IR RESOURCES LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 8186)

2016
Annual Report

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

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

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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

CHAN Ching Hang *(Chairman)*	(appointed on 2 December 2016)
ZENG Lingchen	
YU Xiao Min	(resigned on 2 December 2016)
XU Miaoxia	(resigned on 2 December 2016)

Independent Non-executive Directors

PANG King Sze, Rufina
HONG Bingxian
HUNG Kenneth

AUDIT COMMITTEE

PANG King Sze, Rufina *(Chairperson)*
HONG Bingxian
HUNG Kenneth

NOMINATION COMMITTEE

PANG King Sze, Rufina *(Chairperson)*	
HONG Bingxian	
CHAN Ching Hang	(appointed on 2 December 2016)
YU Xiao Min	(resigned on 2 December 2016)

REMUNERATION COMMITTEE

PANG King Sze, Rufina *(Chairperson)*	
HONG Bingxian	
CHAN Ching Hang	(appointed on 2 December 2016)
YU Xiao Min	(resigned on 2 December 2016)

COMPLIANCE OFFICER

CHAN Ching Hang

COMPANY SECRETARY

FUNG Wing Sang

AUDITORS

Ascenda Cachet CPA Limited
Certified Public Accountants

LEGAL ADVISERS

Baker & McKenzie
Norton Rose Fulbright Hong Kong
W. K. To & Co.

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

36th Floor, Times Tower
391-407 Jaffe Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Estera Services (Bermuda) Limited
Canon's Court, 22 Victoria Street
Hamilton HM12, Bermuda

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Ltd.
Rooms 1712-16, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hong Kong and Shanghai Banking Corporation Limited
ACLEDA Bank Plc.

STOCK CODE

8186

WEBSITE ADDRESS

www.irresources.com.hk

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of IR Resources Limited (the "Company"), I would like to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016.

In February 2016, trading in the shares of the Company was resumed after the prolonged suspension since April 2013. Since then, the Group has been formulating business plans to develop its forestry and agricultural business and diversifying its business portfolio. During the second half of 2016, the Group entered into agreements (i) to invest in a minority stake of a group engaged in the solar power generation business in the People's Republic of China (the "PRC") with a view to capitalizing on the PRC government's encouraging policies on the development of clean energy; and (ii) to acquire controlling stakes in a licensed securities brokerage and fund management firm in Hong Kong (subject to completion at the date of this report) in view of the PRC and Hong Kong government's favourable initiatives on the Hong Kong stock market.

Going forward, the Group will continue to streamline its business and keep abreast of the investment and business opportunities available.

I, on behalf of the Board, would like to take this opportunity to thank our shareholders for your support and express my gratitude to our partners, management and staff for their effort and contribution.

Chan Ching Hang
Chairman

Hong Kong, 31 March 2017

Management Discussion and Analysis Review of the Final Results

OVERVIEW

The Group is principally engaged in (i) forestry and agricultural business in Cambodia and the PRC (the sale of wood and agricultural produce); (ii) the financial services business; and (iii) resources and logistics business.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2016, the Group recorded revenue of approximately HK$45.5 million (2015: HK$38.9 million) arising from sale of wood products and resources materials.

Gross profit

For the year ended 31 December 2016, the Group recorded gross profit of approximately HK$6.0 million (2015: HK$10.8 million) and gross profit margin of 13.1% (2015: 27.8%). The decrease in gross profit and gross profit margin was partly due to the fierce competition of the wood product market and partly due to the sale of resources materials with lower profit margin.

Loss for the year

For the year ended 31 December 2016, the consolidated loss and loss attributable to the equity holders of the Company increased to approximately HK$330.5 million (2015: HK$35.1 million) and approximately HK$317.7 million (2015: HK$35.1 million). The increase in net loss of the Group was mainly due to the impairment loss of HK$265.6 million on the intangible assets relating to its exclusive rights to exploit the three forests in Cambodia.

Basic and diluted loss per Share for the year was HK73.90 cents (2015: HK39.84 cents).

RECENT DEVELOPMENT

Following the resumption in the trading of the shares (the "Shares") of the Company in February 2016, the Company completed its rights issue in May 2016 and raised fund of approximately HK$256 million. In July 2016, the Company completed a placing of 577,260,000 new Shares under general mandate at the placing price of HK$0.038 per placing Share and 577,260,000 new Shares had been issued and allotted.

In September 2016, the Group entered into agreements with a group of investors/business partners for the development of its forestry and agricultural business (as detailed in the circular of the Company dated 22 September 2016). The said agreements were completed in October 2016.

In October 2016, the Group entered into a sale and purchase agreement for the acquisition of 17.5% equity interest of a group (the "Solar Power Group") engaged in the operation of solar power generation business for a consideration of HK$20.5 million. The acquisition was completed in October 2016 and the Group's equity interest in the Solar Power Group was accounted for as available-for-sale financial assets as at 31 December 2016.

In view of the emerging opportunities for the financial services sector in Hong Kong, the Group has applied and obtained a money lender licence granted by the licensing court in Hong Kong pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) in December 2016. During the year ended 31 December 2016, the Group has adopted loan financing policies and procedures with reference to market practice and the Money Lenders Ordinance with an intention to commence the loan financing business in 2017. In October 2016, the Group entered into sale and purchase agreements for the acquisition of 60.4% equity interest of Nine Rivers Capital Partners Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (assets management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), for a consideration not more than HK$33.22 million. As at the date of this report, the acquisition has not been completed.

In December 2016, the Group entered into a co-operation agreement in respect of the manufacturing of wood and agricultural products in Cambodia with an experienced joint venture partner, an independent third party with substantial experience in the manufacturing of wood and agricultural products in Cambodia.

Management Discussion and Analysis Review of the Final Results

REVIEW ON BUSINESS SEGMENTS

Forestry and agricultural segment

For the year ended 31 December 2016, the forestry and agricultural segment recorded segment revenue of approximately HK$37.9 million and segment loss of approximately HK$282.2 million. The substantial loss in this business segment was mainly attributable to the impairment loss of approximately HK$265.6 million in respect of the intangible assets relating to the Group's exclusive rights to exploit the three forests in Cambodia during the year. According, the segment assets reduced to approximately HK$69.5 million as at 31 December 2016.

Financial services segment

For the year ended 31 December 2016, the financial services segment of the Group did not record any segment revenue.

Resources and logistics segment

For the year ended 31 December 2016, the Group recorded segment revenue of approximately HK$7.6 million and segment loss of approximately HK$0.4 million from its resources and logistics segment. The Group will continue to monitor the performance of this business segment and adjust the strategies as and when appropriate.

EVENTS AFTER THE REPORTING PERIOD

In January 2017, the share consolidation involving the consolidation of 5 existing Shares of HK$0.01 each into 1 consolidated Shares of HK$0.05 each became effective.

In February 2017, the Company completed a placing of 138,540,000 new Shares under the general mandate at the placing price of HK$0.2 per new Share and 138,540,000 new Shares had been issued and allotted to not less than six placees, with net proceeds of approximately HK$26.3 million for strengthening the working capital of the Group.

In February 2017, the Group entered into a loan agreement with the Solar Power Group to provide a shareholder's loan of approximately HK$13.6 million to the Solar Power Group. The loan, will form part of the Group's long term investment in the Solar Power Group, is unsecured, interest-free and repayable upon demand subject to the consent of all shareholders of the Solar Power Group.

PROSPECTS

The Group expects that the Group's forestry and agricultural business will continually be affected by the administrative policies of the Cambodia government and to encounter fierce market competition and to be subject to rising production costs and volatile market product prices. The Group will closely monitor the business performance of this business segment and adjust its strategy as and when appropriate. On the other hand, the Group will continue to develop its financial services business to benefit from the improving global market sentiments. Going forward, the Group will continue to seize and keep abreast of investment/business as well as debt/equity fund raising opportunities available so as to enhance the financial condition of the Group.

FINANCIAL RESOURCES, BORROWINGS, BANKING FACILITIES AND LIQUIDITY

During the year ended 31 December 2016, the Group's net cash used in operating activities amounted to approximately HK$39.2 million (2015: HK$18.1 million). Its net cash used in investing activities amounted to approximately HK$40.3 million (2015: net cash from of HK$2.6 million) and net cash from financing activities amounted to approximately HK$161.4 million (2015: HK$17.5 million). As a result of the cumulative effect described above, the Group recorded a net cash inflow of approximately HK$81.9 million (2015: net cash inflow of HK$2.0 million).

As at 31 December 2016, the Group had total assets of approximately HK$188.4 million (2015: HK$344.6 million) and total liabilities of approximately HK$53.4 million (2015: HK$165.7 million). The Group's gearing ratio (calculated as a percentage of the Group's total liabilities to the total assets) was 28.3% (2015: 48.1%). As at 31 December 2016, the Group did not have any outstanding bank borrowings (2015: Nil).

Management Discussion and Analysis Review of the Final Results

As at 31 December 2016, the Group's current assets amounted to HK$93.6 million (2015: HK$22.8 million), of which HK$86.4 million (2015: HK$4.2 million) was cash and bank deposits, and its current liabilities amounted to HK$53.4 million (2015: HK$165.7 million).

As at 31 December 2016, the net assets of the Group amounted to HK$135.0 million (including non-controlling interest) (2015: HK$178.8 million) and the net asset value per Share amounted to HK$0.31 (2015: HK$2.03 (restated)).

CAPITAL STRUCTURE

As at 31 December 2016, the total number of issued ordinary shares and the issued share capital of the Company were 3,463,606,061 (2015: 2,623,950,965) and HK$34,636,060 (2015: HK$131,198,000) respectively. The change in the share capital of the Company was due to (i) completion of the rights issue on the basis of 1 then existing issued Shares for 10 new Shares in May 2016; (ii) the share consolidation of every 10 then Shares into 1 consolidated Share in June 2016; and (iii) completion of the placing of 577,260,000 new Shares in July 2016.

FUND RAISING ACTIVITIES

During the year ended 31 December 2016, the Company conducted the following equity fund raising exercises:

Date of announcement/ prospectus	Events	Net proceeds raised (approximately)	Intended use of proceeds		Actual use of proceeds
5 May 2016	Rights issue	HK$256 million	(i)	HK$170 million for repayment of liabilities	Approximately HK$163 million used as intended and the remaining balance to be used as intended
			(ii)	HK$50 million as general working capital;	Approximately HK$26 million used as intended and the remaining balance to be used as intended
			(iii)	HK$36 million for potential investment opportunities when available	Approximately HK$33.2 million reserved for the settlement of the consideration for acquisition of the securities brokerage and fund management business and the remaining balance to be used as intended
11 July 2016	Placing	HK$21 million	Working capital		Used as settlement for the consideration and the related expenses in respect of the Group's investment in the Solar Power Group

CAPITAL COMMITMENTS, SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

Capital Commitment

Details of the capital commitment of the Group as at 31 December 2016 were disclosed in note 32 to the consolidated financial statements.

Significant Investment and Material Acquisition and Disposal

Details of the Group's significant investments and material acquisitions were disclosed in the paragraph "Recent Development" above.

Charge on assets of the Group

As at 31 December 2016, no assets of the Group have been pledged.

RISKS FACTORS

Competition

The wood product and agricultural produce markets in which the Group operates are highly competitive and challenging, including pressure from rising production costs, volatile product prices and substitution of wood products, etc. If the Group cannot respond to market conditions and implement appropriate strategies, it will affect the market demand for the Group's products, the reputation and the financial performance of the Group.

Cambodia being a developing country

The Group operates its forestry and agricultural business in Cambodia. Cambodia is a developing country and is subject to political, economic and social development and its administrative policies to be implemented from time to time may potentially adversely affect the operation and hence the profitability of the Group. In addition, Cambodia has under-developed wood processing and transportation infrastructure and the Group may potentially incur additional and unexpected costs for transportation of its timber.

Adverse impact from natural hazards

In the event of prolonged and abnormally high level of rain at the location of the three forests owned by the Group, it will have an adverse impact on the Group's ability to extract timber.

Price of wooden products and rubbers

Wood products and rubbers are common commodity and its price is subject to a number of factors including the consumer demand, the supply of wood products and rubbers in the market, the substitution of wood products and rubbers etc. When there is a continuous decline in the prices of wood products and rubbers, the profitability of the Group will be adversely affected and the recoverable amount of the Group's intangible assets.

Liquidity risk

The liquidity of the Group refers primarily to its ability to maintain adequate cash inflow to meet its debt obligation and it is the Group's policy is to regularly monitor current and expected liquidity requirements. The Group's liquidity risk was mainly resulted from the Group's significant operating losses in the past years (net loss of the Group amounted to approximately HK$35.1 million and approximately HK$330.5 million for each of the years ended 31 December 2015 and 2016 respectively) and cash outflow from operations (net cash flow used in operating activities amounted to approximately HK$39.2 million and approximately HK$18.1 million for each of the years ended 31 December 2015 and 2016 respectively). As at 31 December 2016, the Group maintained net current assets of approximately HK$40.2 million and had cash balance of approximately HK$86.4 million and therefore is not expected to have any going concern issue in the short term.

Credit risk

The Group's credit risk is primarily attributable to trade receivables, deposits and other receivables and cash and bank balances. For the year ended 31 December 2016, the Group recorded impairment loss on trade receivables of HK$4.7 million.

Foreign exchange

The Group mainly operates in Hong Kong, Cambodia and the PRC and is exposed to foreign exchange risk. Almost all of the transactions of the Group and recognised financial assets and liabilities are denominated either in HK$. United States Dollar ("US$") or Renminbi ("RMB") and accordingly, the Group's foreign currency risk is not material as the exchange rate of HK$ against US$ is quite stable. The Group does not have a foreign currency hedging policy but it continuously monitors its foreign exchange exposure and will apply appropriate measures if necessary.

EMPLOYEES' INFORMATION

As at 31 December 2016, the Group had 165 (2015: 18) employees. The Group remunerates its employees based on their performance, working experience and the prevailing market condition.

Biographical Details of Directors

DIRECTORS

Executive directors

Mr. Chan Ching Hang, aged 32 and the chairman of the Board, has substantial experience in corporate finance and business management in the agricultural and healthcare industries and was a member of the senior management of the Company. Mr. Chan holds a bachelor's degree in commerce and a bachelor's degree in science from the University of New South Wales, Australia. He was appointed as the chairman and executive director with effect on 2 December 2016.

Mr. Zeng Lingchen, aged 36, possesses substantial experience in plantation of rubber trees and sale of rubber products. Prior to joining the Company, Mr. Zeng held management positions in two rubber plantation companies in the PRC. He holds a bachelor's degree in environmental engineering.

Ms. Yu Xiao Min, aged 47, has extensive international network and substantial business experience in Hong Kong and the PRC. Ms. Yu is also an independent non-executive director of China Green (Holdings) Limited, a company whose shares are listed on the main board of the Stock Exchange. Ms. Yu holds a master's degree in business administration. She resigned as executive director of the Company with effect on 2 December 2016.

Ms. Xu Miaoxia, aged 58, has more than 30 years of experience in sales and distribution, procurement, production and logistics in the PRC. Prior to joining the Group, Ms. Xu holds an university diploma in economics. She resigned as executive director of the Company with effect on 2 December 2016.

Independent non-executive directors

Ms. Pang King Sze, Rufina, aged 42, has more than 18 years of experience in the areas of audit, financial management and internal control. She is currently the co-founder and a partner of a certified public accountants firm in Hong Kong. Ms. Pang is a member of the Hong Kong Institute of Certified Public Accountants and a member of the New Zealand Institute of Chartered Accountants. Ms. Pang holds a bachelor's degree in business.

Mr. Hong Bingxian, aged 49, has more than 20 years of experience in production and international trade and substantial knowledge in logistics management and production process. He is the founder and managing director of a manufacturing group in the PRC.

