,850,227	**10,949,415**
Current assets	300,282,086	306,377,720	310,064,053	367,581,111	**129,238,442**
Current liabilities	73,328,491	106,809,209	148,367,135	83,278,810	**49,574,149**
Non-current liabilities	150,206	14,627,371	4,707	4,707	**4,707**