Mr. Kenneth Hung, aged 45, has extensive experience in the entertainment industry in Hong Kong and the PRC. Mr. Hung is presently the chairman and an executive director of DX.com Holdings Limited, an executive director of Interactive Entertainment China Cultural Technology Investments Limited (formerly known as China Mobile Games and Cultural Investment Limited) and an independent non-executive director of China Demeter Financial Investments Limited, respectively, all of whose shares are listed on the Growth Enterprise Market of the Stock Exchange. Mr. Hung holds a bachelor's degree in science.

Report of the Directors

The Directors submit herewith this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holdings and the principal activities of its subsidiaries are set out in note 1 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's revenue and results by reportable segments and geographical locations of the Company and its subsidiaries during the financial year are set out in note 4 to the consolidated financial statements.

FIVE YEARS SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 100 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The information on the Group's sales and purchases attributable to major customers and suppliers, respectively, during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	52.1%	
Five largest customers in aggregate	76.2%	
The largest supplier		46.2%
Five largest suppliers in aggregate		91.4%

At no time during the year have the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors who owns more than 5% of the Company's share capital) had any beneficial interest in these major customers and suppliers.

Business Review and Performance

Review of the business of the Group and discussion and analysis of the Group's performance (including key performance indicators) during the year ended 31 December 2016 and the material factors underlying its results and financial position are provided in the sub-sections headed "Overview", "Financial Review", "Review on Business Segment" from pages 4 to 5 under the section headed "Management Discussion and Analysis" of this annual report. Particulars of important events of the Group that have occurred following 31 December 2016 are set out in the sub-section headed 'Events After the Reporting Period" on pages 5 of this annual report. The outlook of the Group's business is discussed in ths annual report included in the section headed "Chairman's Statement" and the sub-section headed "Prospects" under the section headed "Management Discussion and Analysis" in page 3 and 5 respectively. An account of the Group's relationship with its stakeholders is included in the sub-section headed "Employees' Information" under the section headed "Management Discussion and Analysis" on page 8. The statements therein form parts of this Report of the Directors section.

Report of the Directors

Principal Risks

The Directors have acknowledged that the Group is exposed to certain risks that could impact the Group and the markets in which the Group operates. The Group has risk management policies to ensure that significant risk which may adversely affect the Group are identified, reported, monitored and measured on a continuous basis. Details of the principal risks which the Directors consider significant to the Group are discussed in the sub-section headed “Risk Factors” under the section headed “Management Discussion and Analysis” of this annual report.

CONSOLIDATED FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2016 and the state of the Group’s and the Company’s affairs as at that date are set out in the consolidated financial statements on pages 28 to 99 of this annual report.

RESERVES

Movements in the reserves of the Group during the year are set out on page 31 of this annual report and in note 27 to the consolidated financial statements. As at 31 December 2016, the Company had no reserves available for distribution (2015: Nil).

DIVIDENDS

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

CHARITABLE DONATIONS

During the year ended 31 December 2016, the Group made charitable contributions totalling HK$854,000. (2015: HK$206,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year ended 31 December 2016 are set out in note 14 to the consolidated financial statements.

BANK BORROWINGS

The Group did not have any bank borrowings as at 31 December 2016 (2015: Nil).

Report of the Directors

DIRECTORS

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

Executive Directors

Mr. Chan Ching Hang *(Chairman)*	*(appointed on 2 December 2016)*
Mr. Zeng Lingchen	
Ms. Yu Xiao Min	*(resigned on 2 December 2016)*
Ms. Xu Miaoxia	*(resigned on 2 December 2016)*

Independent non-executive Directors

Ms. Pang King Sze, Rufina
Mr. Hong Bingxian
Mr. Kenneth Hung

In accordance with Bye-Laws 99 of the Company's Bye-Laws, Ms. Pang King Sze, Rufina and Mr. Kenneth Hung shall retire from the Board by rotation at the forthcoming annual general meeting ("AGM"). In accordance with Bye-Laws 102(B) of the Company's Bye-Law, Mr. Chan Ching Hang shall hold office until the forthcoming AGM. All the retiring Directors being eligible, offer themselves for re-election. The biographical details of the Directors are set out on page 9 of this annual report.

DIRECTORS' SERVICE CONTRACTS

There is no service contract with any Director which is not determinable by the Company within one year without payment of compensation (other than statutory compensation for any Director proposed for re-election at the forthcoming AGM).

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

As at 31 December 2016, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by directors as referred to in Rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") were as follows:

Long positions in shares of the Company

Name	Capacity Interest	Number of Ordinary Shares held	Number of underlying Shares held	Approximately Percentage of shareholding in the Company
			(Note)	
Mr. Chan Ching Hang ("Mr. Chan")	Beneficial owner	—	21,000,000	0.61%

Note: represents the number of share options granted to Mr. Chan under the Share Option Scheme and with effect from the share consolidation involving the share consolidation of 5 existing shares into 1 consolidated share in January 2017, the number of share options held by Mr. Chan was adjusted to 4,200,000.

SHARE OPTION SCHEME

Pursuant to the share option scheme approved by the shareholders of the Company on 10 June 2011, employees and directors of the Company and its subsidiaries may be granted options to subscribe for the Shares and the principal terms are set out in the Company's circular dated 27 April 2011.

Details of the movement in and balance of the share options granted under the share option scheme during the year ended 31 December 2016 and as at 31 December 2016 are as follows:

				Number of share options					
Grantee	**Date of grant**	**Exercise period**	**Exercise price per Share** *(HK$)* *(Note 1)*	**As 1 January 2016**	**Granted during the year** *(Note 1)*	**Exercised during the year**	**Lapsed during the year**	**At 31 December 2016**	**% of shareholding of the Company** *(Note 2)*
Director	27-5-2016	27-5-2016 to 26-5-2018	0.16	—	21,000,000	—	—	21,000,000	0.61%

Notes:

1. The exercise price and number of share options were adjusted pursuant to the share consolidation for 10 shares into 1 consolidated share of the Company effective from 22 June 2016.

2. Based on 3,463,606,061 Shares in issue as of 31 December 2016.

3. With effect from the share consolidation involving the consolidation of 5 existing shares into 1 consolidated share subsequently on 12 January 2017, the exercise price and number of the share options were further adjusted to HK$0.80 and 4,200,000 respectively.

In accordance with the terms of the share option scheme, options granted during the year ended 31 December 2016 have been vested as at the date of grant. The closing price of the Shares immediately before the date on which the share options were granted was HK$0.13 (as adjusted by the share consolidation effective in June 2016).

The fair value of the share options granted as at 27 May 2016 is determined to be approximately HK$0.096 (as adjusted by the share consolidation effective in June 2016) using the Trinomial Option Pricing Model with the expected volatility based on the historical share price volatility over the past 3 months. The variables and assumptions used in computing the fair value of the share options as at 27 May 2016 are based on the Directors' best estimate. The value of an option may vary with different variables of certain subjective assumptions.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed above, as at 31 December 2016, no other Directors or the chief executive of the Company or their associates had any interests or rights to subscribe for any securities of the Company or any of its associated corporations as defined in the SFO.

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or any of their respective associates, including spouses or children under eighteen years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, so far as is known to any of the Directors or the chief executive of the Company, the following person (other than a Director or the chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, who is interested in 10% or more of any class of share capital carrying rights to vote at general meeting of the Company.

Long positions in shares of the Company

Name	Capacity Interest	Number of Ordinary Shares held	Number of underlying Shares held	Approximately Percentage of shareholding in the Company *(Note)*
China Wah Yan Healthcare Limited and its subsidiaries	Corporate owner	845,568,863	—	24.41%

Note: Based on 3,463,606,061 Shares in issue as of 31 December 2016.

DIRECTORS' INTEREST IN CONTRACTS

No contract, commitment or agreement of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, either directly or indirectly, subsisted as at 31 December 2016 or during the year ended 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

MANAGEMENT CONTRACTS

Save as disclosed, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during 2016.

Report of the Directors

COMPETING INTERESTS

None of the Directors or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules), engaged in any businesses that compete or may compete with the business of the Group or has any other conflicts of interests with the Group for the year ended 31 December 2016.

PRE-EMPTIVE RIGHTS

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

PENSION SCHEMES

Details of the Group's pension scheme for the year ended 31 December 2016 are set out in note 2.4 to the consolidated financial statements on page 56 of this annual report.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

The related party transactions of the Group as set out in note 33 to the consolidated financial statements constituted fully exempted connected transactions under Chapter 20 of the GEM Listing Rules.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers good corporate governance is a key element in managing the business and affairs of the Group. The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code. Details of the Group's corporate governance practices adopted by the Board are set out in the Corporate Governance Report on pages 17 to 20 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, there is sufficient public float of more than 25% of the Company's issued shares at the date of this report.

INDEPENDENCE

Each existing independent non-executive Director has confirmed his/her independence pursuant to the GEM Listing Rules. The Board considers all the independent non-executive Directors are independent.

AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee") has been established with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The Audit Committee's primary duties include reviewing Company annual reports and quarterly financial reports and providing advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The Audit Committee currently comprises of three independent non-executive Directors, namely, Ms. Pang King Sze, Rufina, Mr. Hong Bingxian and Mr. Kenneth Hung.

The Audit Committee has reviewed the Company's audited annual report for the year ended 31 December 2016 and was of the opinion that the preparation had complied with the applicable accounting standards and requirements and that adequate disclosures had been made.

Report of the Directors

AUDITORS

The consolidated financial statements for the years ended 31 December 2014, 2015 and 2016 were audited by Ascenda Cachet CPA Limited, who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ascenda Cachet CPA Limited as auditors of the Company will be proposed at the forthcoming AGM.

By order of the Board
Chan Ching Hang
Chairman

Hong Kong, 31 March 2017

Corporate Governance Report

THE BOARD OF DIRECTORS

Board composition

The Board currently comprises five Directors, who have various skills and experience in business, financial, accounting and management, of whom two are executive Directors and three are independent non-executive Directors. Details are set out in the section headed "Report of the Directors" of this annual report. All executive Directors have given sufficient time and attention to the affairs of the Group and each executive Director has sufficient experience to hold his/her position and to carry out his/her duties effectively and efficiently.

The composition of the Board and the Directors' biographical information are set out on page 9 of this annual report.

The Board

The Directors attended the Board meetings in person or participated through electronic means of communication. All Directors have access to board papers and related materials, and are provided with adequate information which enables the Board to make informed decisions on the matters to be discussed and considered at board meetings. The company secretary of the Company assists the chairperson in preparing the agenda for the meeting, and ensures that all applicable rules and regulations regarding the meetings are observed.

The Board is responsible for planning and overseeing the overall development and management of the Group with the objective of enhancing shareholders' value. The Board is responsible for formulating the overall strategies of the Group, and execution of daily operational matters is delegated to management.

Details of the Board meetings, special general meeting and annual general mating held during the year ended 31 December 2016 are as follows:

		Board Meetings	Annual/Special general meeting
Executive Directors			
Mr. Chan Ching Hang *(Chairman)*	*(appointed on 2 December 2016)*	1	0
Mr. Zeng Lingchen		1	0
Ms. Yu Xiao Min	*(resigned on 2 December 2016)*	5	3
Ms. Xu Miaoxia	*(resigned on 2 December 2016)*	5	0
Independent Non-executive Directors			
Ms. Pang King Sze, Rufina		6	3
Mr. Hong Bingxian		6	0
Mr. Hung Kenneth		4	0

Corporate Governance Report

Chairperson and Chief Executive

To ensure a balance of power and authority, a clear division of the responsibilities of the chairperson of the Board and the chief executive has been set out such that the chairperson is mainly responsible for providing leadership to the Board, encouraging all Directors to make full and active contribution to the Board's affairs and ensuring that the Board acts in the best interest of the Group. The chief executive is responsible for the implementation of the Group's strategies and policies adopted by the Board in achieving the overall commercial objectives and assumes full accountability to the Board for the operation of the Group.

During the year, the office of the chief executive is vacated. The Board will keep reviewing the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

Term of appointment and re-election

Pursuant to the Bye-Laws of the Company, one third of the Directors (except the chairperson or managing Director of the Company) shall retire from office by rotation and are subject to re-election at the annual general meetings of the Company. The Directors to retire shall be those who have been longest in office since their last election but as between persons who became Directors on the same day shall (unless they otherwise agree between themselves) be determined by lot. Further, all Directors appointed to fill casual vacancies shall hold office only until the next following annual general meeting and shall then be eligible for re-election at the meeting.

Company Secretary

The Company Secretary supports the Board and committees of the Board by ensuring information flow within the Board and that Board policy and procedures are followed. The Company Secretary has day-to-day knowledge of the Company's affairs. The Company Secretary is appointed by the Board and reports to the Chairman of the Board. The Company Secretary also assists the Board in discharging its obligations to shareholders pursuant to the GEM Listing Rules.

Mr. Fung Wing Sang ("Mr. Fung") is the Company Secretary of the Company and has compiled with Rule 5.15 of the GEM Listing Rules that Mr. Fung undertook not less than 15 hours of relevant professional training to update his skills and knowledge during the year ended 31 December 2016.

Continuing Professional Development

During the year ended 31 December 2016, the Directors have from time to time read relevant information to gain understanding of the economy and the financial and business environment for their continuous contribution to the Group.

AUDIT COMMITTEE

The Audit Committee, as at the date of this annual report, comprises three members, all being independent non-executive Directors. The chairperson of the committee is Ms. Pang King Sze, Rufina and the other members are Mr. Hong Bingxian and Mr. Kenneth Hung. The Audit Committee's primary duties include making recommendation to the Board in relation to the appointment, re-appointment and removal of external auditors ensuring the Group's financial statements, annual and interim reports, and the independent auditor's report present a true and balanced assessment of the Group's financial position; reviewing the Group's financial controls, internal controls and risk management; and reviewing the Group's financial and accounting policies and practices. The Audit Committee is provided with sufficient resources to enable it to discharge its duties.

For the year ended 31 December 2016, the Audit committee discharged its responsibilities by reviewing the interim and annual results of the Group and the relevant statements and reports prior to the approval by the Board; discussion with the external auditors' reports and their finding on the work performed and the related internal control issues; reviewing significant financial reporting judgment in accounting policies; reviewing and approving the external auditors terms of engagement (including audit fee).

Details of the meeting of the Audit Committee held during the year ended 31 December 2016 were summarized as follows:

	Audit committee meeting attended attended/held
Ms. Pang King Sze, Rufina	2
Mr. Hong Bingxian	2
Mr. Kenneth Hung	2

NOMINATION COMMITTEE

The Nomination Committee, as at the date of this annual report, comprises three members, the majority of which are independent non-executive Directors. The chairperson of the committee is Ms. Pang King Sze, Rufina and the other members are Mr. Chan Ching Hang and Mr. Hong Bingxian. The Nomination Committee is responsible for establishing nomination policies, making recommendations to the Board on nominations and appointments of Directors and Board succession planning. One meeting of Nomination Committee was held for the year ended 31 December 2016 and all members of the Nomination Committee had attended. The committee is provided with sufficient resources to enable it to discharge its duties.

REMUNERATION COMMITTEE

The Remuneration Committee, as at the date of this annual report, comprises three members, the majority of which are independent non-executive Directors. The chairperson of the committee is Ms. Pang King Sze, Rufina and the other members are Mr. Chan Ching Hang and Mr. Hong Bingxian. The Remuneration Committee is responsible for formulating and recommending to the Board the remuneration policies, determining the remuneration of executive Directors and members of senior management of the Group, as well as reviewing and making recommendations on the Company's share option scheme, bonus structure, provident fund and other compensation-related issues. The Remuneration Committee is also provided with other resources enabling it to discharge its duties.

Remuneration of Executive Directors

The key components to executive Directors' remuneration are basic salary, performance bonus, retirement and other benefits. The remuneration of the executive Directors are discussed amongst the members of the Remuneration Committee with reference to the contribution, commitment and responsibilities of the executive Directors to the Group as well as the prevailing market condition.

Remuneration of Non-executive Directors

The remuneration for non executive Directors are based on their responsibility involved, the scale and complexity of the Group's business and the market practice. Their fees are reviewed and recommended by the Remuneration Committee to the Board from time to time.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the required standards on dealing under the GEM Listing Rules as its own code of conduct regarding securities transactions by the Directors.

Having made enquiry of all Directors, they have confirmed that he/she had complied with the required standard during the year ended 31 December 2016.

INTERNAL CONTROLS

Internal control systems have been designed to allow the Board to monitor the Group's overall financial position and compliance matters, to protect its assets and to assure against material financial misstatement or loss. The Board has from time to time review the internal control system of the Group in order to ensure that the Group has adequate and effective internal control systems in place.

AUDITORS' REMUNERATION

For the year ended 31 December 2016, the fees payable to the auditors of the Group in respect of audit services was HK$920,000 (excluded other disbursements).

DELEGATION BY THE BOARD

The Board is responsible for decisions in relation to the overall strategic development of the Group's business. Responsibility in relation to the daily operations and execution of the strategic business plans are delegated to management. The Audit Committee, the Remuneration Committee and the Nomination Committee, have their terms of reference which clearly define the powers and responsibilities. All committees are required to report to the Board in relation to their decisions, findings and/or recommendations, and in certain specific situations, to seek the Board's approval before taking any actions. The Board will from time to time reviews the delegations by the Board to different committees such that delegations are appropriate.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Company uses a number of channels to communicate to shareholders and investors on the performance of the Company, including (i) the publication of quarterly, interim and annual reports; (ii) the AGM or extraordinary general meeting which provide a forum for shareholders of the Company to raise comments and exchange views with the Board; (iii) key information on the Group is available on the website of the Company; and (iv) the Company's share registrars in Hong Kong serve the shareholders on all share registration matters. The Company aims to provide its shareholders and investors with high standard of disclosure and financial transparency.

Shareholders are encouraged to attend the AGM for which at least 21 days' notice is given. The chairperson of the Board on other Directors are available to answer shareholders' questions on the Group's business at the meetings. All shareholders have statutory rights to call for extraordinary general meetings and to put forward an agenda for consideration.

Environmental, Social and Governance Report

ENVIRONMENT

The Group is engaged in forestry and agricultural, energy, resources and logistics businesses. The forestry and agricultural business of the Group involved the logging of timbers in three forests located in Cambodia and the replanting on the area logged. The Group is also a minority shareholder of a group engaged in the operation of solar power generation business. The Company considers that the timber logging activities may have potential adverse impact on the environment but the replanting activities will compensate the adverse impact on the environment. The Group takes steps to closely monitor and manage the environment effect of its forestry and agricultural operations.

The Group has from time to time considers ways to incorporate green principles including formulating energy saving plans and replanting plans in its business in Cambodia. Furthermore, at the Group's head office, the in-door temperature, the running time of air-conditioning and lighting system are controlled to reduce energy consumption and carbon emission.

Use of resources

The Group is targeted to build an environmental friendly working environment that conserve natural resources. The Group strives to minimise the environment impact by saving electricity and encouraging recycle of office supplies.

For office electricity control, the Group require employees to confirm that lights and electronic appliances are switched off before they leave the office. For office consumables consumption management, the Group encourages its employees to handle documents electronically. When the ise of paper is required, only formal and confidential documents can use single-sided printing, other documents are required to use double-sided printing.

Environment and Natural Resources

The Group seeks to work toward environment friendly practice. This involves giving careful consideration to various operational aspects and activities with the value chain to minimise any environmental impact.

SOCIAL

Employment and Labour Practices

Employment

Employees are regarded as valuable assets and core competitive advantages of the Group. The Group rewards and recognizes performing staff by providing a competitive remuneration package and appropriate incentives, and promotes career development and progression by appropriate training and providing opportunities within the Group for career advancement.

Health and Safety

The health and safety of employees are of the Group's priority and the Group promotes occupational and safety policy. During the year ended 31 December 2016, the Group did not encounter any major accidents for its employees.

Environmental, Social and Governance Report

Development and Training

Knowledgeable employees who are capable to meet the demands of a dynamic market is crucial to the success of the Group. Training is an important path to improve the overall quality and provide comprehensive development of the employees. The Group encourages staff to attend trainings programs/courses and provides learning opportunities for employees to enhance the competence, job skills, knowledge and performance of staff. The Group also encourages the employees to identify their own personal objectives for development, allowing them to grow together with the Group.

As regard the daily operations, experienced employees will act as supervisors to guide the subordinates so as to enhance communication and team spirits, improve their technical skills and managerial capability and encourage the learning and further development of the employees at all levels. The Group also provides learning opportunities to staff in various aspects including managerial skills, legal affairs, risk management, project coordination, financial and auditing.

Operating Practices

Anti-corruption

The Group requires its employees to conform to business ethics and put effort to prevent corruption and comply with the relevant legislation on standards of conducts, such as the Prevention of Bribery Ordinance in Hong Kong. In the cases of conflicts of interest, the staff are required to report to the Group's management. Employees who engaged in business operations and represent the Company's professional image, are strictly prohibited to use business opportunities or power for personal interest or benefits.

Community

The Group places great care on the community in which it operates and maintains close communications and interactions with various communities. The Group believes that by working together with various community partners, it can make positive contribution to the local development. During the year, the Group made donation of HK$0.85 milion.

The Group also encourages and provides opportunities staff to volunteer their time and skills to benefit the local communities.

Independent Auditors' Report

Ascenda CACHET
天健德揚

13F Neich Tower
128 Gloucester Road
Wanchai Hong Kong

INDEPENDENT AUDITORS' REPORT

To the members of IR Resources Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of IR Resources Limited (the "Company") and its subsidiaries (the "Group") set out on pages 28 to 99, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(Continued)*

Impairment assessment of the intangible assets

Refer to notes 2.4 and 3 to the consolidated financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates and note 16 to the consolidated financial statements for further information.

Key Audit Matter	How our audit addressed the Key Audit Matter
The carrying amount of the Group' intangible assets were approximately HK$41,574,000 as at 31 December 2016. The Group' intangible assets represented certain timber logging rights (the "Timber Logging Rights") in relation to three forests in Cambodia. For the purpose of assessing the impairment of Timber Logging Rights, the management engaged an independent professional valuer (the "Valuer") to perform a valuation (the "Valuation") using the value-in-use calculation and management's assumptions. Significant management judgement was used to determine the key assumptions underlying the value-in-use calculations, including (i) estimated trees volume derived by a tree expert (the "Tree Expert") engaged by the management, (ii) selling price of the timber and rubber, (iii) growth rate of the revenue, cost and tree volume, (iv) discount rate, (v) concession period, and (iv) a substantial additional funding from certain non-controlling interests of the subsidiaries for the operation of its forestry and agricultural business. Pursuant to their valuation report dated 31 March 2017, the recoverable amount of the Timber Logging Rights as at 31 December 2016 was approximately HK$41,574,000; and therefore, an impairment loss of approximately HK$265,590,000 was provided during the year ended 31 December 2016.	Our procedures in relation to management's assessment of the impairment assessment of the Group's Timber Logging Rights included, among others, the following: — Assessing the design and implementation of key controls which impact the valuation of the Timber Logging Rights; — Hold discussions with the Tree Expert and the Valuer; — Assessing the methodology and assumptions used in the value-in-use calculations for determining the recoverable amount of the intangible assets; and recalculating the amount of impairment loss on the Timber Logging Rights; — Checking with the comparable data either internal or external sources, on a sample basis, the relevance of the (i) estimated trees volume, (ii) selling price of the timber and rubber, (iii) growth rate of the revenue, cost and tree volume, (iv) discount rate; and — Reviewing existing loan facilities and other proposed financing arrangements of the Group and assessing whether the Group has sufficient financial resources to support the operation of its forestry and agricultural business.

KEY AUDIT MATTERS *(Continued)*

Determination of the changes in ownership interest of the subsidiaries without loss of control and the loss on Restructuring

Refer to note 3 to the consolidated financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates and notes 1 and 28 to the consolidated financial statements for further information.

Key Audit Matter	How our audit addressed the Key Audit Matter
As part of the restructuring (the "Restructuring") of the Group's forestry and agricultural business, the Company entered into a subscription agreement (the "Subscription Agreement") in September 2016 to allow certain independent third parties to subscribe (the "Subscription") for certain new shares in the relevant subsidiaries (the "Restructured Subsidiaries") forming the Group's forestry and agricultural business in Cambodia, which was completed on 14 October 2016 (the "Restructuring Date"). The Subscription constituted a deemed disposal of part of the equity interests in the Restructured Subsidiaries. Despite the fact that the effective equity interests of the Restructured Subsidiaries held by the Group upon the completion of the Subscription is less than 50%, the management of the Group has assessed and considered that such changes in ownership interest in the Restructured Subsidiaries did not result in a loss of control of the Restructured Subsidiaries. The Group still has control over the Restructured Subsidiaries and therefore, (i) the loss on Restructuring of approximately HK$9,889,000 was recorded as an equity transaction in the consolidated statement of changes in equity; and (ii) its assets, liabilities and results for the period from 15 October 2016 to 31 December 2016 have been fully consolidated into these consolidated financial statements of the Group. For the purpose of assessing the control over the Restructured Subsidiaries, the management determined the Group has a power to control over the Restructured Subsidiaries. In carrying out the assessments, significant management judgement was used to determine the control, including (i) the composition of the board of directors, key management personnel and the operation committees of the respective Restructured Subsidiaries; (ii) the existing rights retained by the Group to control the relevant activities of the Restructured Subsidiaries and affect its return; and (iii) the existing rights retained by the Group to control its operating and financing activities of the Restructured Subsidiaries. In calculating the loss on Restructuring, significant management estimation was used to determine the valuation of the assets (the impairment loss on the Timber Logging Rights in particular) and liabilities of the Restructured Subsidiaries as at the Restructuring Date.	Our procedures in relation to management's assessment of the determination of the Group's power to control over the Restructured Subsidiaries included, among others, the following: — Assessing the controls over the composition of the board of directors, key management personnel and the operation committee of each of the Restructured Subsidiaries; — Assessing the existing rights retained by the Group to control the relevant activities of the Restructured Subsidiaries and affect its return; — Assessing the existing rights retained by the Group to control its operating and financing activities of the Restructured Subsidiaries; — Assessing the design and implementation of key controls which impact the valuation of the assets (the impairment loss on the Timber Logging Rights in articular) and liabilities of the Restructured Subsidiaries as at the Restructuring Date; and — Recalculating the loss on Restructuring.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2016, other than 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 of the Company 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 of the Company either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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. Our report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

— 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 independent, 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 or such communication.

The engagement partner on the audit resulting in this independent auditors' report is Chan Yuk Tong.

Ascenda Cachet CPA Limited
Certified Public Accountants

Chan Yuk Tong
Practising Certificate Number: P03723

Hong Kong
31 March 2017

Consolidated Statement of Profit or Loss

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	**45,482**	38,914
Cost of sales	6	**(39,509)**	(28,096)
Gross profit		**5,973**	10,818
Other income and gains	5	**5,260**	653
Administrative expenses		**(60,529)**	(15,310)
Finance costs	7	**(14,186)**	(29,162)
Impairment loss on intangible assets	6, 16	**(265,590)**	—
Share of loss of an associate		**(4)**	—
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	**(329,076)**	(33,001)
Income tax expense	10	**(1,384)**	(1,693)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(330,460)**	(34,694)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation:			
Share of loss of associates	11	**—**	(3)
Loss on disposal of associates	11	**—**	(386)
LOSS FOR THE YEAR FROM DISCONTINUED OPERATION		**—**	(389)
LOSS FOR THE YEAR		**(330,460)**	(35,083)
Loss attributable to:			
Equity holders of the Company		**(317,743)**	(35,083)
Non-controlling interests		**(12,717)**	—
		(330,460)	(35,083)
		HK cents	*HK cents* (Restated)
Basic loss per share	13		
For loss for the year		**(73.90) cents**	(39.84) cents
For loss from continuing operations		**(73.90) cents**	(39.40) cents
Diluted loss per share	13		
For loss for the year		**(73.90) cents**	(39.84) cents
For loss from continuing operations		**(73.90) cents**	(39.40) cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

	2016 *HK$'000*	2015 *HK$'000*
LOSS FOR THE YEAR	**(330,460)**	(35,083)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**277**	(393)
Exchange fluctuation reserve realised upon disposal of associates	**—**	390
Less: Income tax effect	**—**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**277**	(3)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(330,183)**	(35,086)
Attributable to:		
Equity holders of the Company	**(317,466)**	(35,086)
Non-controlling interests	**(12,717)**	—
	(330,183)	(35,086)

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	14	**22,736**	14,600
Biological assets	15	**—**	—
Intangible assets	16	**41,574**	307,164
Interests in an associate	17	**4**	—
Available-for-sale investments	18	**30,500**	—
Total non-current assets		**94,814**	321,764
Current assets			
Inventories	19	**1,674**	—
Trade receivables	20	**887**	13,983
Prepayments, deposits and other receivables	21	**4,642**	4,592
Cash and bank balances	22	**86,406**	4,246
Total current assets		**93,609**	22,821
Current liabilities			
Trade payables	23	**742**	6,107
Other loans, other payables and accruals	24	**49,391**	157,746
Tax payables		**3,264**	1,884
Total current liabilities		**53,397**	165,737
NET CURRENT ASSETS/(LIABILITIES)		**40,212**	(142,916)
Net assets		**135,026**	178,848
EQUITY			
Share capital	25	**34,637**	131,198
Reserves	27	**96,385**	47,650
Total equity attributable to:			
Equity holders of the Company		**131,022**	178,848
Non-controlling interests		**4,004**	—
Total equity		**135,026**	178,848

Chan Ching Hang
Director

Pang King Sze, Rufina
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Attributable to equity holders of the Company									
	Share capital	Share premium	Contributed surplus	Other reserve	Share options reserve	Exchange reserve	Acc-umulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	131,198	972,987	5,265	—	—	(559)	(894,957)	213,934	(3)	213,931
Loss for the year	—	—	—	—	—	—	(35,083)	(35,083)	—	(35,083)
Other comprehensive income for the year, net of tax:										
Exchange differences on translation of foreign operations	—	—	—	—	—	(393)	—	(393)	—	(393)
Exchange fluctuation reserve realised upon disposal of associates	—	—	—	—	—	390	—	390	—	390
Total comprehensive income for the year	—	—	—	—	—	(3)	(35,083)	(35,086)	—	(35,086)
Disposal of a subsidiary	—	—	—	—	—	—	—	—	3	3
At 31 December 2015 and 1 January 2016	131,198	972,987*	5,265*	—*	—*	(562)*	(930,040)*	178,848	—	178,848
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(317,743)**	**(317,743)**	**(12,717)**	**(330,460)**
Other comprehensive income for the year, net of tax :										
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**—**	**—**	**277**	**—**	**277**	**—**	**277**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**277**	**(317,743)**	**(317,466)**	**(12,717)**	**(330,183)**
Loss on the restructuring *(note 28)*	**—**	**—**	**—**	**(9,889)**	**—**	**—**	**—**	**(9,889)**	**16,721**	**6,832**
Capital reorganisation *(note 25(a))*	**(128,574)**	**(972,987)**	**(5,265)**	**—**	**—**	**—**	**1,106,826**	**—**	**—**	**—**
Rights issue of shares *(note 25(b))*	**26,240**	**230,061**	**—**	**—**	**—**	**—**	**—**	**256,301**	**—**	**256,301**
Placing of shares *(note 25(d))*	**5,773**	**15,439**	**—**	**—**	**—**	**—**	**—**	**21,212**	**—**	**21,212**
Equity-settled share option arrangement *(note 26)*	**—**	**—**	**—**	**—**	**2,016**	**—**	**—**	**2,016**	**—**	**2,016**
At 31 December 2016	**34,637**	**245,500***	**—***	**(9,889)***	**2,016***	**(285)***	**(140,957)***	**131,022**	**4,004**	**135,026**

* These reserve accounts comprise the consolidated reserves of HK$94,369,000 (2015: HK$47,650,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax:			
From continuing operations		**(329,076)**	(33,001)
From discontinued operation	11	**—**	(389)
Adjustments for:			
Depreciation	14	**1,736**	2,843
Loss on the disposal of associates		**—**	386
Finance costs	7	**14,186**	29,162
Share of loss of an associate	11	**4**	3
Write-off of other receivables		**39**	—
Impairment loss on trade receivables	20	**4,717**	—
Impairment loss on intangible assets	16	**265,590**	—
Equity settled share option expenses	26	**2,016**	—
Write back of other payables and accruals		**(3,229)**	—
Interest income		**(38)**	—
		(44,055)	(996)
Increase in inventories		**(1,674)**	—
Decrease/(increase) in trade receivables		**8,366**	(13,983)
(Increase)/decrease in prepayments, deposits and other receivables		**(110)**	116
(Decrease)/increase in trade payables		**(5,354)**	6,107
Increase/(decrease) in other payables and accruals		**3,895**	(9,322)
Cash used in operating activities		**(38,932)**	(18,078)
Financial institution's interest paid		**(231)**	—
Net cash flows used in operating activities		**(39,163)**	(18,078)
Cash flows from investing activities			
Additions of property, plant and equipment	14	**(9,872)**	(21)
Additions of biological assets	15	**—**	—
Purchase of available-for-sale investments		**(30,500)**	—
Net cash inflow from the partial disposal of subsidiaries	29	**—**	95
Net cash inflow from the disposal of associates		**—**	2,500
Interest received		**38**	—
Net cash flows (used in)/from investing activities		**(40,334)**	2,574
Cash flows from financing activities			
Increase in amount due to related parties		**—**	5,962
New other loans obtained from a related party		**—**	11,500
Proceeds from Timber Business Loan		**20,644**	—
Cash contributed by non-controlling interests	28	**14**	—
Proceeds from rights issue		**256,301**	—
Proceeds from placing		**21,212**	—
Repayment of loans		**(62,287)**	—
Loan interest paid		**(74,504)**	—
Net cash flows from financing activities		**161,380**	17,462
Net increase in cash and cash equivalents		**81,883**	1,958
Cash and cash equivalents at beginning of year		**4,246**	2,288
Effect of foreign exchange rate changes		**277**	—
Cash and cash equivalents at end of the year		**86,406**	4,246
Analysis of cash and cash equivalents:			
Cash and bank balances		**86,406**	4,246

1. CORPORATE AND GROUP INFORMATION

IR Resources Limited (the "Company") is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business in Hong Kong is situated at 36/F., Times Tower, 391-407 Jaffe Road, Wanchai, Hong Kong.

The shares of the Company are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") is principally engaged in (i) forestry and agricultural business; and (ii) resources and logistic business. During the year, the Group extended its business into the business of the provision of financial services. Details are as follows:

Information about subsidiaries

Details of the principal subsidiaries held directly and indirectly by the Company as at 31 December 2016 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid share capital/paid-up capital	Percentage of equity attributable to the Company[R] Direct	Indirect	Principal activities
(Cambodia) Tong Min Group Engineering Co., Ltd. (the "CTM")[@βθ]	Kingdom of Cambodia ("Cambodia")	US$1,000,000	—	16% (2015:100%)	Forestry business and development of rubber plantation for latex production
Agri-Industrial Crop Development (Cambodia) Co., Ltd. ("ACD")[@βθ]	Cambodia	US$1,000,000	—	16% (2015:100%)	Forestry business and development of rubber plantation for latex production
Crops and Land Development (Cambodia) Co., Ltd. ("CLD")[@βθ]	Cambodia	US$1,000,000	—	16% (2015:100%)	Forestry business and development of rubber plantation for latex production
Well Glory Capital Investment Limited	Hong Kong	HK$10,000	100%	—	Investment holdings

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid share capital/paid-up capital	Percentage of equity attributable to the Company[(R)] Direct	Indirect	Principal activities
Green Resources Navigator International Limited[@]	BVI	US$1	100%	—	Investment holdings
Unicorn Sail Limited ("Unicorn Sail")[@ß]	Samoa	US$1,000	— (2015: 100%)	52%	Investment holdings
Vibrant Decade Limited ("Vibrant Decade")[@ßθ]	Samoa	US$1,000	—	31% (2015: 100%)	Trading of timber log
China Platinum Corporation ("China Platinum")[@ß]	Anguilla	US$1,000	— (2015: 100%)	61%	Investment holdings
Wright Global Limited ("Wright Global")[@ß]	Samoa	US$1,000	—	31% (2015: 100%)	Investment holdings
Prosper Dynamic Enterprises Limited ("Prosper Dynamic")[^@ß]	BVI	US$1,000	—	78% (2015: 100%)	Investment holdings
Environment Capital Prosperity Sports Investment Limited (formerly known as "Keen Wood Group Limited") ("Environment Capital")[@θ]	BVI	US$1	—	31% (2015: 100%)	Investment holdings
China Cambodia Resources Limited ("China Cambodia")[@ßθ]	BVI	US$27,042,548	—	16% (2015: 100%)	Investment holdings
Forest Glen Group Limited ("Forest Glen")[@ßθ]	BVI	US$42,307,692	—	16% (2015: 100%)	Investment holdings

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid share capital/paid-up capital	Percentage of equity attributable to the Company[(R)]		Principal activities
			Direct	Indirect	
IR Resources (Cambodia) Co., Ltd. ("IR Cambodia")^@	Cambodia	US$5,000	—	31%	Wood processing
Richking Development Limited ("Richking")@θ	BVI	US$1	—	16% (2015:100%)	Investment holdings
Mighty Pine Limited ("Mighty Pine")@θ	BVI	US$100	—	16% (2015:100%)	Investment holdings
Frankford Inc Limited^	Hong Kong	HK$100	100%	—	Loan financing
Leading Sense Limited^@	Samoa	US$100	100%	—	Investment holdings
Charm Sino Limited^@	Samoa	US$100	100%	—	Investment holdings
Protective Fortune Limited^@	Anguilla	US$100	100%	—	Investment holdings
廣州市怡昀匯信貿易有限公司 (Literally translated as "Guangzhou Yiwen Huisin Trading Limited")^#@	the People's Republic of China ("PRC")	RMB7,827,000	—	100%	Trading of furniture and coal

@ Not audited by Ascenda Cachet CPA Limited.

^ These subsidiaries were newly incorporated during the year ended 31 December 2016.

ß These subsidiaries were partially disposed of during the year 31 December 2016, details of which, are set out in note 28 to the consolidated financial statements.

θ These compancies are classified as subsidiaries by virtue of the Company's control over them.

\# The subsidiary is registered as a wholly foreign owned enterprise with a total registered capital of RMB8,000,000 under the PRC law. As at the end of the reporting period, the Company has contributed approximately RMB7,827,000 capital and the Company contributed the remaining balance of capital.

(R) All the percentage of equity attributable to the Company were remain unchanged with previous year except when otherwise indicated.

1. CORPORATE AND GROUP INFORMATION *(Continued)*

The Restructuring

(i) Subscription agreement

In September 2016, the Company entered into a subscription agreement (the "Subscription Agreement") with five subscribers (the "Subscribers"), who are independent third parties and have substantial experience in the timber industry with sales network. The relevant subscribers (the "Timber Logging Subscribers") will collaborate with a team of experienced personnel to establish an operating management team for the timber logging activities of the Group. Pursuant to the Subscription Agreement, (a) the Company has undergone an internal restructuring (the "Restructuring") completed on 14 October 2016 involving a deemed disposal of part of the equity interests in certain subsidiaries of the Company, namely, CTM, ACD, CLD, Unicorn Sail, China Platinum, Vibrant Decade, Prosper Dynamic, Wright Global, Environment Capital, China Cambodia, Forest Glen, IR Cambodia, Richking and Mighty Pine, to the Subscribers; (b) the Timber Logging Subscribers will enter into working capital loan agreements with the Company, pursuant to which, the Timber Logging Subscribers will in aggregate provide working capital loan (the "Timber Business Loans") up to HK$51,750,000 for the carrying out of the timber logging activities. The Timber Business Loans are unsecured, interest-free and for a term of 10 years, in which, as to approximately HK$20,644,000 as at 31 December 2016 has been provided by one of the Timber Logging Subscribers (note 24); and (c) the Timber Logging Subscribers have guaranteed that for the six month period immediately after completion of the Subscription Agreement, the six-month period commencing on the seventh month after completion of the Subscription Agreement and the twelve-month period commencing on the thirteen month after completion of the Subscription Agreement, the audited profit after tax (the "Profit Guarantee") derived from the timber logging activities will not be less than HK$5,000,000, HK$5,000,000 and HK$10,000,000, respectively.

(ii) Plantation agreement

In November 2015, the Group entered into a cooperation agreement (as supplemented by a supplemental agreement dated 11 May 2016 and 19 September 2016) (the "Plantation Agreement") with an experienced plantation operator (the "Plantation Partner"), who is an independent third party with substantial experience in the business of plantation. Pursuant to the Plantation Agreement, (i) the Plantation Partner will engage in the plantation business of the Group and, together with the relevant Subscribers (the "Plantation Subscribers"), will provide funding to carry out the plantation business of the three forests and will undertake that the annual plantation volume of each of the three forests will be no less than those required by the local registration under the investment contracts. In addition, the Plantation Partner and the Plantation Subscribers will compensate the Group any penalty imposed by the Cambodian government for reasons that the annual plantation volume cannot be met; (ii) the Plantation Subscribers will enter into working capital loan agreements with the Group, pursuant to which, the Plantation Subscribers will in aggregate provide working capital loan (the "Plantation Business Loans") up to HK$19,000,000 for the carrying out of the plantation activities. The Plantation Business Loans are unsecured, interest-free and for a term of 10 years, and as at 31 December 2016 the Plantation Subscribers have not yet to provide any Plantation Business Loans and (iii) apart from the Plantation Business Loans, the Plantation Subscribers will further provide an additional working capital loan if necessary.

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Joint venture co-operation agreement

In December 2016, the Group entered into a co-operation agreement (the "JV Co-operation Agreement") with an experienced joint venture partner (the "JV Partner"), who is an independent third party with substantial experience in the manufacturing of wood and agricultural products in Cambodia. Pursuant to the Co-operation Agreement, (i) a co-operation factory (the "JV Co-operation Factory") has been set up since December 2016; and (ii) subject to the Group's supply of adequate wood materials in compliance with the relevant rules and regulations of the Cambodian government to the joint venture co-operation factory, the JV Partner will engage in the manufacturing of wood and agricultural products for 2 years and could be further extended for 2 years and to provide related property, plant and equipment not less than US$1.8 million (approximately HK$14 million) to the Co-operation Factory, in which, as to approximately US$483,000 (approximately HK$3,767,000), has been injected by the JV Partner to the Co-operation Factory.

2.1 BASIS OF PREPARATION

Basis of preparation

The Group requires a substantial working capital for the operation of its forestry and agricultural business. In light of all the measures having been adopted and arrangements implemented under the Restructuring mentioned in note 1 above, the directors of the Company (the "Directors") are of the opinion that the Group would be able to continue as a going concern and would have sufficient cash resources to satisfy its future working capital and other financial requirements. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. No adjustments to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively, have been reflected in these consolidated financial statements if the Group is unable to continue as a going concern.

Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of the Stock Exchange (the "GEM Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company and its subsidiaries operating in Hong Kong, while the functional currencies of the Company's subsidiaries established in the PRC and Cambodia are Renminbi ("RMB") and United States dollars ("US$"), respectively. The directors of the Company consider that presenting the consolidated financial statements in Hong Kong dollars is preferable when controlling and monitoring the performance and financial position of the Group.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2016. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote-holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs, which are applicable to the Group, for the first time for the current year's consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
Annual Improvements 2012-2014 cycle	Amendments to a number of HKFRSs

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11 and certain amendments included in the Annual Improvements 2012-2014 Cycle, which are not relevant to the preparation of the Group's consolidated financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the consolidated statement of financial position and the consolidated statement of profit or loss. The amendments have had no significant impact on the Group's consolidated financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) Amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16 instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41. The amendments have had no significant impact on the Group's consolidated financial statements.

(d) Amendments to HKAS 27 allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can chose for these investments either:

(i) at cost;

(ii) in accordance with HKFRS 9 (or HKAS 39); or

(iii) using the equity method as described in HKAS 28.

The amendments have had no significant impact on the Group's consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARD

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract[2]
HKFRS 9	Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction for the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, brining together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. During 2016, the Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising fro the adoption of HKFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fiar value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Gorup expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARD *(Continued)*

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables (add any other debt instruments as applicable). The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables (add any other debt instruments as applicable) upon the adoption of HKFRS 9.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HFKRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quanititative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estmates. The standard will supersede all current revenue recognition requirments under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implement issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish betweenoperating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARD *(Continued)*

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

When an investment in associates is classified as held for sale, it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its biological assets, at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly is unobservable
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, biological assets, intangible assets, goodwill and inventory), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises in those expense categories consistent with the function of impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises.

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situtations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the aasset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	Shorter of 50 years and the unexpired term of the lease
Constructed roads	3%
Motor vehicles	20%
Plant, machinery and equipment	20% — 33%
Leasehold improvements	Over the lease term

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at lease at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Biological assets

Biological assets, which include mature and immature rubber plantations, are stated at fair value less costs that would be necessary to sell the assets, with any resultant gain or loss recognised in the consolidated statement of profit or loss.

The fair value of the rubber plantations is estimated by reference to estimations and management judgement using the discounted cash flows of the underlying biological assets.

The expected cash flows from the whole life cycle of the rubber plantations are determined using market prices and the estimated yield of the agricultural produce, net of maintenance and harvesting costs and any costs required to bring the rubber plantations to maturity. The estimated yield of the rubber plantations is dependent on the age of the rubber trees, the location of the plantations, soil type and infrastructure. The market prices of the produce are largely dependent on the prevailing market prices of rubber.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cashgenerating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Timber logging rights

Timber logging rights acquired separately by the Group are intangible assets and are stated at cost less accumulated amortisation and any impairment losses. These timber logging rights give the Group rights to log trees in the allocated concession forests land in the Kratie District, Kratie Province, Kingdom of Cambodia ("Cambodia"). Amortisation is charged on a unit-of-production basis, whereby the annual amortisation amount is determined based on the actual logging volume for the year to the projected total standing log volume of the timber in the concession forest land. These timber logging rights may be impaired whenever there is an indication that the timber logging rights are assessed for impairment.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the consolidated statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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 sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the consolidated statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the consolidated statement of profit or loss. The loss arising from impairment is recognised in the consolidated statement of profit or loss in finance costs for loans and in other expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the consolidated statement of profit or loss. The loss arising from impairment is recognised in the consolidated statement of profit or loss in other expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investment and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the consolidated statement of profit or loss in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the consolidated statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability ad intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets *(Continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment existsif one or more events that occurred after the initial recognition of the asseton the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characterstics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in the consolidated statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. Include other criteria for writing off amounts charged to the allowance account against the carrying amount of impaired financial assets.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated statement of profit or loss, is removed from other comprehensive income and recognised in the consolidated statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of profit or loss – is removed from other comprehensive income and recognised in the consolidated statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the consolidated statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value plus, and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other loans, other payables and accruals.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss.

Derecognition of financial liabilities

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

When 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 a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the consolidated statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

For the purpose of the consolidated statement of financial positions, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses, Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the provision of services, when the services are rendered; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 25 to the consolidated financial statements.

The cost of equity-settled transactions is recognised in employee benefit expenses, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of the reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of comprehensive income for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of 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, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The PRC subsidiaries of the Group participate in a mandatory central pension scheme organised by the PRC government for certain of its employees, the assets of which are held separately from those of the Group. Contributions made are based on a percentage of the eligible employee salaries and are charged to profit or loss as they became payable, in accordance with the rules of the scheme. The employer contributions vest fully once they are made.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 5% and 13% has been applied to the expenditure on the individual assets.

Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their consolidated statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Consolidation of entities in which the Group holds less than a majority of voting rights

As detailed in note 1 in the consolidated financial statements, as part of the Restructuring of the Group's forestry and agricultural business, the Company entered into the Subscription Agreement in September 2016 to allow certain independent third parties to subscribe for new shares in the Restructured Subsidiaries (as defined in note 28 to the consolidated financial statements) forming the Group's forestry and agricultural business in Cambodia, which was completed on 14 October 2016. The Subscription constituted a deemed disposal of part of the equity interests in the Restructured Subsidiaries. Despite the fact that the effective interest rate of the Restructured Subsidiaries held by the Group upon the completion of the Subscription is less than 50%, the management of the Group has assessed and considered that such changes in ownership interest in the Restructured Subsidiaries did not result in a loss of control of the Restructured Subsidiaries as the composition of the board of directors, key management personnel and the operation committees of the respective Restructured Subsidiaries were being appointed by the Group, and the Group is exposed, or has rights, to variable returns from its involvement with the Restructured Subsidiaries and has the ability to affect those returns through its power over the Restructured Subsidiaries. The Group is still control over the Restructured Subsidiaries.

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provision are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Going concern

As mentioned in note 2.1 to the consolidated financial statements, the Directors are of the opinion that the Group would be able to continue as a going concern as the Group has sufficient financial resources to support the flexibility of the operation of its forestry and agricultural business. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

If the going concern basis is not appropriate, adjustments would have to be made to reclassify non-current assets and liabilities respectively, to reduce the value of assets to their immediate recoverable amounts and to provide for any further liabilities which might arise. Such adjustments may have a significant consequential effect on the loss for the year and net liabilities of the Group.

Estimation uncertainty

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Useful lives of property, plant and equipment

The management of the Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of intangible assets

In considering the impairment losses that may be required for the Group's intangible assets, the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for these assets may not be readily available.

Provision for impairment of receivables

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectibles and ageing analysis of accounts and on the management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including these current creditworthiness and the past collection history of each customer.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

Fair value of biological assets

The Group's biological assets are valued at fair value less costs to sell. In determining the fair value of the biological assets, management has applied the income approach which requires a number of key assumptions and estimates to be made such as discount rate, log prices, plantation costs, growth and harvesting costs. Any changes in these estimates may affect the fair value of the biological assets significantly. The professional valuer and management review the assumptions and estimates periodically to identify any significant changes in the fair values of biological assets.

Impairment of available-for-sale financial assets

The unlisted equity investments have been assessed for impairment based on the financial statement and/or related financial information available for those investments. This assessment requires the Group to make estimates about expected future performance of the investments and hence they are subject to uncertainty.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. During the year, the Group extended its business into the operation of financial services and has three (2015: two) reportable operating segments as follows:

(a) the forestry and agricultural segment is the timber logging, plantation and sales of wood and agricultural products;

(b) the resources and logistics segment is the trading of resources and the provision of logistics services business; and

(c) financial services segment is the provision of loan financing, which was commenced during the year.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted loss before tax from continuing operations. The adjusted loss before tax from continuing operations is measured consistently with the Group's loss before tax from continuing operations except that interest income and finance costs, as well as, head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2016

	Forestry and agricultural segment *HK$'000*	**Resources and logistics segment** *HK$'000*	**Financial services segment** *HK$'000*	**Total** *HK$'000*
Segment revenue:				
Sales of wood and agricultural products	37,894	—	—	37,894
Sales of metallic resources	—	7,588	—	7,588
Loan interest income arising from financial services business	—	—	—	—
	37,894	7,588	—	45,482
Segment results	(282,229)	382	(7)	(281,854)
Unallocated expenses				(33,032)
Share of loss of an associate				(4)
Loss from operations				(314,890)
Finance costs	(13,553)		—	(13,553)
Unallocated finance costs				(633)
Loss before tax				(329,076)
Income tax expense				(1,384)
Loss for the year				(330,460)
Segment assets	69,463	12,085	3,002	84,550
Unallocated assets				103,873
Total assets				188,423
Segment liabilities	(38,064)	(6,971)	—	(45,035)
Unallocated liabilities				(8,362)
Total liabilities				(53,397)
Other information				
Capital expenditure	9,864	—	—	9,864
Unallocated capital expenditure				30,508
				40,372
Depreciation and amortisation	1,727	—	—	1,727
Unallocated depreciation and amortisation				9
				1,736
Other income and gains	3,243	1	3	3,247
Unallocated other income and gains				2,013
				5,260
Impairment loss on intangible assets *(notes 6 and 16)*	(265,590)	—	—	(265,590)
Impairment loss on trade receivables *(notes 6 and 20)*	(4,717)	—	—	(4,717)

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2015

No operating segment information was presented for the year ended 31 December 2015 as over 90% of the Group's revenue and assets related to the forestry and agricultural segment.

Geographical information

(a) Revenue from external customers

	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**—**	—
Mainland China	**17,386**	—
Cambodia	**28,096**	38,914
	45,482	38,914

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**11**	25
Mainland	**3**	—
Cambodia	**64,300**	321,739
	64,314	321,764

The non-current asset information of continuing operations above is based on the locations of the assets and excludes financial instruments and deferred tax assets, if any.

Information about a major customer

Revenue from continuing operations of approximately HK$23,712,000 (2015: HK$14,835,000) was derived from sales by the forestry and agricultural segment to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after trade discounts and related resources taxes, received and receivable from the independent third parties during the year.

An analysis of revenue, other income and gains is as follows:

	2016 HK$'000	2015 HK$'000
Revenue		
Sales of wood and agricultural products	**37,894**	38,914
Sales of metallic resources	**7,588**	—
Loan interest income arising from financial services business	**—**	—
Total revenue	**45,482**	38,914
Other income and gains		
Bank interest income	**38**	—
Gain on exchange difference	**—**	9
Write back of other payables and accruals	**3,229**	—
Others	**1,993**	644
Total other income and gains	**5,260**	653
Total revenue, other income and gains	**50,742**	39,567
Revenue		
Attributable to continuing operations reported in the consolidated statement of profits or loss	**45,482**	38,914
Attributable to discontinued operation	**—**	—
	45,482	38,914
Other income and gains		
Attributable to continuing operations reported in the consolidated statement of profits or loss	**5,260**	653
Attributable to discontinued operation	**—**	—
	5,260	653
	50,742	39,567

6. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

Loss before tax is arrived at after charging/(crediting):

	2016 *HK$'000*	2015 *HK$'000*
Costs of goods sold:		
Continuing operations	**39,509**	28,096
Discontinued operation *(note 11)*	**—**	—
	39,509	28,096
Auditors' remuneration:		
Annual audit	**920**	939
Other assurance services	**25**	628
	945	1,567
Amortisation of intangible assets *(note 16)*	**—**	—
Depreciation of property, plant and equipment**(note 14)*	**1,736**	2,843
Impairment loss on biological assets *(note 15)*	**—**	—
Write off of other receivables	**39**	—
Impairment loss on trade receivables *(note 20)*	**4,717**	—
Impairment loss on intangible assets *(note 16)*	**265,590**	—
Loss on exchange difference	**21**	—
Minimum lease payments under operating leases:		
Land and buildings	**659**	618
Staff costs (excluding directors' remuneration *(note 8)):*		
Wages and salaries*	**5,854**	2,118
Pension scheme contributions	**235**	80
Equity-settled share options expenses	**2,016**	—
	8,105	2,198
Write back of other payables and accruals	**(3,229)**	—
Bank interest income	**(38)**	—

* Cost of inventories include approximately HK$58,000 (2015: HK$Nil) and HK$126,000 (2015: HK$Nil) relating to staff costs and depreciation. As the goods are not yet sold at the end of the reporting period, the amounts are included in the inventories (note 19).

7. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Financial institution's loan interest	**225**	—
Bank overdraft interest	**6**	—
Interest on the KW Loan *(as defined in note 24(a))*	**13,553**	28,694
Interest on the RC Loan *(as defined in notes 1 and 24(b))*	**402**	468
	14,186	29,162

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the GEM Listing Rules, Section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016 HK$'000	2015 HK$'000
Fees	**672**	400
Other emoluments:		
Salaries, allowances and benefits in kind	**24,651**	1,015
Pension scheme contributions	**88**	23
	24,739	1,038
Total	**25,411**	1,438

8. DIRECTORS' REMUNERATION *(Continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Pension scheme contributions HK$'000	Equity-settled share-based expenses HK$'000	Total HK$'000
2016						
Executive directors						
Zeng Lingchen	**180**	**—**	**—**	**—**	**—**	**180**
Yu Xiao Min#	**—**	**4,566**	**20,000**	**87**	**—**	**24,653**
Xu Miao Xia*#	**132**	**29**	**—**	**—**	**—**	**161**
Chan Ching Hang@ *(note (a))*	**—**	**56**	**—**	**1**	**—**	**57**
	312	**4,651**	**20,000**	**88**	**—**	**25,051**
Independent non-executive directors						
Hong Binxian	**120**	**—**	**—**	**—**	**—**	**120**
Pang King Sze, Rufina	**120**	**—**	**—**	**—**	**—**	**120**
Hung Kennethβ	**120**	**—**	**—**	**—**	**—**	**120**
	360	**—**	**—**	**—**	**—**	**360**
	672	**4,651**	**20,000**	**88**	**—**	**25,411**
2015						
Executive directors						
Yu Xiao Min	—	600	—	18	—	618
Xu Miao Xia*#	—	60	—	—	—	60
Zeng Lingchen	—	180	—	—	—	180
Chultemsuren Gankhuyagα	—	40	—	—	—	40
Leung Sze Yuan, AlanΩ *(note (b))*	—	135	—	5	—	140
	—	1,015	—	23	—	1,038
Independent non-executive directors						
Pang King Sze, Rufina	120	—	—	—	—	120
Hong Binxian	120	—	—	—	—	120
Hung Kennethβ	90	—	—	—	—	90
Wen HuiyingΩ	70	—	—	—	—	70
	400	—	—	—	—	400
	400	1,015	—	23	—	1,438

Ω Resigned in March 2015.
β Appointed in March 2015.
α Resigned in May 2015.
* Appointed in May 2015.
\# Resigned in December 2016.
@ Appointed in December 2016.

8. DIRECTORS' REMUNERATION *(Continued)*

Notes:

(a) Mr. Chan Ching Hang ("Mr. Chan") was appointed as a director on 2 December 2016. Apart from the director's remuneration of HK$ 57,000 during the period from 2 December 2016 to 31 December 2016, the Group paid to him staff salary of approximately HK$103,000 and granted share options valued at HK$2,016,000 before his appointment as a director of the Company which had been included under "Staff costs" in note 6 to the consolidated financial statements. During the year ended 31 December 2016, the aggregate of his director's remuneration and staff salary constituted one of the five highest paid employees and fell within the band of HK$2,000,001 to HK$3,000,000.

(b) Mr. Leung Sze Yuan, Alan ("Mr. Leung") resigned as a director in March 2015. Apart from the director's remuneration of HK$140,000 during the period from January 2015 to March 2015, the Group paid staff salary to him after his resignation as a director of the Company which has been included under "Staff costs" in note 6 to the consolidated financial statements. During the year ended 31 December 2015, the aggregate of his director's remuneration and staff salary constituted one of the 5 highest paid employees and fell within the band of Nil to HK$1,000,000.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2015: Nil) and no emoluments have been paid to the directors as an inducement to join or upon joining the Group; or as compensation for loss of office (2015: HK$ Nil).

The number of directors, whose remuneration fell within the following bands is as follows:

	Number of directors	
	2016	2015
Nil to HK$1,000,000	**5**	9
HK$1,000,001 to HK$2,000,000	**—**	—
HK$2,000,001 to HK$3,000,000	**1**	—
HK$3,000,001 to HK$4,000,000	**—**	—
HK$4,000,001 to HK$5,000,000	**—**	—
Over HK$5,000,000	**1**	—
	7	9

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (inclusive of Mr. Chan) (2015: two, inclusive of Mr. Leung) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2015: three) non-directors highest paid employees for the year are as follows:

	2016	2015
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**2,614**	1,158
Equity-settled share option expenses	**—**	—
Pension scheme contributions	**21**	37
	2,635	1,195

9. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The number of non-directors, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of individuals	
	2016	2015
Nil to HK$1,000,000	**3**	3

10. INCOME TAX EXPENSES

Hong Kong

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2015 and 2016.

PRC

Under the Enterprise Income Tax Law, the Enterprise Income Tax ("EIT") has been provided at the rate of 25% during the year ended 31 December 2016. EIT has not been provided as the Group did not generate any assessable profits arising in the PRC during the year ended 31 December 2015.

Cambodia

Under the Cambodian Law on Taxation, the Cambodian corporate income tax ("CCIT") is calculated at a rate of 20%. CCIT has not been provided as the Group did not generate any assessable profits arising in Cambodia during the years ended 31 December 2015 and 2016.

	2016 ***HK$'000***	2015 *HK$'000*
Current tax:		
Hong Kong	**1,085**	1,693
PRC enterprise income tax	**299**	—
Cambodia	**—**	—
	1,384	1,693
Deferred tax	**—**	—
Total tax charge for the year	**1,384**	1,693

10. INCOME TAX EXPENSES *(Continued)*

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the countries in which the Group are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2016		2015	
	HK$'000	**%**	*HK$'000*	%
Loss before tax from continuing operations	**(329,076)**		(33,001)	
Tax at the statutory tax rates	**(63,870)**	**19.4**	(5,620)	17.0
Income not subject to tax	**(331)**	**0.1**	(182)	0.6
Expenses not deductible for tax	**63,422**	**(19.3)**	6,506	(19.7)
Tax loss not recognised	**2,163**	**(0.7)**	989	(3.0)
Tax charge at effective tax rate	**1,384**	**(0.5)**	1,693	(5.1)

The Group had deferred tax assets not recognised in respect of tax losses available for offsetting future assessable profits and accelerated depreciation in Cambodia for a period of five years as follows:

	2016	2015
	HK$'000	*HK$'000*
Tax losses*	**34,932**	46,612
Accelerated depreciation	**—**	—
	34,932	46,612

* The expiry date of the above tax losses were as follows:

	2016	2015
	HK$'000	*HK$'000*
2016	**—**	22,495
2017	**8,291**	8,291
2018	**5,783**	5,783
2019	**5,097**	5,097
2020	**4,946**	4,946
2021	**10,815**	—
	34,932	46,612

11. DISCONTINUED OPERATION

During the year ended 31 December 2014, the Directors discontinued the Group's basic goods business and disposed of the relevant associates during the year ended 31 December 2015. The results of the basic goods business are as follows:

	2016	2015
	HK$'000	*HK$'000*
Revenue	**—**	—
Cost of goods sold	**—**	—
Selling and distribution expenses	**—**	—
Administrative expenses	**—**	(9)
Impairment loss on other receivables	**—**	—
Loss for the year	**—**	(9)
Share of losses of associates (30% thereon)	**—**	(3)
Loss on disposal of associates	**—**	(386)

	2016	2015
	HK cents	*HK cents*
Loss per share:		
Basic, from the discontinued operation	**N/A**	(0.44) cents
Diluted, from the discontinued operation	**N/A**	(0.44) cents

The calculation of basic and diluted loss per share from the discontinued operation is based on:

	2016	2015
	HK$'000	*HK$'000*
Loss attributable to ordinary equity holders of the parent from the discontinued operation	**—**	(389)

	Number of shares (in '000)	
	2016	2015
		(Restated)
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation *(note 13)*	**429,992**	88,058
Weighted average number of ordinary shares used in the diluted loss per share calculation *(note 13)*	**429,992**	88,058

12. DIVIDENDS

The directors did not recommend a final dividend for the year ended 31 December 2016 (2015: Nil).

13. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year and up to the date of this report.

The calculation of basic loss per share is based on:

	2016	2015
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to ordinary equity holders of the Company, used in the basic loss per share calculation:		
From continuing operations	**(317,743)**	(34,694)
From a discontinued operation	**—**	(389)
	(317,743)	(35,083)

	Number of shares (in '000)	
	2016	2015 (Restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation:		
Issued ordinary shares at 1 January and 31 December	**429,992**	88,058

The weighted average number of ordinary shares for the year ended 31 December 2016 has been adjusted for the share consolidation which was completed subsequent to the end of the reporting period on 13 January 2017 (note 34(a)).

The weighted average number of ordinary shares for the year ended 31 December 2015 has been retrospectively adjusted for (i) the share consolidations which were completed on 21 April 2016 (note 25(c)) and 13 January 2017 (note 34(a)), respectively; and (ii) the rights issue which was completed on 27 May 2016, (note 25).

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2016 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented. For the year ended 31 December 2015, the Group had no potentially dilutive ordinary shares in issue during the year.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Constructed roads HK$'000	Motor vehicles HK$'000	Plant, machinery and equipment HK$'000	Leasehold improvements HK$'000	Total HK$'000
31 December 2016						
At 1 January 2016:						
Cost	4,854	24,043	1,175	10,555	48	40,675
Accumulated depreciation and impairment	(2,374)	(14,168)	(1,156)	(8,346)	(31)	(26,075)
Net carrying amount	2,480	9,875	19	2,209	17	14,600
At 1 January 2016, net of accumulated depreciation and impairment	2,480	9,875	19	2,209	17	14,600
Additions	—	—	1,482	8,383	7	9,872
Depreciation provided during the year	(86)	(712)	(37)	(900)	(1)	(1,736)
At 31 December 2016, net of accumulated depreciation and impairment	2,394	9,163	1,464	9,692	23	22,736
At 31 December 2016:						
Cost	4,854	24,043	2,657	18,829	55	50,438
Accumulated depreciation and impairment	(2,460)	(14,880)	(1,193)	(9,137)	(32)	(27,702)
Net carrying amount	2,394	9,163	1,464	9,692	23	22,736

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings *HK$'000*	Constructed roads *HK$'000*	Motor vehicles *HK$'000*	Plant, machinery and equipment *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
31 December 2015						
At 1 January 2015:						
Cost	4,854	24,043	1,175	25,053	48	55,173
Accumulated depreciation and impairment	(2,171)	(13,366)	(988)	(21,209)	(17)	(37,751)
Net carrying amount	2,683	10,677	187	3,844	31	17,422
At 1 January 2015, net of accumulated depreciation and impairment	2,683	10,677	187	3,844	31	17,422
Additions	—	—	—	21	—	21
Derecognised through disposal of subsidiaries *(note (i))*	—	—	—	—	—	—
Depreciation provided during the year	(203)	(802)	(168)	(1,656)	(14)	(2,843)
At 31 December 2015, net of accumulated depreciation and impairment	2,480	9,875	19	2,209	17	14,600
At 31 December 2015:						
Cost	4,854	24,043	1,175	10,555	48	40,675
Accumulated depreciation and impairment	(2,374)	(14,168)	(1,156)	(8,346)	(31)	(26,075)
Net carrying amount	2,480	9,875	19	2,209	17	14,600

Notes:

(i) As detailed in note 29 to the consolidated financial statements, the Second Linkbest Disposal (as defined in note 29 to the consolidated financial statements) was completed on 19 August 2015 and accordingly, the net carrying amount of its plant, machinery and equipment of HK$Nil (after deducting the accumulated depreciation and impairment of approximately HK$14,519,000) was derecognised during the year ended 31 December 2015.

15. BIOLOGICAL ASSETS

	2016 *HK$'000*	2015 *HK$'000*
At 1 January	—	—
Additions	—	—
Impairment *(note 6)*	—	—
Change in fair value	—	—
At 31 December	—	—

Analysis of biological assets

	2016 Hectares	2015 Hectares
Planted area – Immature plants with no commercial value	**2,140**	2,140

During the years ended 31 December 2015 and 2016, there was no addition in the biological assets.

16. INTANGIBLE ASSETS

	Timber logging rights *HK$'000*
Cost	
At 1 January 2015	896,932
Additions	—
At 31 December 2015 and 1 January 2016	896,932
Additions	—
At 31 December 2016	**896,932**
Accumulated amortisation and impairment	
At 1 January 2015	589,768
Amortisation charge for the year	—
At 31 December 2015 and 1 January 2016	589,768
Amortisation charge for the year	—
Impairment made on 14 October 2016 *(note 6)*	265,590
At 31 December 2016	**855,358**
Carrying amount	
At 31 December 2016	**41,574**
At 31 December 2015	307,164

As at 31 December 2016, the net carrying amount before impairment of the intangible assets is approximately HK$767,350,000 (2015: HK$767,350,000).

16. INTANGIBLE ASSETS *(Continued)*

The Group acquired an exclusive right (the "1st Timber Logging Right") to log trees in a forest (the "Forest 1") located in Kratie District, Kratie Province, Cambodia for a period of 70 years up to 13 September 2077 during the year ended 31 December 2007. The Group acquired additional two exclusive rights (together with the 1st Timber Logging Right, collectively referred to as the "Timber Logging Rights") to log trees in the other two forests ("Forest 2" and "Forest 3") located in Kbal Damrei Commanes, Cambodia for a period of 70 years up to 8 December 2078 and 8 December 2078 during the years ended 31 December 2008 and 2010, respectively. The Timber Logging Rights give the Group rights to log tree in Forests 1, 2 and 3 (collectively, the "Forests") with areas of approximately 7,449, 7,000 and 7,200 hectares, respectively. In July 2015, the Royal Government of Cambodia issued a notification that the period of the Timber Logging Rights will be reduced from 70 years to 50 years. As of the date of these consolidated financial statements, the Group has not yet signed any new investment contract with the Royal Government of Cambodia, and therefore, the period of the Timber Logging Rights remains unchanged.

The Group is using the "unit of production method" ("UOP") as the amortisation method. No amortisation was provided during the years ended 31 December 2015 and 2016 due to insignificant timber logging activities carried out during the years ended 31 December 2015 and 2016.

Impairment testing of intangible assets

31 December 2016

The Directors engaged (i) a professional tree expert (the "Tree Expert") to determine the volume and condition of the timber (the "2016 Timber Volume") in the Forests underlying the Timber Logging Rights and (ii) Peak Vision Appraisals Limited, the independent professional valuers (the "Valuer") to determine the fair value of the Timber Logging Rights as at 31 December 2016. The physical inspections and physical count of the 2016 Timber Volume were attended by the Tree Expert, the Valuer and the auditors (the "Auditors") in January 2017. Based on such 2016 Timber Volume, the management also determined the related amortisation of the Timber Logging Rights for the year ended 31 December 2016.

As at 31 December 2016, the recoverable amounts of the intangible assets were revalued by the Valuer. Based on the valuation report dated 31 March 2017 (the "2016 IA Valuation Report"), the recoverable amount of the intangible assets as at 31 December 2016 was HK$41,574,000 and therefore, except for the impairment on 14 October 2016 as mentioned below, no impairment was further provided in the consolidated financial statements for the year ended 31 December 2016.

14 October 2016 (date of the Restructuring)

As detailed in note 1 to the consolidated financial statements, as part of the Restructuring in accordance with the Subscription Agreement, the Subscription constituted a deemed disposal of part of the equity interests in the Restructured Subsidiaries on 14 October 2016. With reference to the 2016 IA Valuation Report, the Directors re-assessed the recoverable amount of the intangible assets as at 14 October 2016. Based on such re-assessment and after taking into account the market conditions and the activities of the Forests, the Directors are of the opinion that the recoverable amounts of the intangible assets as at 14 October 2016 should approximate those as at 31 December 2016 at approximately HK$41,574,000 and therefore, the Group made an impairment loss of intangible assets of approximately HK$265,590,000 on 14 October 2016, which was mainly due to the decrease in the future estimated selling price of the rubber.

31 December 2015

The Directors also engaged (i) the Tree Expert to determine the volume and condition of the timber (the "2015 Timber Volume") in the Forests underlying the Timber Logging Rights and the Valuer to determine the fair value of the Timber Logging Rights. The physical inspections and physical count of the 2015 Timber Volume were attended by the Tree Expert and the Auditors, in January 2016. The management also determined the related amortisation of the Timber Logging Rights for the year ended 31 December 2015 based on the 2015 Timber Volume.

16. INTANGIBLE ASSETS *(Continued)*

As at 31 December 2015, the recoverable amounts of the intangible assets were revalued by the Valuer. Based on the valuation report dated 23 February 2016 (the "2015 IA Valuation Report"), the recoverable amount of the intangible assets as at 31 December 2015 was HK$307,164,000; and therefore, no impairment was made for the year ended 31 December 2015.

Extracted from the 2015 IA Valuation Report and the 2016 IA Valuation Report, key assumptions were used in the value in use calculation of the Timber Logging Rights as at 31 December 2015 and 2016. The following are the key assumptions on which management has based its cash flow projections to undertake impairment testing of intangible assets:

	31 December 2016 %	31 December 2015 %
Growth rate:		
Revenue	**3.26**	3.49
Cost	**2.42**	2.77
Trees volume	**0.73**	0.73
Discount rate	**18.65**	19.53
Inflation rate	**1.03**	1.00
Concession period	**70 years**	70 years

The weighted average revenue growth rate and cost growth rate used were based on the industry research. The discount rate used was pre-tax that reflected current market assessments of the time value of money and the specific risks related to the relevant segment.

Pursuant to the 2015 IA Valuation Report and the 2016 IA Valuation Report, the fair value was determined based on the excess earnings method under the income approach, which used observable inputs (e.g. (i) market price of wood and rubber; and (ii) interest rate by reference to the Economic and Monetary Statistics published by the National Bank of Cambodia, etc.) and taking into account the timber output amount determined by the business plan based on (i) the land to be cleared, (ii) the standing timber per hectare in the concession area and (iii) the expected processing recovery rate for sawn timber, which used unobservable inputs, to be completed in order to meet the master plan which was agreed by the relevant Cambodia government authority.

At each financial year, the Directors:

- verifies all major inputs to the independent valuation report;
- assesses intangible assets movements when compared to the prior year valuation report; and
- holds discussions with the Valuer.

17. INTERESTS IN AN ASSOCIATE

	2016	2015
	HK$'000	*HK$'000*
Unlisted shares, at cost*	**—**	—
Due from associate	**8**	—
Share of loss of an associate	**(4)**	—
	4	—

* The investment cost in an associate represented 49% equity interest in such associate and the with the investment cost amounts to US$49 (equivalent to approximately HK$382). The investment cost in associate has been presented as "nil" as a result of rounding.

The amount due from associate is unsecured, interest-free and has no fixed terms of repayment.

The principal activity of the associate is investment holding.

The following table illustrates the summarised financial information of the associate as extracted from their unaudited management accounts:

	2016	2015*
	HK$'000	*HK$'000*
Assets	**1**	N/A
Liabilities	**(8)**	N/A
Revenue for the year	**—**	N/A
Loss for the year	**(7)**	N/A

18. AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015
	HK$'000	*HK$'000*
Unlisted equity investments, at cost *(note (a))*	**20,500**	—
Unlisted income fund, at cost	**10,000**	—
	30,500	—

Note:

(a) On 13 October 2016, the Group entered into a sale and purchase agreement with Jun Yang Financial Holdings Limited (the "Vendor"), pursuant to which, the Group acquired 17.5% equity interest in Jun Yang Solar Power Investment Holdings Limited ("Jun Yang Solar Power") and its subsidiaries (collectively, referred as the "Solar Power Group") at a cash consideration of HK$20,500,000. The Jun Yang Group is principally engaged in the solar power generation business. As the Group did not have significant influence over the Solar Power Group, such equity investment was accounted for as available-for-sale investments.

As at 31 December 2016, the above unlisted equity investments with a carrying amount of HK$30,500,000 (2015: Nil) were stated at cost less impairment because the range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

19. INVENTORIES

	2016	2015
	HK$'000	*HK$'000*
Raw materials	**433**	—
Work in progress	**525**	—
Finished goods	**716**	—
	1,674	—

At 31 December 2016, the Group's inventories with carrying amount of approximately HK$4,753,000 (2015: HK$4,753,000) were written-down to net realisable value of HK$Nil (2015: Nil).

As disclosed in note 6 to the consolidated financial statements, the inventories include approximately HK$58,000 (2015: HK$Nil) and HK$126,000 (2015: HK$Nil) relating to staff costs and depreciation, respectively.

20. TRADE RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	**7,605**	15,984
Less: Impairment	**(6,718)**	(2,001)
	887	13,983

The aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2016 HK$'000	2015 HK$'000
Current to 30 days	**887**	5,710
31 to 60 days	**—**	6,668
Over 60 days	**—**	1,605
	887	13,983

The movements in the provision for impairment of trade receivables during the reporting period are as follows:

	2016 HK$'000	2015 HK$'000
At 1 January	**2,001**	2,001
Impairment losses recognised *(note 6)*	**4,717**	—
At 31 December	**6,718**	2,001

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	**887**	12,378
Less than 1 month past due	**—**	1,605
1 to 3 months past due	**—**	—
	887	13,983

The trade receivables are non-interest bearing and are normally settled on 60-day terms.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Prepayments	**714**	963
Deposits and other receivables	**3,542**	10,320
Tax receivables	**496**	—
Deposits for litigation	**—**	556
Due from a related party	**490**	—
	5,242	11,839
Less: Impairment	**(600)**	(7,247)
	4,642	4,592

At 31 December 2016, an impairment loss of HK$600,000 (2015: HK$7,247,000) has been provided against the other receivables. Except for such impairment, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

* The amount due from a related party, who is one of the Subscribers, is unsecured, interest-free and has no fixed terms of repayment.

22. CASH AND BANK BALANCES

	2016 HK$'000	2015 HK$'000
Cash and bank balances	**86,406**	4,246

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$10,342,000 (2015: HK$Nil). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks which are authorised to conduct foreign exchange business.

23. TRADE PAYABLES

The aged analysis of the trade payables as at the end of the reporting period, based on the invoide date, is as follows:

	2016 HK$'000	2015 HK$'000
Current to 30 days	**742**	4,246
31 - 60 days	**—**	1,861
	742	6,107

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

24. OTHER LOANS, OTHER PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Other payables and accruals	**28,782**	34,880
Due to an ex-director*	**6,783**	30
KW Loan *(note (a))*:		
— Principal	**—**	46,787
— Accrued interest	**—**	60,060
RC Loan *(note (b))*:		
— Principal	**—**	15,500
— Accrued interest	**—**	489
Timber Business Loans *(note (c))*	**13,826**	—
Financial liabilities measured at amortised cost	**49,391**	157,746

* The amount due to an ex-director, Yu Xiao Min, who resigned in December 2016, is unsecured, interest-free and has no fixed terms of repayment.

Notes:

(a) Environment Capital Prosperity Sports Investment Limited ("Environment Capital") (formerly known as "Keen Wood Group Limited") entered into a loan agreement (the "KW Loan Agreement") with Mr. Zhang Zhenzhong ("Mr. Zhang"), the former chief executive office of the Company. Pursuant to the KW Loan Agreement, Mr. Zhang would provide two loan facilities in an aggregate principal amount of up to HK$76,300,000 to Environment Capital which was interest bearing at 5% per annum, secured by 100% of the shares in Forest Glen Group Limited ("Forest Glen") and China Cambodia Resources Limited ("China Cambodia"). As at 31 December 2015, the outstanding balances of the principal drawn down by Environment Capital under the the KW Loan Agreement amounted to approximately HK$37,323,000 and HK$9,464,000, respectively (collectively, the "KW Loan"), in which, as to HK$37,323,000 should be repaid on or before 20 May 2015 and the remaining balances of HK$9,464,000 should be repaid on or before 20 May 2016. If defaults (the "Defaults") in the loan agreement is triggered (including but not limited to (1) default in repayment; and (2) the shares of the Company to be listed on the GEM or trading in the shares of the Company has been suspended for a period of more than 60 trading days after the date of the KW Loan Agreement), an additional interest of (i) 15% will be charged for the first 20 business days from said due date; (ii) 30% will be charged for the first 3 months immediately following the first 20 business days; and (iii) 50% will be charged thereafter. On 31 October 2014, a then related company ("RC", with which a former director of the Company was connected until 14 November 2014) acquired the KW Loan from Mr. Zhang and, therefore, Mr. Zhang was no longer a creditor of the Group as at 31 December 2015. During the years ended 31 December 2015 and 2016, interest accrued on the KW Loan of approximately HK$13,553,000 (2015: HK$28,694,000) was recognised in the consolidated statement of profit or loss. In June 2016, the KW Loan together with accrued interest has been fully repaid.

(b) RC further provided a RC Loan to the Group for an amount up to HK$25,000,000. As at 31 December 2015, the Group had withdrawn approximately HK$15,500,000 (the "RC Loan"). The RC Loan bears interest at 5% per annum and unsecured. During the year ended 31 December 2016, interest accrued on the RC Loan of approximately HK$402,000 (2015: HK$468,000) was further recognised in the consolidated statement of profit or loss. In May 2016, the RC Loan together with accrued interest has been fully repaid.

(c) As detailed in note 1 to the consolidated financial statements, the Timber Logging Subscribers will provide the Timber Business Loans up to HK$51,750,000 for the carrying out of the timber logging activities. The Timber Business Loans are unsecured, interest-free and for a term of 10 years, in which, as to HK$20,644,000 has been provided by one of the Timber Logging Subscribers as at 31 December 2016. As at the Restructuring Date, the present value of the Timber Business Loans is approximately HK$13,826,000 (note 28).

25. SHARE CAPITAL

	Note	2016 Number of shares	2016 Nominal value HK$'000	2015 Number of shares	2015 Nominal value HK$'000
Authorised:					
At beginning of year, ordinary shares of HK$0.05 each		**4,000,000,000**	**200,000**	4,000,000,000	200,000
Capital reorganisation	*(a)*	**196,000,000,000**	**—**	—	—
Share consolidation	*(c)*	**(180,000,000,000)**	**—**	—	—
At end of year, ordinary shares of HK$0.001		**20,000,000,000**	**200,000**	4,000,000,000	200,000
Issued and fully paid:					
At beginning of year, ordinary shares of HK$0.05 each		**2,623,950,965**	**131,198**	2,623,950,965	131,198
Capital reorganisation	*(a)*	**—**	**(128,574)**	—	—
Rights issue of shares	*(b)*	**26,239,509,650**	**26,240**	—	—
Share consolidation	*(c)*	**(25,977,114,554)**	**—**	—	—
Placing of shares	*(d)*	**577,260,000**	**5,773**	—	—
At end of year, ordinary shares of HK$0.001		**3,463,606,061**	**34,637**	2,623,950,965	131,198

Notes:

(a) On 21 April 2016, the Company completed a capital reorganisation (the "Capital Reorganisation") involving the capital reduction, the reduction of share premium and the elimination of accumulated losses. The Capital Reorganisation was approved by independent shareholders at the special general meeting on 20 April 2016. Details of which are as follows:

(i) Capital reduction

This involves the reduction of the nominal value of each then issued share from HK$0.05 each to HK$0.001 each and every then authorised but unissued share will be sub-divided into 50 new shares (the "New Share(s)") with a par value of HK$0.001 each;

(ii) Reduction of share premium

After the capital reduction having become effective on 21 April 2016, the entire amount standing to the credit of the share premium account of the Company was reduced to nil and the credit arising from such reduction was credited to the contributed surplus account of the Company; and

(iii) Elimination of accumulated losses

Following the completion of the capital reduction and the reduction of share premium, the credit amount standing in the contributed surplus account of the Company was used to set off the accumulated losses of the Company in full.

25. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(b) On 27 May 2016, the Company completed a rights issue (the "Rights Issue") by issuing 26,239,509,650 rights shares (the "Rights Share(s)") to the qualifying shareholders at the subscription price of HK$0.01 per Rights Share on the basis of ten Rights Shares for every one New Share on the record date. The Rights Issue was approved by independent shareholders at the special meeting held on 20 April 2016. The net proceeds of approximately HK$256,301,000 for strengthen the working capital of the Group.

(c) On 22 June 2016, the Company completed a share consolidation (the "Share Consolidation") on the basis that every ten issued and unissued existing shares (the "Existing Shares") were consolidated into one consolidated share (the "Consolidated Shares") of HK$0.001 each. The Share Consolidation was approvded by independent shareholders at the special meeting held on 21 June 2016.

(d) On 11 July 2016, the Company entered into a placing agreement (the "Placing Agreement") with the placing agent, pursuant to which, the Company placed a total of 557,260,000 New Shares (the "Placing Shares") of HK$0.01 each to not less than six placees who and whose respective ultimate beneficial owners are independent third parties at a placing price of HK$0.038 per Placing Share . The Placing was completed on 29 July 2016, with the net proceeds of approximately HK$21,212,000 for strengthen the working capital of the Group.

26. SHARE OPTION SCHEME

In June 2011, pursuant to an ordinary resolution passed by the shareholders of the Company, the Company adopted a new share option scheme (the "Share Option Scheme") and terminated the prior share option scheme which was adopted on 14 December 2001. The purpose of the Share Option Scheme is to enable the Company to grant share options (the "Share Options") to participants in order to recognise and motivate the contribution of the employees of the Group and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economics interest in attaining the long term business objectives of the Group. Under the Share Option Scheme, options may be granted to any employees and Directors and its subsidiaries to subscribe for shares of the Company.

The total number of shares in respect of which Share Options may be granted under the Share Option Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Share Options granted to independent non-executive Directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders. Subject to the terms of the Share Option Scheme, the Share Option may be exercised in whole or in part at any time during the period to be determined and identified by the board of directors (the "Board") to each grantee at the time of making an offer for the grant of the Share Option, but in any event no later than 10 years from the date of grant but subject to the early termination of the Share Option Scheme.

During the year ended 31 December 2016, the Company granted 210,000,000 Share Options under the Share Options Scheme to Mr. Chan Ching Hang ("Mr. Chan"), an employee of the Company at the time of grant. The number of such granted Share Options has been consolidated to 21,000,000, which remained outstanding as at 31 December 2016.

The consideration of HK$10 is payable on the grant date of the Share Options. Share Options may be exercised during the validity and exercise period of two years from the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

26. SHARE OPTION SCHEME *(Continued)*

(a) Details of specific categories and the outstanding Share Options during the years ended 31 December 2015 and 2016 are as follows:

Date of grant	Exercise period	Outstanding as at 1 January 2016	Granted during the year	Adjustment for share consolidation	Outstanding as at 31 December 2016	Fair value at the grant date *HK$*	Exercise price at the grant date *HK$*	Adjusted exercise price after share consolidation *(note (i))* *HK$*
Employee								
Mr. Chan*								
27 May 2016	27 May 2016 to 26 May 2018	—	210,000,000	(189,000,000)	21,000,000	0.0096	0.016	0.16
		—	210,000,000	(189,000,000)	21,000,000			

* Mr. Chan became as a director of the Company on 2 December 2016.

Note:

As a result of the share consolidation on the basis of every ten shares consolidated into one share on 22 June 2016, the numbers and the exercise prices of the Share Options outstanding were adjusted accordingly. The adjustments were made pursuant to the Scheme and in compliance with the GEM Listing Rules and supplementary guidance issued by the Stock Exchange on 5 September 2005. As detailed in note 34(a) to the consolidated financial statements, the Company further completed a share consolidation on the basis that every five issued and unissued existing shares were consolidated into one consolidated share. Therefore, the outstanding number of share options will be further decreases to 4,200,000.

The fair value of equity-settled share options granted during the year, the then total number of 210,000,000 Share Options granted to Mr. Chan on 27 May 2016, was HK$2,016,000, which was estimated as at the date of grant using a trinomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Expected volatility	242.11%
Historical volatility	242.11%
Risk-free interest rate	0.568%
Life of options	2 years
Weighted average share price	HK$0.0096

The life of the options is based on the validity and exercise period of the share options granted. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual income.

27. RESERVES

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

(i) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value. The application of the share premium account is governed by Bye-Law 140(A) of the Company's Bye-Laws and the Companies Act 1981 of Bermuda (the "Companies Act").

Details of the reduction of share premium value as a result of the capital reorganisation are set out in note 25(a)(ii).

(ii) Contributed surplus

Pursuant to a reorganisation in 2001, the Company became the holding company of the Group. The excess of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in exchange under the reorganisation was transferred to contributed surplus. Contributed surplus is available for distribution to shareholders subject to the provisions of Section 54 of the Companies Act. As detailed in note 25(a) to the consolidated financial statements, the credit amount as at 21 April 2016, standing in the contributed surplus account of the Company after the completion of the capital reduction (note 25(a)(i)) and the reduction of share premium (note 25(a)(ii)) was used to set off the accumulated losses of the Company in full.

(iii) Share options reserve

Share options reserve comprises the portion of grant date fair value of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2.4.

28. LOSS ON RESTRUCTURING

31 December 2016

As detailed in note 1 to the consolidated financial statements, as part of the Restructuring, the Group completed a deemed disposal of part of the equity interests of the Restructured Subsidiaries (including (i) 84% effective interest in CTM, ACD, CLD, China Cambodia, Forest Glen, Richking and Mighty Pine; (ii) 69% effective interest in Vibrant Decade, Wright Global, Environment Capital and IR Cambodia; (iii) 48% effective interest in Unicorn Sail; (iv) 39% effective interest in China Platinum; and (v) 22% effective interest in Prosper Dynamic) to the Subscribers at cash consideration (the "Cash Consideration") of approximately HK$14,000 in aggregate. The Restructuring was completed on 14 October 2016 (the "Restructuring Date").

Apart from the Cash Consideration, (i) the Subscribers together with other parties will provide certain interest free loans, namely the Timber Business Loans and the Plantation Business Loans, for a period of 10 years up to HK$51,750,000 and HK$19,000,000, respectively, for the carrying out of the timber logging and plantation activities. The lenders of the Timber Business Loans and the Plantation Business Loans are referred as the "Timber Logging Subscribers" and "Plantation Subscribers", respectively. As at 31 December 2016, the respective amounts of approximately HK$20,664,000 and HK$ Nil of the Timber Business Loans and the Plantation Business Loans have been withdrawn by the Group; and (ii) the Timber Logging Subscribers have guaranteed the Profit Guarantee (as defined below) to the Group.

At the Restructuring Date, the assets and liabilities of the Restructured Subsidiaries and the related loss on Restructuring were as follows:

	HK$'000
14 October 2016	
Net assets disposed of:	
Property, plant and equipment	18,535
Biological assets	—
Intangible assets	41,574
Cash and cash equivalents	112
Inventories	102
Trade receivables	19,734
Prepayments, deposits and other receivables	6,360
Accruals and other payables	(58,085)
Due to the ultimate holding company	(1,108,888)
Due to fellow subsidiaries	(75,816)
Tax payable	(2,968)
Net liabilities value of the Restructured Subsidiaries	(1,159,340)
Less: Inter company balance with other members to the Group:	
Due to the ultimate holding company	(1,108,888)
Due to the fellow subsidiaries	(75,816)
	25,364
Portion attributable to the non-controlling interests of the Restructured Subsidiaries	16,721
Less: Consideration received	(6,832)
Loss on Restructuring	9,889
Satisfy by:	
— Cash Consideration	14
— Interest saving arising from the Timber Business Loans and the Plantation Business Loans *(note 24)*#	6,818
— Fair value of the Profit Guarantee*	—
Total consideration received	6,832

28. LOSS ON RESTRUCTURING *(Continued)*

As the requirements for the Subscribers to provide interest-free Timber Business Loans are integral parts of the Restructuring, the related interest savings from such interest-free loans are included in the calculation of the loss on Restructuring.

* The Timber Logging Subscribers have granted a guarantee of the audited profit after tax derived from the timber logging activities not to be less than HK$5,000,000, HK$5,000,000 and HK$10,000,000, respectively for the six-month period immediately after the completion of the Subscription Agreement, the six-month period commencing on the seventh month after completion of the Subscription Agreement and the twelve-month period commencing on the thirteen month after completion of the Subscription Agreement (the "Profit Guarantee").

The Profit Guarantee should be initially recognised as a derivative and should be stated at its fair value at the end of each reporting period. Pursuant to which, the Group may, after taking into the relevant factors and the circumstance, execute a share charge at its discretion, if and only if, there is a shortfall in the Profit Guarantee. However, the Directors considered that the Group did not have any intention to execute the share charge and therefore, the Directors are of the opinion that the fair value of the Profit Guarantee is not material to the consolidated financial statements as at 14 October 2016 and 31 December 2016 and did not recognised in the consolidated financial statement.

As the above changes in equity interests in the Restructured Subsidiaries held by the Group did not result in a loss of control of the Restructured Subsidiaries and therefore, the loss on Restructuring of HK$9,889,000 was directly recognised as an equity transaction in the consolidated statement of changes in equity.

29. LOSS OF ACCESS TO CERTAIN BOOKS AND MAINTAINED BY CERTAIN SUBSIDIARIES

31 December 2015

On 15 June 2011, Linkbest System Development Limited ("Linkbest") obtained control over (the "Acquisition") 內蒙古華越礦業有限公司 (literally translated as Inner Mongolia Huayue Mining Limited, "IM Mining") through a contractual agreement, for a cash consideration at HK$25,000,000 from the vendor, Mr. Gong Ting ("Mr. Gong"). Mr. Gong was also a substantial shareholder and a director of the Company during the year ended 31 December 2012 and subsequently resigned as a director of the Company on 4 September 2014. At the date of previous auditors' report dated 27 March 2012 on the consolidated financial statements for the year ended 31 December 2011, the Group still had not obtained the approval from the relevant PRC authorities in respect of the transfer of ownership of the equity interest in IM Mining. IM Mining was engaged in resources and logistics business.

During the years ended 31 December 2012, 2013 and 2014 and as far as in the best knowledge and belief of the Directors up to the date of the subsequent disposal of IM Mining in August 2015, the Group still had not obtained the approval from the relevant PRC authorities in respect of the transfer of ownership of the equity interest in IM Mining. The Group entered into a sale and purchase agreement (the "First Sales and Purchase Agreement") in September 2012 to dispose (the "First Linkbest Disposal") of its 100% equity interest in Linkbest and its subsidiaries (including IM Mining) (collectively, the "Linkbest Group") to the original vendor, Mr. Gong. However, the First Linkbest Disposal had not been completed. On 19 August 2015, the Group further entered into a sale and purchase agreement (the "Second Sale and Purchases Agreement") with an independent third party, pursuant to which, the Group disposed (the "Second Linkbest Disposal") of the Linkbest Group to an independent third party at a cash consideration of HK$100,000.

As (i) the management of the Company had been devoting its attention in preparing for the disposal of the Linkbest Group to Mr. Gong, who had been designated by the Board to manage the Linkbest Group since 2012; (ii) the departure of certain management and staff as a result of the non-performance of IM Mining and wage dispute; and (iii) all the remaining books and records of the Linkbest Group were transferred to the buyer upon completion of the Second Linkbest Disposal in August 2015, the underlying books and records of the Linkbest Group were not accessible and only limited financial information of the Linkbest Group was retained by the Group for accounting and auditing purposes.

During the period from 1 January 2015 to 19 August 2015, the results of the Linkbest Group consolidated into these consolidated financial statements were based on the unaudited management financial statements of the Linkbest Group that were made available to the Directors.

29. LOSS OF ACCESS TO CERTAIN BOOKS AND MAINTAINED BY CERTAIN SUBSIDIARIES *(Continued)*

	Period from 1 January 2015 to 19 August 2015 *HK$'000*
Revenue	—
Cost of sales	—
Gross profit	—
Other income and gains	—
Selling and distribution expenses	—
Administrative expenses	—
Loss before tax	—
Income tax expenses	—
Loss for the period	—

29. LOSS OF ACCESS TO CERTAIN BOOKS AND MAINTAINED BY CERTAIN SUBSIDIARIES *(Continued)*

The major classes of assets and liabilities of the Linkbest Group as at the disposal date and certain impairments are as follows:

	Carrying amount *HK$'000*	Impairment *HK$'000*	Net amount *HK$'000*
Assets			
Property, plant and equipment	5,972	(5,972)	—
Goodwill	18,579	(18,579)	—
Prepayments, deposits and other receivables	7,883	(2,046)	5,837
Due from a fellow subsidiary	11	—	11
Cash and bank balances	5	—	5
Total assets	32,450	(26,597)	5,853
Liabilities			
Other payables and accruals	(5,742)	—	(5,742)
Due to the immediate holding company	(25,004)	—	(25,004)
Due to the ultimate holding company	(28)	—	(28)
Total liabilities	(30,774)	—	(30,774)
Net assets/(liabilities) value	1,676	(26,597)	(24,921)
Less: Inter company balance with other members of the Group			
Due from a fellow subsidiary	11	—	11
Due to the immediate holding company	(25,004)	—	(25,004)
Due to the ultimate holding company	(28)	—	(28)
Net assets directly associated with the Linkbest Group	26,697	(26,597)	100
Consideration received			100
Gain on disposal			—

30. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2016	2015
Percentage of equity interest held by non-controlling interests:		
CTM	**84%**	N/A
ACD	**84%**	N/A
CLD	**84%**	N/A
Unicorn Sail	**48%**	N/A
Vibrant Decade	**69%**	N/A
China Platinum	**39%**	N/A
Wright Global	**69%**	N/A
Prosper Dynamic	**22%**	N/A
Environment Capital	**69%**	N/A
China Cambodia	**84%**	N/A
Forest Glen	**84%**	N/A
IR Cambodia	**69%**	N/A
Richking	**84%**	N/A
Mighty Pine	**84%**	N/A

	2016 *HK$'000*	2015 *HK$'000*
Profit/(loss) for the period from 14 October 2016 (date of Restructuring) to 31 December 2016 allocated to non-controlling interests:		
CTM	**286**	N/A
ACD	**287**	N/A
CLD	**313**	N/A
Unicorn Sail	**(6)**	N/A
Vibrant Decade	**(3,255)**	N/A
China Platinum	**—**	N/A
Wright Global	**(6)**	N/A
Prosper Dynamic	**—**	N/A
Environment Capital	**—**	N/A
China Cambodia	**—**	N/A
Forest Glen	**(8,269)**	N/A
IR Cambodia	**(2,057)**	N/A
Richking Development	**(10)**	N/A
Mighty Pine	**—**	N/A

30. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

The following tables illustrate summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	CTM HK$'000	ACD HK$'000	CLD HK$'000	Unicorn Sail HK$'000	Vibrant Decade HK$'000	China Platinum HK$'000	Wright Global HK$'000	Prosper Dynamic HK$'000	Environment Capital HK$'000	China Cambodia HK$'000	Forest Glen HK$'000	IR Resources (Cambodia) HK$'000	Richking Development HK$'000	Mighty Pine HK$'000
Period from 14 October 2016 (date of Restructuring) to 31 December 2016														
Revenue	605	569	585	–	9	–	–	–	–	–	–	–	–	–
Total expenses	(265)	(225)	(210)	(8)	(4,724)	–	(8)	–	–	–	(9,843)	(2,978)	(9)	–
Profit/(Loss) for the year	340	344	375	(8)	(4,715)	–	(8)	–	–	–	(9,843)	(2,978)	(9)	–
Total comprehensive income for the year	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	340	344	375	(8)	(4,715)	–	(8)	–	–	–	(9,843)	(2,978)	(9)	–
At 31 December 2016														
Current assets	26,888	9,025	1,225	–	12,247	4	8	3	472,921	81,086	81,698	3,864	–	–
Non-current assets	10,294	6,522	3,892	8	39	4	–	5	503,081	54,600	250,000	5,458	–	–
Current liabilities	(139,428)	(58,136)	(17,274)	(17)	(2,968)	(15)	(15)	(9)	(1,049,115)	(1,406)	(116,599)	(14,391)	(80,024)	(7,827)
	(102,246)	(42,589)	(12,157)	(9)	9,318	(7)	(7)	(1)	(73,113)	134,280	215,099	(5,069)	(80,024)	(7,827)

31. OPERATING LEASE COMMITMENTS

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms of two years.

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016	2015
	HK$'000	*HK$'000*
Within 1 year	**493**	106
In the second to fifth years, inclusive	**54**	—
	547	106
Continuing operations	**547**	106
Discontinued operation	**—**	—
	547	106

32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31 above, the Group had the following capital commitments at the end of the reporting period:

	2016	2015
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Acquisition of subsidiaries	**33,220**	—

On 13 October 2016, the Group entered into a sale and purchase agreement (the "Nine Rivers S&P") with an independent third party, pursuant to which, the Group will acquire (the "Nine Rivers Acquisition") 60.4% equity interest in Nine Rivers Capital Partners Limited (the "Nine Rivers") (formerly known as "Jensen Capital Limited") at a consideration of approximately HK$33,220,000. Nine Rivers is a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance ("SFO").

The completion of the Nine Rivers Acquisition is subject to the fulfilment of certain conditions precedent as set out in the Nine Rivers S&P. Up to the date of this report, the Nine Rivers Acquisition has not yet been completed.

33. RELATED PARTY BALANCES AND TRANSACTIONS

In addition to the transactions detailed elsewhere in these consolidated financial statements, the compensation of key management personnel of the Group is as follows:

	2016 **HK$'000**	2015 HK$'000
Short term employee benefits	**25,952**	1,438
Post-employment benefits	**—**	—
Equity-settled share option expenses	**2,016**	—
Total compensation paid to key management personnel	**27,968**	1,438

34. EVENTS AFTER THE REPORTING PERIOD

The Group had the following material events after the reporting period:

(a) On 13 January 2017, the Company completed a share consolidation on the basis that every five issued and unissued existing shares of HK$0.01 each were consolidated into one consolidated share of HK$0.05 each.

(b) On 8 February 2017, the Company entered into a placing agreement with the placing agent, pursuant to which, the Company placed a total of 138,540,000 shares at a price of HK$0.2 each to not less than six placees who and whose respective ultimate beneficial owners are independent third parties. The placing was completed on 23 February 2017, with the net proceeds of approximately HK$26,300,000 for strengthen the working capital of the Group.

(c) On 22 February 2017, the Group entered into a loan agreement (the "Loan Agreement") with Jun Yang Solar Power Investment Holdings Limited (the "Borrower"), the Group is interested in 17.5% equity interest of the Borrower. Pursuant to the Loan Agreement, the Group will provide a loan (the "Loan") of US$1,750,000 (equivalent to approximately HK$13,650,000) to the Borrower. The Loan, which will form part of the Group's long term investment in the Borrower, is unsecured, interest-free and repayable upon demand subject to the consent of all shareholders of the Solar Power Group.

35. FINANCIAL INSTRUMENTS BY CATEGORY

31 December 2016

Financial assets

	2016 HK$'000	2015 HK$'000
Available-for-sales investments	**30,500**	—
Loan and receivables:		
Trade receivables	**887**	13,983
Deposits and other receivables	**3,928**	3,629
Cash and bank balances	**86,406**	4,246
	121,721	21,858

Financial liabilities

	2016 HK$'000	2015 HK$'000
At amortised cost:		
Trade payables	**742**	6,107
Other loans, other payables and accruals	**49,391**	157,746
	50,133	163,853

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents available-for-sales investments, trade receivables, financial assets included in the prepayments, deposits and other receivables, cash and bank balance, trade payables, financial liabilities included in other loans, other payables and accruals, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value hierarchy

The Group did not have financial assets and financial liabilities measured at fair value as at 31 December 2016 and 2015.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments are trade receivables, other receivables, trade payables, other loans, other payables and accruals. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets such as trade receivables which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the consolidated financial statements.

Interest rate risk

The Group has no significant interest-bearing financial assets and liabilities with a floating interest rate. The Group's results and operating cash flows are substantially independent of changes in market interest rates.

Foreign currency risk

The directors are of the opinion that almost all of the transactions of the Group and recognised financial assets and liabilities are denominated either in HK$, United States Dollar ("US$") or Renminbi ("RMB") and accordingly the Group's foreign currency risk is not material as the exchange rate of HK$ against US$ is quite stable. The Group currently does not have a foreign currency hedging policy. However, the management will monitor the foreign exchange exposure should the need arises.

Price of wooden products and rubbers

Wood products and rubbers are common commodity and its price is subject to a number of factors including the consumer demand, the supply of wood products and rubbers in the market, the substitution of wood products and rubbers etc. When there is a continuous decline in the price of wood products and rubbers, the profitability of the Group will be adversely affected and the recoverable amount of the Group's intangible assets.

Credit risk

The Group's credit risk is primarily attributable to trade receivables, deposits and other receivables and cash and bank balance. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The allowance for impairment has been made to reduce the exposure to the credit risk in relation to the receivables. Other than this there are no significant concentrations of credit risk within the Group in relation to other financial assets.

Liquidity risk

The Group monitors its risk to a shortage of funds and will arrange financing if necessary. As at 31 December 2016, the Group had cash and bank balances of approximately HK$86,406,000 (2015: HK$4,246,000) and recorded a net current assets of approximately HK$40,212,000 (2015: net current liabilities of HK$142,916,000). Also, during the year ended 31 December 2016, the Company entered into the loan facilities for the carrying out of the timber logging activities. As at the date of this report, the Company had withdrawn approximately HK$20,644,000. The amount is unsecured, interest-free and has a term of ten years, and will only be repaid under the conditions that profit has been generated from the Vibrant Decade.

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

Liquidity risk *(Continued)*

The maturity of the financial liabilities of the Group at the end of each of the reporting period is as follows:

31 December 2016

	On demand and a term of ten years *HK$'000*	**On demand or no fixed terms of repayment** *HK$'000*	**Total** *HK$'000*
Trade payables	**—**	**742**	**742**
Financial liabilities included in other loans, other payables and accruals	**13,826**	**35,565**	**49,391**
	13,826	**36,307**	**50,133**

31 December 2015

	On demand and a term of ten years *HK$'000*	On demand or no fixed terms of repayment *HK$'000*	Total *HK$'000*
Trade payables	—	6,107	6,107
Financial liabilities included in other loans, other payables and accruals	—	157,746	157,746
	—	163,853	163,853

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

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

Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes trade payables, other loans, other payables and accruals and tax payables, less cash and bank balances. Capital includes equity attributable to equity holders of the Company. The gearing ratios as at the end of reporting periods were as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Trade payables	**742**	6,107
Other loans, other payables and accruals	**49,391**	157,746
Tax payables	**3,264**	1,884
Less: Cash and bank balances	**(86,406)**	(4.246)
(Net assets)/net debt	**(33,009)**	161,491
Total capital:		
Equity attributable to equity holders	**131,022**	178,848
Capital and net debt	**98,013**	340,339
Gearing ratio	**N/A**	48%

38. COMPARATIVE AMOUNTS

In addition to the restatement to the loss per share amounts presented for the year ended 31 December 2015 (note 13), certain comparative amounts have been reclassified and restated to conform with the current year's presentation.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 HK$'000	2015 HK$'000
Non-current assets		
Property, plant and equipment	10	17
Investments in subsidiaries	60	74
Total non-current assets	70	91
Current assets		
Prepayments, deposits and other receivables	401	1,202
Due from subsidiaries	153,933	277,393
Cash and bank balance	71,417	2,613
Total current assets	225,751	281,208
Current liabilities		
Other loans, other payables and accruals	12,670	25,723
Due to subsidiaries	92,082	82,480
Total current liabilities	104,752	108,203
NET CURRENT ASSETS	120,999	173,005
Net assets	121,069	173,096
EQUITY		
Issued capital	34,637	131,198
Reserves	86,432	41,898
Total equity	121,069	173,096

Chan Ching Hang
Director

Zeng Lingchen
Director

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

Note:

A summary of the Company's reserve is as follows:

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Share options reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2015	972,987	5,265	—	(922,999)	55,253
Loss for the year and total comprehensive income for the year	—	—	—	(13,355)	(13,355)
At 31 December 2015	972,987	5,265	—	(936,354)	41,898
At 1 January 2016	972,987	5,265	—	(936,354)	41,898
Capital reorganisation *(note 25(a))*	(972,987)	(5,265)	—	1,106,826	128,574
Rights issue of shares *(note 25(b))*	230,061	—	—	—	230,061
Placing of shares *(note 25(d))*	15,439	—	—	—	15,439
Equity-settled share option arrangement *(note 26)*	—	—	2,016	—	2,016
Loss for the year and total comprehensive income for the year	—	—	—	(331,556)	(331,556)
At 31 December 2016	245,500	—	2,016	(161,084)	86,432

40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2017.

Five Years Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated/reclassified as appropriate, is set out below. The consolidated financial statements for the years ended 31 December 2012, 2013 and 2014 had been disclaimed by the auditors of the Company and the consolidated financial statements for the year ended 31 December 2015 had been qualified by the auditors of the Company. Details of the disclaimer opinions and qualified opinion of the auditors were set out in the annual reports for the years ended 31 December 2012, 2013, 2014 and 2015 of the Company, respectively.

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**45,482**	38,914	—	6,563	6,313
Cost of sales	**(39,509)**	(28,096)	—	(3,917)	(5,062)
Gross profit	**5,973**	10,818	—	2,646	1,251
Other income and gains	**5,260**	653	1,172	2,019	20,288
Selling and distribution costs	**—**	—	—	(758)	(2,078)
Administrative expenses	**(60,529)**	(15,310)	(15,464)	(24,925)	(116,589)
Finance costs	**(14,186)**	(29,162)	(25,728)	(5,697)	—
Impairment loss on property, plant and equipment	**—**	—	—	—	(15,512)
Impairment loss on goodwill arising rom a subsidiary	**—**	—	—	—	(18,579)
Impairment loss on prepayments, deposits and other receivables	**—**	—	(1,163)	—	(2,038)
Write-off of prepaid expense	**—**	—	—	(1,924)	—
Write-down of inventories to net realisable value	**—**	—	—	(3,065)	(819)
Impairment loss on biological assets	**—**	—	(481)	(6,058)	(31,766)
Share of loss of an associate	**(4)**	—	—	—	—
Impairment loss on intangible assets	**(265,590)**	—	—	—	(460,186)
LOSS BEFORE TAX	**(329,076)**	(33,001)	(41,664)	(37,762)	(626,028)
Income tax expenses	**(1,384)**	(1,693)	—	—	—
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(330,460)**	(34,694)	(41,664)	(37,762)	(626,028)
DISCONTINUED OPERATION					
Share of (loss)/profit from associates	**—**	(3)	(1)	(54,718)	25,909
Impairment loss on goodwill arising from associates	**—**	—	—	(90,366)	—
Loss on disposal of associates	**—**	(386)	—	—	—
LOSS FOR THE YEAR	**(330,460)**	(35,083)	(41,665)	(182,846)	(600,119)
Attributable to:					
Equity holders of the Company	**(317,743)**	(35,083)	(41,665)	(182,846)	(600,119)
Non-controlling interests	**(12,717)**	—	—	—	—
	(330,460)	(35,083)	(41,665)	(182,846)	(600,119)
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**188,423**	344,585	340,308	346,512	505,920
TOTAL LIABILITIES	**(53,397)**	(165,737)	(126,377)	(90,536)	(68,140)
NON-CONTROLLING INTERESTS	**(4,004)**	—	3	3	3
	131,022	178,848	213,934	255,979	437,783